

Suria Capital Holdings Bhd's 35th AGM on 26/6/2018 Questions and Comments from Mr Joshua Y C Kong

Good Governance

1. The Chairman is not at this AGM to answer for his Statement for 2017.
- 1A. With the previous chairman resigning suddenly on 28 May, 2018, is good governance (page 58) to be reflected and a black dot for the SCG?
 - The Chairman's Statement serves as an introduction to the Annual report and as a note of appreciation to all shareholders and stakeholders.
 - The Chairman's statement is no longer made mandatory pursuant to the amendments to the Bursa's Main Market Listing Requirements in 2016.
 - The Chairman is not required to deliberate on his statement as the details are contained in the Management Discussion and Analysis Section of the Annual Report.
2. With 14 days' notice since 13 June, 2018 and 26/6/2018 as inclusive for the amendments/addendum in the various resolutions, is it a bad precedence in good governance? Is this AGM legal? How to convey to all members and the additional costs to do this?
 - The Notice of the AGM was issued on 30 April 2018, i.e. more than 21 days as required under Bursa's Main Market Listing Requirements. The Notice served on 30 April 2018 represents a valid Notice. The issuance of Notice was made in pursuant to the Company's Memorandum and Articles of Association and requirements of the Main Market Listing Requirements.
 - The Notice was advertised and published in local and national newspapers and was also published on Suria Capital Holding Berhad ("Suria")'s website. The Notice was also mailed to all shareholders together with the abridged and CD copy of the Annual Report on the 30 April 2018.
 - The Notice of Addendum issued on the 13 June 2018 was a notice to amend the Agenda in view of the resignation of directors and appointment of a new director.

3. Would SCG consider the clarion calls by some quarters including MACC in recent days that politicians be not involved in the Board of GLC? Again, this is in the context of good governance. Is the incoming Chairman, a politician?
- Tan Sri Ibrahim Menudin does not hold any political position.

Cabotage

4. With the cabotage policy as withdrawn or varied in recent years, have this development any impact on the business of Sabah Ports? If so, please quantify.
- The further liberalisation of the Malaysian Cabotage Policy effective 1st June 2017 supports the provision of international shipping services by Sabah ports to both domestic and foreign-flagged vessels.
 - Prior to the said liberalisation, the Malaysian Cabotage Policy did not prevent direct international shipping services to/from a port in Malaysia from taking place. The Policy only prohibited Foreign-flagged vessels from carrying domestic cargo from one domestic port to another domestic port. Vessels loading timber and palm oil exports as well as those bringing bulk fertiliser imports or containers already called Sabah ports directly without having to call Port Klang first even when the Cabotage Policy was in full force. Some of the container vessels berthing at Sabah ports come directly from China and Hong Kong.
 - At present, the Cabotage Policy has been further liberalised to allow foreign-flagged vessels to carry domestic cargo or containers between West Malaysian ports and ports in Sabah. There is no noticeable impact on the volume of cargo or container handled due to this liberalisation as the number of shipping lines serving the ports in Sabah remained the same, except with the addition of one foreign container shipping line calling Sapangar Bay Container port since April 2018. This shipping line is basically competing with existing domestic shipping lines for the same volume.

MMC Bhd

5. There was an intention of MMC Bhd. or its ports subsidiary to consider “taking over” Sabah Ports Sdn. Bhd.

Was the expressed intention just to take a share (Major or minority or wholly?) of Sabah Ports Sdn. Bhd?

How would this proposed deal now KIV impact the business structure of SCG as Sabah Ports Sdn Bhd is the core business of SCG? I hope Sabah would not lose SPSB like we lost Sabah Bank Sdn. Bhd. to outsiders also sort of linked to SCG.

Is this proposed deal any co-occurrence or link with the Federal Grants for Expansion of more than a billion Ringgit for SPSB started in 2018?

- Please refer to our announcement to Bursa Malaysia Securities Berhad dated 6 April 2018 whereby we announced that Suria had no intention of selling its stake in SPSB to any parties. The proposal was initiated by MMC.

Federal Grant

6. Federal Grants for Expansion of Sabah Ports Sdn. Bhd (“SPSB”).

Would the grants be accounted in SPSB’s accounts starting with 2018?

Would the grants be continued under new administration given the financial dilemma of excessive national debts?

What is the amount already applied in 2018?

- The grant will not be reflected in Suria’s account as the grant (if any) will be channelled through SEDIA for payments to contractors involved in the expansion projects.
- As the Federal Minister of Finance (MOF) is currently reviewing all mega projects nation-wide, we will wait for further decision and instruction from the MOF.

Cost of Sales

7. Pages 13 and 14 shows a figure RM100,211 m and included in cost of sales of RM238,457m (page 12) and in page 106, there is NO note to the cost of sales, so my questions are as follows:-

What is the nature of this item and material to the gross profit of RM94,201m (page22) the lowest since 2013.

Is this figure explained any way in the 2017 Annual Report?

The Chairman's statement (page 4) does not mention this item, why?

