



## **PRESS RELEASE**

### **SURIAGROUP'S PERFORMANCE REMAINED STEADY IN 2016 AND OPTIMISTIC FOR FURTHER POTENTIALS IN 2017**

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Suria Capital Holdings Berhad and its Group of Companies (SuriaGroup) is pleased to announce that the Group's performance remained positive during 2016 despite a reduction in revenue and profit before tax. The Group recorded a total revenue of RM258.51 million and a steady profit before taxation of RM83.53 million during its 2016 financial year.

However, reflecting the challenging operating environment in 2016, the total revenue and pre-tax profit dropped when compared to RM496.65 million and RM148.25 million respectively, in 2015. It was mainly due to the exceptional high revenue and pre-tax profit registered in 2015. The Group had registered much higher revenue and pre-tax profit during 2015 following the recognition of a non-recurring property development income which contributed to RM229.2 million or 46% of the Group's revenue in 2015. The core business in port operations remains stable with revenue registered at RM 217.8 million in 2016 which was almost at par with year 2015 at RM 217.2 million

Following this, for 2016 financial year the Group as a whole booked in profit after taxation of RM66.66 million as compared to RM125.72 million registered in 2015.

#### **Segmental Performance**

The port operations segment continued to be stable amidst the challenges in the regional trade. Port operations, the core business of the Group contributed RM217.8 million or 84% of the total Group's revenue. There was an improvement in overall throughput to 28.7 million metric tonnes from 22.9 million metric tonnes, mainly contributed by bulk oil throughput at anchor for operations at Sabah Oil & Gas Terminal (SOGT), Kimanis. However, total tonnage handled at wharf dropped by 9% mainly attributed to the decline in palm oil and general cargo throughput. Total containers also declined by 2% to 357,386 TEUs from 363,185 TEUs.

The property development income was derived from the deemed disposal of a port land to be jointly developed with SBC Corporation Berhad. The project named Jesselton Quay ("JQ") located at the old Kota Kinabalu Port at Tanjung Lipat, Kota Kinabalu will comprise mixed commercial and residential development with the Gross Development Value (GDV) of RM1.8 billion. The construction for the first phase of Jesselton Quay development, known as JQ Central ("JQC") has already commenced. The promotion of JQC received an overwhelming response from enthusiastic property hunters who put high value on the scenic and strategic location of the waterfront development.

The joint development of One Jesselton Waterfront ("One JW") with Gabungan AQRS, another property venture of the Group on a 7-acre port land which includes the Jesselton Ferry Terminal is sited next to JQ. The development plan of One JW has yet to be formalised. Apart from featuring a shopping mall, service suites and condo residence, the mixed development will also include Suria Corporate office. These waterfront developments will complement other projects and the area is poised to become an iconic landscape as the city's premier tourism destinations for both local and foreign patrons.

Logistics and bunkering services segment involves in supply of fuel to the ports, vessels and industries / factories. There was much lesser volume achieved for the year (3.2 million litres) as compared to the previous year (22.5 million litres) due to challenges faced in the local market. Nevertheless, going forward, the Company is going to operate and manage oil tankage facilities in the ports area in collaboration with a partner in the industry to cater for wider customer base.

Revenue from contract and engineering & ferry terminal operations slightly increased in 2016, mainly derived from Jesselton Point Ferry Terminal (public ferry terminal) and Kota Kinabalu International Cruise Terminal (cruise ship passengers) operations.

In the ferry terminal operations, the passenger fees from Jesselton Point operations is the main source of revenue. Other revenues were derived from retail outlets, indoor soccer centre and handling of cruise ship passengers at Kota Kinabalu Port.

As for the contract and engineering, although it has been giving minimum contribution to the Group's revenue and profit for the past years, it is now ready to undertake new projects.

