



## **PRESS RELEASE**

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**Tuesday, 26 June 2018**

### **SURIA CAPITAL RECORDS 29% REVENUE GROWTH IN 2017**

Suria Capital Holdings Berhad is pleased to announce that the Company and its Group of subsidiaries (SuriaGroup) recorded a strong revenue of RM332.7 million in 2017, higher by 29% or RM74.1 million as compared to RM258.5 million in 2016. The commendable performance was attributed mainly to the higher revenue contribution by port operations. In addition to revenue contributed from port operations, the Group had also recognised revenue from construction services in respect of the construction and upgrading of port facilities in accordance with the Malaysian Financial Reporting Standards.

The port operations continued to spearhead the Group's performance in 2017. For the 2017 financial year, the Group derived 67% or RM223.4 million of the total revenue from the port operations segment, the Group's core business, which also marked a 3% improvement against its contribution of RM217.8 million generated a year earlier. The higher port earnings in 2017 was primarily due to the increase in the overall tonnage of 6% during the year.

Other segments of the Group's operations such as logistics and bunkering services, contract and engineering and ferry terminal operations contributed 3% to the Group's overall revenue.

The Group's gross profit, however declined by 6% to RM94.2 million in 2017 versus RM99.8 million in 2016, in view of the higher port operating expenditures and the increase in spending on construction and upgrading of port infrastructure and facilities during the year. Profit after taxation correspondingly dropped by 27% to

RM48.9 million as against RM66.7 million in 2016 mainly after taking into consideration the impairment in concession assets and the revision to the discounted cashflow for development projects.

With this performance, the Board of Directors recommended a first and final tax-exempt dividend of 6% at its Annual General Meeting held today, which represents a dividend payout of RM17.3 million, a payout ratio of 35.3% versus 30.3% for the preceding year.

### **IMPROVEMENT IN CARGO VOLUME IN 2017**

In 2017, subsidiary Sabah Ports Sdn Bhd (Sabah Ports) handled higher cargo volume of 35.51 million tonnes, its record high, as compared to 33.54 million tonnes in 2016. The 6% increase in the overall tonnage during 2017 was mainly attributed to the higher throughput volume handled at sufferance wharf, particularly at Sabah Oil & Gas Terminal, Kimanis as production gained further momentum.

During the year under review, operations at wharf (including container handling) registered a minimal growth at 15.80 million tonnes during 2017 as against 15.70 million tonnes in 2016. In contrast, cargo handling at sufferance wharf increased by 10% to 19.68 million tonnes from 17.84 million tonnes in 2016. Sabah Ports handled Liquid Cargo (Palm Oil and Petroleum) which made up 45% of total cargo, followed by Containerized Cargo of 33%, Dry Bulk (PKE and Fertilizers) of 13% and other General Cargo at 9%.

In terms of TEUs (Twenty Foot Equivalent Units), the volume moderated in 2017 with a total of 353,161 TEUs during the financial year as against 357,386 TEUs in 2016, representing a marginal drop of 1%. Sapangar Bay Container Port had handled 68% of the total TEUs with its average net handling rate (MASA Standard) of 19 boxes per hour.

During 2017, a total of 9,914 vessels called at Sabah Ports as compared to 11,242 vessels in 2016. Of the total, 4,547 vessels berthed at wharf which accounted for 46% of total vessels while 54% or 5,367 vessels were at sufferance wharf. For vessels

berthing at wharf, Sandakan Port handled the most vessels at 31% (1,427 vessels) followed by Kota Kinabalu Port 20% (929 vessels), Tawau Port 19% (844 vessels) while Sapangar Bay Container Port 10% (500 vessels).

### **ONE OF THE KEY PLAYERS TO HELP BOOST THE STATE'S TOURISM INDUSTRY**

Reflecting the booming tourism industry in Sabah, tourist arrivals to the State continued to gain its momentum in 2017. The State has become a popular destination for international cruises. During the year, Sabah Ports received a total of 23 cruise vessels and handled 56,763 passengers in 2017 (43,197 passengers in 2016). Of this total, Kota Kinabalu Port handled the most with a total of 19 cruise ships involving 40,929 cruise passengers in 2017.

Meanwhile, the operations of Kota Kinabalu Ferry Terminal at Jesselton Point and the "Meet and Greet" facilities for cruise ship passengers at Kota Kinabalu Port continued to provide consistent stream of income to SCHB Engineering. As a public sea-passenger terminal, Jesselton Point provides facilities for passengers including ferry passengers plying between Kota Kinabalu and Labuan and other passengers who are mostly tourists taking boat trips to tourist hotspots at the nearby islands off Kota Kinabalu.

### **PORTS EXPANSION AND MAJOR IMPROVEMENT INITIATIVES TO ENHANCE SERVICE EFFICIENCY**

Major developments had taken place in the port operations segment during 2017 as Sabah Ports undertook several initiatives to upgrade port facilities and beef up service efficiency.