- The explanation is provided for in the Management Discussion and Analysis Section. The Cost of Sales was up by RM79.7 million (50%) mainly due to:
 - ✓ Construction Cost for Concession Infrastructure of RM100.2 million, increased by 223% from 2016 due to additional capital expenditures spent on construction and upgrading of ports' infrastructure and facilities as explained on page 13 and 15 of the Annual Report. In accordance with IC Interpretation 12, the amount was also accounted for as Revenue from Construction Services for Concession Infrastructure.
 - ✓ Port operating expenses of RM127.3 million, higher by RM9.7 million from 2016, represents mainly personnel costs, amortisation of capex, leasing of port land, stevedore contract labour and stevedore tug boat services.

Goods and Services Tax (GST)

8. With the likely repeal of GST in July, 2018, and now zero rated, how would GST impact the performance of SCG?
- As for ports business, ports services are categorised as zero rated under the GST regime. No GST charges were imposed for ports services to customers. Sabah Ports Sdn Bhd was able to claim input tax for its purchases of taxable supplies and was always in the GST refund position. With the GST being abolished, it does not impact Sabah Ports as there will be no more input tax to be charged by suppliers.

- With the GST being abolished, we expect the cost of doing business will be slightly lower since advance payment of GST to custom is no longer required.

Share Prices and Its Trend

9. Page 57 illustrates Market Capitalisation and share prices trends since 2013 and share prices had been on decline from RM2.65 (2013) to RM1.85 in 2017 and now possibly RM1.60, and while the shares trading has been active, would you agree what I share in questions 1-8 are relevant for an improvement of the share prices? Your comment please for the new Board.

- The movements of Suria's share prices for the past 5 years are illustrated on page 57 of the Annual Report. Our key shareholders continue to hold their shareholding in the company due to their confidence in the company's consistent performance and future potential. Suria's shares are recognised by Bursa Malaysia as shariah-compliant and this further encourages shareholders or public investors who prefer or are required to maintain shariah-compliant shares in their investment portfolio.
- Adverse market sentiments arising from external factors that affect our capital market generally, pose some effect on our share price as well as the share prices of other counters. At Suria, our focus is for long-term sustainability where we continue to strive to enhance our existing core business and venture into related new businesses that will add to shareholders' value. Internally, Suria and its Group of companies has capable and experienced Board of Directors, strong corporate governance structure and also strong risk management as well as internal control practices.
- Recent analyst report on Suria dated 25 May 2018 maintains a positive long-term outlook on the port operations due to potential growth in Sabah's economy in view of the various industrialisation initiatives undertaken by the State and Federal Government. This would be positive for Suria's port operations but it is believed that the impact is likely to be protracted. The report suggests that investors maintain a HOLD position, which signifies that our fundamentals remain intact.

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Questions and Comments from the Minority Shareholder Watchdog Group

Port Operations

1. We note of page 8 of the Annual report that a total of 9,914 vessels called at Sabah Ports during 2017 as compared to 11,242 vessels in 2016.

(i) What is the reason for the decrease in the number of vessels calling at the Sabah Ports?

- The main reason for the decline in the number of vessels calling at Sabah Ports was because of the use of bigger vessels to achieve economies of scale. This is consistent with the current trend world-wide.
- Notwithstanding this, Sabah Ports continue to undertake new initiatives to upgrade port facilities to enhance the Ports' services efficiency and delivery system to fulfil customers' needs and expectations.
- We have also intensified our efforts to enhance the handling capacity of the Sapangar Bay Container Port towards a Transshipment hub that is equipped with new fleet of machineries.

(ii) Is the Company expecting this declining trend to continue?

- The declining trend in terms of the number of vessels is expected to continue but this will not affect the cargo volume which is expected to increase based on higher throughput volume handled at sufferance wharf.

Property Development

2. The development of Jesselton Quay project has taken off with the commencement of ground works for the 4-acre Jesselton Quay Central at the end of 2016 as the first phase of the whole development as disclosed on page 6 of the Annual Report.
- (i) What is the current status of the development of Jesselton Quay Central (“JQC”) project?

Progress update as at 31 May 2018

Overall JQC Progress

| Trade | Weightage (%) | Progress per Trade (%) | Overall Progress |
|-------------------------|---------------|------------------------|------------------|
| Substructure | 8.00 | 74.40 | 5.95 |
| Main Building Work | 87.00 | 1.18 | 1.03 |
| External Infra | 2.50 | - | - |
| Beach Club | 2.50 | - | - |
| Overall Progress | | | 6.98 |

FOUNDATION

- Sub Structure Work

| Phases/Zone | Progress Work done | |
|---------------------------|--------------------|---------------|
| | Piling Work | Pile Cap Work |
| Zone A - City Pad Tower 1 | 100% | 100% |
| Zone B - City Pad Tower 2 | 100% | 98.5 |
| Zone C - Podium | 99% | - |
| Zone D - I-Hotel Tower | 98% | - |
| Total Work done | 99.3% | 49.6% |
| Overall Work done | 74.4% | |

