AGM 2015 Q&A | Suria Capital Holdings

QUESTION 1

What were the reasons for the delay in launching the Jesselton Quay project ("JQ")? When will it be launched and when expected to be completed? In light of the cautious consumers' sentiments, stringent lending conditions imposed by banks in the property market and imposition of Goods & Services Tax, how and what strategy would the Group employ to position and market the JQ development?

ANSWER

The delay in the launching of Jesselton Quay project is attributed to the extended timeframe for the approval of the development plan ("DP") from the relevant authorities. The long-awaited DP was finally approved at end of March 2015 and sub-division of the master title has been submitted. The project is expected to be launched in the 3rd quarter of the year, pending approval of the sub-division and building plans. The development should take 8 to 10 years to complete. Given the various challenges in the property industry nationally and regionally, an initial slow take-up rate may be expected. However, the key attractiveness of the project is its prime location, being in the city centre of KK where land is scarce and alongside the coastlines of Sabah. Due to its premium location, the project is still being well sought after by local and foreign investors alike. Further, Jesselton Quay, complemented with the other mixed developments which include the Sabah International Convention Centre and an upcoming international cruise terminal in the vicinity, will be positioned as a new city focal point and a regional hotspot.

QUESTION 2

Please brief on the proposed development "One Jesselton Waterfront" and when would the Company expect the development to take off? What is the arrangement and key advantages to the Company and Group under the joint collaboration with Gabungan AQRS Berhad on the project?

ANSWER

One Jesselton Waterfront will be developed over the remaining 7 acres of land at KK Port area. The net saleable value ("NSV") is at least RM1.1 billion (with further upside to reach RM1.8 billion), and Suria's minimum entitlement is RM198 million, or 18% of the NSV derivable, to be received in-kind and in cash as follows:

1. Suria Corporate Office – RM52 million

2. Retail Mall – RM114.3 million

3. Cash – RM31.6 million

Under the JV agreement, GBG AQRS is to be responsible for all the costs and matters relating to the development, including the re-development of the existing ferry terminal while Suria is to be responsible to assist and facilitate implementation of the project.The project is expected to commence construction by end of this year or early next year and shall take 6 years to complete.

Besides Suria Corporate Office and the Retail Mall, the other components of the project include service suites, service apartments, residential units, retail units/shopping mall and office towers.

QUESTION 3

Why was there a substantial allowance made for the impairment of other receivables amounting to RM372,000 in FY 2014? What is the potential recoverability of these receivables? (Page 122 of the Annual Report)

ANSWER

The impairment of other receivables amounting to RM372K in FY 2014 relates to the amount due from Taman Alam Megah Management Corporation (TAM-MC).The property development project which is situated in Shah Alam was acquired when we bought over the developer company, Taman Perusahaan Berat Sdn. Bhd. which was later changed name to Suria Capital Holdings Berhad.Currently, Suria continues to manage the property until such time a management corporation for the property is formed.Subsequently, Suria appointed a subsidiary to manage the property. TAM-MC is an independent party which self-finances its operations by collecting management fees from the tenants and owners of the residential units at Taman Alam Megah. In 2015, the said impairment had been subsequently written back as the amount previously impaired had been recovered.

QUESTION 4

Please explain the reasons for the considerable drop in the contract income received in FY 2014 (RM0.269 million) compared to FY2013 (RM3.2 million). What is the current order book and how long is it expected to last?

ANSWER

The considerable drop is attributed to the minimal engineering works secured for the year under review. No major projects were undertaken. The two power plant projects i.e. Kimanis Power Plant and Tawau Power Plant had been fully completed in FY 2013. Going forward, new projects would be sought after more aggressively following the synergies created from the rationalisation exercise between the two subsidiaries of the Group (i.e. Suria Bumiria and SCHB Engineering Services) to capitalise on the combined skills and expertise. The target projects include Jesselton Quay, port extension works at Sapangar Bay Container Port and a temporary oil terminal at POIC Sandakan. Each project is expected to last between 2 to 3 years, or more.

QUESTION 5

We noted that in 2014, Sapangar Bay Container Port had achieved an improved average handling rate of 20 boxes an hour. The highest handling rate achieved was 23 boxes an hour in September 2014. What is the targeted rate and how does it compare to the industry or benchmark?

ANSWER

The handling rate target is 21 boxes per crane hour. With the achievement of an average handling rate of 20 boxes an hour and the highest rate of 23 boxes an hour, SBCP is at par with other ports with similar facilities and similar types and sizes of ships calling.

QUESTION 6

MSWG is promoting standards for corporate governance best practices in PLCs. In this regard, we encourage the Board to consider the following:

1. To publish its efforts on Board's diversity including gender in light of the recommendation of 30% women participation at Board level.
2. Publishing the salient points of the AGM proceedings and the Memorandum & Articles of Association of the company on the company's website.

ANSWER

1. Although at Board level gender diversity is yet to be achieved, a high percentage of women participation is observed at the top management level.
2. The Board took note of the comment made.