the sun rises in the east
**Corporate Milestones**

- **1983 Property**
  - Property development

- **1996 Financial**
  - Acquisition of Sabah Bank Berhad (SBB) and Sabah Development Bank Berhad (SDB)
  - Listed on the Main Board, Bursa Malaysia

- **2001 Investment Holding**
  - Disposal of SDB
  - Disposal of SBB

- **2004 Ports**
  - Acquisition of port operations - Sabah Ports

- **2005 Onwards Diversified**
  - Set-up of other subsidiaries:
    - SCHB Engineering
    - S.P. Satria
    - Bumiria
    - TriSuria
    - Satria Logistics

---

**5-year Financial Highlights**

- **Revenue (RM'000)**
- **Profit Before Taxation (RM'000)**
- **Shareholders’ Funds (RM'000)**
- **Earnings Per Share (SEN)**
Suria Capital Holdings Berhad (SURIA) is a public listed company on the Main Board of Bursa Malaysia Securities Berhad. Listed in 1996, SURIA was originally established as a financial conglomerate with Sabah Development Bank Berhad and Sabah Bank Berhad operating under its wing. However, following a major corporate restructuring, SURIA shifted its business focus to a new dynamic sector, namely port services. The strategic move was made possible after the successful acquisition of business operations of Sabah’s key ports from Sabah Ports Authority through a major privatisation exercise in 2004. It is one the most significant milestones that shapes SURIA’s business direction today.

With the acquisition of the ports operations, Sabah Ports Sdn. Bhd. (Sabah Ports) was created as a wholly-owned subsidiary of SURIA. Apart from Sabah Ports, SURIA has also ventured into other growth areas related to its core business, taking advantage of the current trends and development. It has formed four (4) other subsidiaries, namely SCHB Engineering Services Sdn. Bhd. (SCHB Engineering), Suria Bumiria Sdn. Bhd. (Bumiria), S.P. Satria Sdn. Bhd. (S.P. Satria) and Tricubes Suria Sdn. Bhd. (TriSuria). Through these subsidiaries, SURIA is now involved in several strategic sectors, namely contract & engineering, property & development as well as information & technology. The most recent development was the establishment of a new subsidiary namely, S.P. Satria Logistics Sdn. Bhd. (Satria Logistics) which is involved in the trading of petroleum products to domestic and international customers as well as in bunkering and logistics services.

With this positioning, SURIA as a public listed company is determined to work further towards achieving greater shareholders’ value, whilst contributing actively to Sabah’s economic growth, in particular, and the national economic agenda as a whole.

<table>
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<tr>
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</thead>
<tbody>
<tr>
<td>Results</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue (RM’000)</td>
<td>211,445</td>
<td>161,400</td>
<td>71,952</td>
<td>10,366</td>
</tr>
<tr>
<td>Gross profit (RM’000)</td>
<td>85,250</td>
<td>77,396</td>
<td>33,661</td>
<td>6,124</td>
</tr>
<tr>
<td>Profit before taxation (RM’000)</td>
<td>69,462</td>
<td>62,399</td>
<td>23,457</td>
<td>23,133</td>
</tr>
<tr>
<td>Profit for the year (RM’000)</td>
<td>46,913</td>
<td>40,933</td>
<td>16,366</td>
<td>22,408</td>
</tr>
</tbody>
</table>

| Selected Balance Sheet Items | | | | |
| Cash and bank balances (RM’000) | 101,706 | 169,834 | 113,219 | 238,776 | 265,655 |
| Property, plant and equipment (RM’000) | 420,304 | 279,062 | 154,542 | 1,254 | 959 |
| Gross assets (RM’000) | 778,173 | 686,211 | 484,474 | 345,852 | 322,448 |
| Shareholders' funds (RM’000) | 437,969 | 395,147 | 359,187 | 342,821 | 320,412 |

| Financial Ratios | | | | |
| Current ratio (x) | 2.0 | 3.3 | 1.3 | 112.8 | 154.4 |
| Long term debt to equity (%) | 50.2 | 52.6 | - | - | - |
| Pre-tax return on average equity (%) | 16.6 | 16.5 | 6.7 | 7.0 | 3.2 |
| Return on average equity (%) | 11.2 | 10.6 | 4.7 | 6.8 | 2.6 |

| Share Information | | | | |
| Earnings per share (sen) | 8.3 | 7.1 | 2.9 | 4.0 | 1.5 |
| Gross dividend per share (sen) | 2.5 | 2.0 | - | - | - |
| Net assets per share (sen) | 77.5 | 70.0 | 63.4 | 60.5 | 56.5 |
| Market price per share (sen) | 46.5 | 50.0 | 54.5 | 63.5 | 42.0 |
the sun rises in the east