## **Dividend**

For the financial year ended 31 December 2016, Suria has declared dividends of 7.0 sen per share amounting to RM20.2 million, which comprise interim tax exempt dividend of 3.0 sen per share amounting to RM8.6 million, paid on 20 January 2017; and final tax exempt dividend of 4.0 sen per share amounting to RM11.5 million, is proposed and subject to shareholders' approval in the 34<sup>th</sup> Annual General Meeting of the Company.

The total dividend pay-out declared to our shareholders represents 30.3% of profit after tax for the year 2016.

## **Corporate Development**

Anticipating positive developments and potentials ahead, the Group has taken a number of initiatives. Among the key initiatives are:

- **Transshipment Hub**

The port expansion programme at Sapangar Bay Container Port towards a Transshipment Hub has been one mega projects highly regarded as a Game Changer project both by the State and Federal Government. The first stage (Phase 1) of expansion works is expected to commence in 2018 and anticipated for completion in 2022/23. This involves expanding its berth length from current 500 meters to 850 meters. Under Phase 1, the container stacking area will be expanded 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.

Under this major development plan, the Port will be enhanced by more than twice in its current handling capacity of 500,000 TEUs and eventually boost its container handling capacity to 1.25 million TEUs by 2026. The expansion programme is part of the proposed comprehensive Sabah Ports 30-year Master Plan.

The Group believes that with the ideal location of the Port within the ASEAN region and supported by 7 other ports of Sabah, Sapangar Bay Container Port has the potential to be transformed and positioned as a "Transshipment Hub of The East" or as a load centre.

- **Upgrading Initiatives and Expansion Development**

As part of the port development and improvement activities, two new quay cranes will be delivered to Sapangar Bay Container Port by November 2017, bringing to a total number of 4 quay cranes in Sapangar Bay Container Port to handle the operations at the wharf.

Major infrastructure works are either on-going or in the pipeline. They include Sapangar Bay Oil Terminal Jetty Extension, Sandakan Port Wharf Extension, Expansion of Container Terminal for Transshipment Hub at Sapangar Bay Port, Construction of Conventional Cargo Terminal at Sapangar Bay Port for the Relocation of Kota Kinabalu Port operations, Construction of Barge Facility at Sandakan Port and Lahad Datu Port and the Construction of new oil jetty at Lahad Datu Port.

In 2016, the upgrading works and a ferry ramp was completed at Kudat Port. The ferry ramp is for Ro-Ro service linking Kudat and the province of Palawan of Southern Philippines; and ferry passenger terminal to cater for passengers plying between Kudat and Banggi island. Both these new facilities at Kudat Port are yet to be fully operational but once operational it will maximize the port's potentials.

- **IT System to Enhance Efficiency**

In January 2017, Sabah Ports Sdn Bhd implemented the Autostore Terminal Operating System (TOS) at Sapangar Bay Container Port to upgrade IT infrastructure and networking at the port towards promoting efficiency and improve service level to fulfil customers' needs and expectations. The system provides real time tracking of containers which will speed up handling process and thus enhance operational efficiency at the facility.

- **Strategic Collaboration**

S.P. Satria Logistics Sdn Bhd, a subsidiary of Sabah Ports Sdn Bhd, recently signed a collaboration with KA Petra Sdn Bhd (KPSB) for Sapangar Bay Oil Storage Depot. It is anticipated that the partnership will create a spin-off benefit not only in bunkering services but also in fresh water supply, shipping agency services as well as the collection of waste oil and marine garbage disposal.

## **Prospects of New Business**

SuriaGroup is looking at new business opportunities. Among such prospects is in the development of a dedicated international cruise terminal at Kota Kinabalu Port and involvements in railway modernization project, renewable energy and waste management system in Sabah.

The plan to build dedicated international cruise terminal will serve as a marine gateway as well as second entry point to the heart of the city. The terminal will complement several other developments such as Jesselton Quay, One Jesselton Waterfront, Sabah International Convention Centre and Kota Kinabalu Convention City. Together, they present Kota Kinabalu as a complete destination with world-class attractions, infrastructure and leisure facilities.