Sabah Ports had been intensifying efforts in enhancing the handling capacity and efficiency of Sapangar Bay Container Port towards a Transshipment Hub by equipping the Port with new fleet of machineries. Sabah Ports acquired four rubber tyred gantry cranes in May 2017 while two additional units of ship-to-shore gantry cranes arrived at the Port in November 2017. This brings its total to 4 units of gantry cranes for the container operations at the port thus, complementing the Government's effort in

turning Sapangar Bay Container Port into a transshipment hub for the BIMP-EAGA region.

Other efforts included the installation of new pipelines at Tanjung Batu Oil Terminal at Tawau Port and improvement works at Tawau Port's Container Yard. Meanwhile, the wharf extension of Sandakan Port which commenced in September 2016 is expected to complete by end of 2018.

### **IT INNOVATION AS ENABLER FOR EFFICIENT AND TIMELY DELIVERY OF SERVICES**

In 2017, Sabah Ports had successfully completed the full implementation of Autostore Terminal Operating System (ATOS) at three major ports which handle container operations at Sapangar Bay Container Port, Sandakan and Tawau Ports. The initiative was an effort to upgrade IT infrastructure and networking through real-time container tracking system at the ports. In similar initiative, Sabah Ports had also installed the multi-cargo system which was developed in-house for Lahad Datu Port, Kunak Port and Kudat Port.

The improvement initiatives had been part of the innovation measures in the delivery system and operating processes of the ports to enhance efficiency. This will ensure the ports infrastructure and facilities are continuously upgraded and service level is improved to fulfil customers' needs and expectations.

The Group is currently in the midst of implementing an integrated financial system called the Enterprise Resource Planning which will enhance and facilitate the management reporting for both financial and non-financial information.

### **ACTIVITIES TO COMPLEMENT AND SUPPLEMENT MAIN PORT SERVICES**

Complementing and supplementing the port service activities were the subsidiaries of Sabah Ports, namely SP Satria Logistics and SP Satria. For S.P. Satria Logistics, apart from providing bunkering services, the Company had also been taking a synergistic

and supportive role in providing logistics and port-related services for Sabah Ports' as well as SCHB Engineering. Meanwhile, SP Satria's functions had been in-sourced to Sabah Ports since September 2017 as part of the consolidation exercise to optimise business operations. It continues to provide its services in the maintenance and supply of port equipment and parts for Sabah Ports.

### **PROGRESSING COMMERCIAL PROPERTY DEVELOPMENT SEGMENT AS AN UPCOMING ICONIC LANDSCAPE AND PREMIER TOURISM DESTINATION**

The on-going development in the Kota Kinabalu port land comprises two separate parcels of lands, 16.25 acres for the Jesselton Quay (JQ) development, a joint venture with SBC Corporation Berhad, and 7.0 acres for the One Jesselton Waterfront, a joint venture with Gabungan AQRS Berhad (AQRS).

The first phase of the JQ development namely JQ Central, had commenced in December 2016. The JQ Central development consists of two 25-storey commercial suite towers (CityPads), one hotel tower, a tropical-themed recreation Beach club at the podium rooftop, retail/commercial shops and carpark. It is expected to be completed in two or three-years' time. Sales of the CityPads had received very encouraging response from the public despite the sluggish property market.

As for the One Jesselton Waterfront, the conditions precedent in the joint venture agreement is expected to be fulfilled in the near term. Once the conditions precedents are satisfied, the construction works will commence towards the end of 2018 with the expected completion of retail malls and Suria's corporate office in three years' time.

Both of the waterfront developments will be part of the integrated mega development in the vicinity, rated as an upcoming iconic landscape and the premier tourism destinations in Kota Kinabalu city. The work commencement at JQ Central marks the preliminary stage towards this major transformation. The whole development will contribute towards the modernisation of Greater Kota Kinabalu as a central business district and residential fronting the coastline, and thus, offering attractive investment opportunities to local and foreigners.

## **VENTURING IN NEW BUSINESS SEGMENTS**

SuriaGroup had made its debut in the renewable energy sector via Suria RE Sdn Bhd which acts as a special-purpose vehicle to undertake renewable energy projects. SCHB Engineering received the letter of acceptance of offer from the Energy Commission in November 2017 to build a Solar Photovoltaic Plant of 2.00Megawatt in Kawang, Papar, Sabah. The company is currently in the midst of fulfilling the conditions for the project to be awarded. The solar plant is aimed to supplement the power supply by Sabah Electricity Sdn Bhd, a government utility company.

SuriaGroup continues to make its presence in infrastructure development in the State. Leveraging on its previous involvement in the rehabilitation of railway track from Tanjung Aru to Tenom in 2011, SCHB Engineering has been awarded by the Federal Ministry of Transport with a RM50 million contract for railway upgrading works connecting Halogilat and Tenom for Sabah State Railway Department. The project commenced in September 2017 and is expected to complete by March 2019. The upgrading works is to enable the use of higher capacity locomotive which is faster, more comfortable and safer for its passengers.