MAIN BUILDING WORK

- Structure Work

| Zone | Progress per Zone (%) | Overall Structure Progress (%) |
|---------------------------|-----------------------|--------------------------------|
| Zone A (City Pad Tower 1) | 10.51 | 3.29 |
| Zone B (City Pad Tower 2) | 2.02 | 0.64 |
| Zone C (Podium) | - | - |
| Zone D (I-Hotel Tower) | - | - |
| Total | | 3.93 |

Overall MBW Progress

| Trade | Progress per Trade (%) | Overall Progress (%) |
|--------------|------------------------|----------------------|
| Structure | 3.93 | 1.18 |
| Architecture | - | - |
| M&E | - | - |
| Total | | 1.18 |

- (ii) What is the current take-up rate for Jesselton Quay Central Development consisting of two 25-storey commercial suit towers?

Each of the two 25-storey commercial suite towers consists of 349 units. The take-up rate is as follows:

- Tower A – 100%
- Tower B – 50%

- (iii) What is the timeframe for completion for Phase 1?

The Jesselton Quay Central (i.e. Phase 1) is expected to be completed by the end of 2020.

Renewable Energy

3. On page 11 of the Annual Report, we note that Suria Engineering received an award from the Federal Government in November 2017 to build a largescale solar photovoltaic plant of 2.00 MW in Kawang, Papar, Sabah.

Please provide the estimated cost, timeline for completion and the current status of the abovementioned project?

- The base cost for the submitted Engineering Procurement Construction and Commissioning was RM10.682 million. The expected Commercial Operation date is 31 December 2019.
- We are currently in the process of finalising the Project Documents covering the Power Purchase Agreement, the Planning Approval and the Land Lease Documents that need to be signed between the land owner and Suria Re Sdn Bhd. These Projects Documents will be submitted to Suruhanjaya Tenaga by or before 31 July 2018.

Corporate Governance Matters

4. The Company has announced its Annual Report 2017 on the Bursa Malaysia Securities Berhad's ("Bursa Securities") website on 27 April 2018. However, the Corporate Governance Report ("CG Report") in the prescribed format required by Bursa Securities was not issued and announced at the same time together with the announcement of the Annual Report.

Paragraph 1.1 (B) of the Practice Note 9 of the Main Market Listing Requirements of Bursa Securities requires the Company to announce the CG Report in the prescribed format together with the announcement of the Annual report. Bursa Securities also requires the Company to state in its Annual report, the designated website link or address where the CG Report may be downloaded.

Please take note on this.

[We thank you for highlighting this matter. This matter has been fully rectified.](#)

5. On page 79 of the Annual Report, it is stated that the Company has applied most of the Principles of the Malaysian Code on Corporate Governance ("MCCG") practices during the financial year.

Please state what are the MCCG practices that the Company has not applied.

[There are 2 items which we have not fully applied and they are as follows:](#)

[Principle 4.4 \(Please refer to page 69 of the Annual Report\)](#)

- [The Board of Suria intends to retain the independency of Datuk Ismail Awang Besar beyond the 9-year period. At this coming AGM, Suria will seek the approval of the shareholders for Datuk Ismail Awang Besar to continue to serve as an Independent and Non-Executive Director of Suria.](#)

[Principle 7.2 \(Senior Management Remuneration\)](#)

- [The only remuneration of the Senior Management disclosed was the remuneration of the Executive Director reported on page 152 of the Annual Report. The Board of Directors was of the view that disclosing Senior Management's remuneration individually would not be in the best interest of the Group.](#)

6. Datuk Ramlee bin Marahaban only attended 5 out of the 8 Board meetings during the financial year.

What are the reasons for him not being able to attend the other three Board meetings during the financial year?

While serving as a Non-Independent and Non-Executive Director of Suria, Datuk Ramlee bin Marahaban held the position of the Assistant Minister of Finance of the Sabah State Government. Due to conflicting commitments at the last minutes, Datuk Ramlee had to re-prioritise his responsibilities to the State Government and was not able to attend the meetings at Suria that had been scheduled much earlier.

Datuk Ramlee Marahaban has resigned from the Board of Suria.

7. Madam Georgina L George who is a member of the Audit Committee only attended 5 out of & Audit Committee meetings during the financial year.

What are the reasons for her not being able to attend the other two Audit Committee meetings during the financial year?

Due to specific reasons either to accommodate requests by the majority of the Audit Committee members or due to unforeseen circumstances, management had to change the meeting dates. The Board was aware that Madam's Georgina could not accommodate to the changes to the meeting date at the last minute due to her commitments at the Chief Minister's Department.

With the appointment of our new Chairman, Tan Sri Ibrahim Menudin, all governance matters concerning the Board of Suria are being reviewed to ensure that the Group's governance structure and practices are further enhanced from strength to strength and the requirements of the Principles as stipulated in the Malaysian of Code of Corporate Governance are being fully applied.