With the completion of One Jesselton Waterfront, Jesselton Point will be the main public ferry terminal or water transportation hub in Kota Kinabalu. Jesselton Point serves as the main gateway to Labuan, Brunei and the surrounding islands. The high potentials in water taxi services in Kota Kinabalu that will serve as an alternative transport for local community, it is foreseen to become one of the Kota Kinabalu city attraction that give options to tourist to experience the beautiful Kota Kinabalu from its coastline.

Through its subsidiary, SCHB Engineering Services Sdn Bhd, the Group sees the high potential in the railway upgrading project as part of the modernization project of the State's railway system. The Group had previously been involved in railway upgrading project for railway track linking Tanjung Aru to Tenom.

The subsidiary is also looking into renewable energy projects such as solar power generation, wind turbine and mini-hydro as well as Integrated Waste Management System (IWMS) service for the State Government.

### **Prospects and Outlook**

The Group anticipates positively towards 2017 on the back of some underlying signs of recovery in the global economic activities and the favourable economic prospects within the country. The national economy is set to stay on steady growth path, anticipating a growth rate of between 4.3% to 4.8% in 2017. The expected growth is to be buoyed by strong domestic demand, private investment and improving global economy, especially among the country's trading partners. The Group also anticipates the performance of Sabah's economy will continue to be favourable as shown since 2015.

The on-going infrastructure development activities by the State Government and those undertaken the Sabah Development Corridor will stimulate investments in the State. They are expected to provide spin-offs and potential sources of income to the Group. These include Sabah Oil and Gas Industrial Park (SOGIP), POIC Sandakan, Kimanis Sabah Oil and Gas Terminal (SOGT) and Sabah Ammonia and Urea Project (SAMUR).

The outlook for Sabah's tourism and infrastructure construction sectors as the State's sources of growth for 2017 seems promising and these are great potentials for our cruise and ferry terminal operations. According to Sabah Tourism Board, tourist arrivals in Sabah rose by 7.9% at 3.427 million visitors in 2016, the highest since 2013, generating RM7.25 billion from tourism receipts and giving an extra 10% into the State economy.

The Pan Borneo Highway project, valued at RM12.8 billion holds great opportunities for our port operations, particularly through the handling of road construction materials. The road network which covers 730 km distance from Sindumin to Tawau not only will provide connectivity to the ports but open more doors for other multimodal logistics activities that will include railway connectivity and aviation hub development and as such stimulating further investments in the State.

With such outlook, SuriaGroup is optimistic on the potentials available for it to grow and that the outlined strategies will work positively towards its performance and towards its aspiration as a catalyst for growth for the State and the country.

As SuriaGroup moves towards becoming a leading investment corporation in ports and port-related business in Malaysia and regionally, it will focus on sustainable growth across its businesses segments while delivering values to its shareholders. The Group is confident that of further accomplishing its objectives of generating growth and maximizing shareholders' value in years to come.

### **Note of Appreciation**

SuriaGroup wishes to convey its appreciation to all parties and stakeholders which had been instrumental in maintaining the Group's growth momentum and in making 2016 another eventful year for the Group, in particular the State Government of Sabah through the Ministry of Infrastructure Development, the Ministry of Finance, Sabah Economic Planning Unit, Sabah Ports Authority as well as Sabah Economic Development and Investment Authority for the continuous support and assistance. The same also goes to the Federal Ministry of Transport Malaysia and the Federal Economic Planning Unit. To its shareholders, business partners or associates, port users and financiers, the Group thanks them for their confidence throughout the years.

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### **Issued by:**

#### **DATUK HJ FAISYAL BIN DATUK YUSOF HAMDAIN DIEGO**

Chairman of Suria Capital Holdings Berhad

Kota Kinabalu

22 May 2017

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