## **PROMISING FUTURE THE WAY FORWARD**

As the main port operator in Sabah, the Group through its subsidiary Sabah Ports aims to realise its vision of becoming a regional transshipment hub for the BIMP-EAGA and the larger ASEAN region. It will further provide great opportunity for connectivity to the vibrant East Asian economies such as China, Hong Kong, Japan and Korea. Premised on this, the Group will continue to act as the catalyst to spur the State economy through the provision of sea connectivity and logistics for imports and exports within the region and facilitate to boost the State tourism industry by servicing the entry and exit points for visitors via the ports.

In view of the Group's intensified efforts and investments in port infrastructure and equipment to boost port capacity and efficiency to cater for the needs of the growing

State's and national economy, the Group expects the port operational and financial performance to accelerate further and the overall throughput to increase steadily in the future.

In intensifying its port services, the Group's expansion efforts and improvement programmes are well in place:

- The Federal Government has approved an allocation of RM1.02 billion for the Sapangar Bay Container Port's expansion works which involves expanding its berth length from current 500 meters to 850m and the container stacking area to 34 hectares from its current area of 13 hectares. This expansion plan is required to cater for bigger vessels and high volume of cargo handled at the port in the foreseeable future. The expansion programme is part of the proposed comprehensive Sabah Ports 30-year Master Plan.

With the recent development at the Federal Government level where mega projects are being reviewed, the decision with regard to the expansion plan is subject to review.

- The on-going works for the wharf extension at Sandakan Port, which started in September 2016, is scheduled to be completed by 2018. The primary objective is to accommodate the anticipated growth in cargo throughput and vessel calls at the port.
- Meanwhile, the much-awaited Ro-Ro ferry service connecting Kudat and Palawan, Philippines is all set to commence in 2018. This ferry service will serve as a catalyst for development in the State and trigger economic flow in various sectors in the State of Sabah. For this purpose, a ferry ramp was constructed in 2016 to cater mainly for this coming ferry service. The ferry itself will have a capacity of carrying 270 passengers and 40 vehicles in one particular trip.
- Other infrastructure works to be carried out in the near future will include Jetty Extension at Sapangar Bay Oil Terminal and the construction of Barge Facility at Sandakan Port.

## **PLANS FOR SAPANGAR BAY INTEGRATED PORT AND RELOCATION OF KOTA KINABALU PORT OPERATIONS**

Another major port development which is going to take place in a big way is the establishment of Sapangar Bay Integrated Port which will incorporate the operations of Sapangar Bay Container Port, Sapangar Bay Oil Terminal and Sapangar Bay Conventional Cargo Terminal once with the relocation of Kota Kinabalu Port operations to Sapangar Bay.

The construction of Sapangar Bay Conventional Cargo Terminal is expected to start in the near future and will take three years to complete before the existing general cargo operation can be relocated to Sapangar Bay.

The Group has secured the acquisition of the 28.9 acres of Kota Kinabalu port land from the Sabah State Government on 21 March 2018. With the acquisition of the said land and the relocation of Kota Kinabalu Port operations to Sapangar Bay, this will enable the area surrounding the existing Kota Kinabalu Port to undergo a major transformation that will see a mega development of the future International Cruise Terminal (ICT) and Sabah International Convention Centre. The Jesselton Quay, One Jesselton Waterfront, the ICT and other mixed developments within the area represent the development of the Jesselton Waterfront City. These developments will unlock value of the said land as the Group's valuable assets to generate future earnings. The planned developments of the 28.9 acres of the Kota Kinabalu port land and the relocation of the Kota Kinabalu port operations will be structured via a corporate exercise that will benefit both the Group and its shareholders.

## **CONCLUSION**

Premised on the progress of the Group and the positive outlook moving forward, we believe that the following year will be another exciting year as we anticipate to chart further achievements for the Group and enhance the Group's shareholders' value.

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## **About Suria Capital Holdings Berhad**

Suria Capital Holdings Berhad is a public-listed company on the Main Market of Bursa Malaysia since 1996. Incorporated in 1983, the core business is in the provision of port services. Its subsidiary, Sabah Ports Sdn Bhd manages and operates eight ports in Sabah namely Kota Kinabalu Port, Sapangar Bay Container Port, Sapangar Bay Oil Terminal, Kudat Port, Sandakan Port, Lahad Datu Port, Tawau Port and Kunak Port. The port business is further complemented by subsidiaries of Sabah Port Sdn Bhd., S.P. Satria Sdn Bhd and S.P. Satria Logistics Sdn Bhd, which are respectively involved in the supply and maintenance of port equipment as well as in the provision of bunkering services.

Suria Capital has also diversified its business activities into the property development in Sabah through its involvement in its upcoming mega development projects, namely Jesselton Quay and One Jesselton Waterfront at the Kota Kinabalu Port land.

Its engineering arm, SCHB Engineering Services Sdn Bhd has been involved in engineering works in Sabah including the railway rehabilitation project from Tanjung Aru to Beaufort. The subsidiary also operates Jesselton Point Ferry Terminal in Kota Kinabalu and provides the “meet and greet” facilities for cruise ship passengers at Kota Kinabalu Port.

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