is a powerful connotation that is deeply embedded in the very foundational strength of SuriaGroup. It embodies the strength of the Group as a locally grown entity that is expanding constantly. The rising sun represents SuriaGroup’s constantly expanding reach; whilst the ocean mirrors the Group’s forte in port operations. The migratory flight of the geese symbolically depicts the Group’s far reaching vision of growth. As a whole, the cover is a symposium that delivers the message of vision, confidence and strength of SuriaGroup moving forward.
vision
To be one of Malaysia's premier conglomerates by being the BEST in every business that we do

mission
To provide superior products and reliable services in an ethical way through our highly-motivated team to create great value for our customers
achieving operational excellence
The sustained expansion of the economy spawned positive benefits and opportunities for the growth and expansion of SuriaGroup.
Board of Directors
Tan Sri Ibrahim Bin Menudin
Chairman, Non-Independent & Non-Executive
Datuk Hj. Abu Bakar Bin Hj. Abas
Group Managing Director
Non-Independent & Executive
Datuk Ismail Bin Awang Besar
Non-Independent & Non-Executive
Datuk Dr. Mohd. Yaakub Bin Hj. Johari, J.P.
Non-Independent & Non-Executive
Hj. Abdul Kadir Bin Hj. Mohd. Kassim
Independent & Non-Executive
Datuk Filik Bin Madan @ Esong
Non-Independent & Non-Executive
Datuk Anthony Lai Vai Ming @ Lai Kheng Ming, J.P.
Independent & Non-Executive
Mohd Hasnol Bin Ayub
Independent & Non-Executive
Datuk Dr. Hj. Patawari Bin Hj. Patawe
Non-Independent & Non-Executive

Group Company Secretary
Mohd Hanan Bin Ramli
(LS. 005860)

Senior Reference Director
Hj. Abdul Kadir Bin Hj. Mohd. Kassim
Independent & Non-Executive

Registered Office
Lot 8CF 01-02, 8th Floor, Block C
Kompleks Karamunsing, KM 2.4
Jalan Tuaran, 88300 Kota Kinabalu
Sabah, Malaysia
Tel : +6 088-257 788 (4 lines)
Fax : +6 088-256 410
E-mail : info@suriapl.com.my

Auditors
Ernst & Young
Suite 1-10-W1, 10th Floor
CPS Tower, Centre Point Sabah
No. 1, Jalan Centre Point
88000 Kota Kinabalu
Sabah, Malaysia

Principal Bankers
Alliance Bank Malaysia Berhad
AmBank (M) Berhad
Bank Kerjasama Rakyat Malaysia Berhad
Bank Muamalat Malaysia Berhad
HSBC Bank Malaysia Berhad
Malayan Banking Berhad
Sabah Development Bank Berhad

Share Registrars
PFA Registration Services Sdn. Bhd.
1301 Level 13, Uptown 1
No. 1, Jalan SS21/58
Damansara Uptown
47400 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel : +6 03-7725 4888, 7725 8046
Fax : +6 03-7722 2311

Stock Exchange Listing
Bursa Malaysia Securities Berhad
- Main Board

Quotation Data
Reuters Code SURI.KL
Bloomberg Code SURIA MK
Bernama Code SURIA
BMSB Code 6521
board committees

We seek to protect and enhance long term shareholders’ value and the financial performance of the Group, while taking into account the interests of other stakeholders.

Nomination/Appointment Committee

Chairman
Datuk Ismail Bin Awang Besar
Non-Independent & Non-Executive

Members
Datuk Filik Bin Madan @ Esong
Non-Independent & Non-Executive
Datuk Dr. Mohd. Yaakub Bin Hj. Johari, J.P.
Non-Independent & Non-Executive

Secretary
Mohd Hanan Bin Ramli (LS. 005860)
Group Company Secretary

Remuneration Committee

Chairman
Hj. Abdul Kadir Bin Hj. Mohd. Kassim
Independent & Non-Executive

Members
Datuk Hj. Abu Bakar Bin Hj. Abas
Non-Independent & Executive
Datuk Filik Bin Madan @ Esong
Non-Independent & Non-Executive
Datuk Ismail Bin Awang Besar
Non-Independent & Non-Executive

Secretary
Mohd Hanan Bin Ramli (LS. 005860)
Group Company Secretary

Audit and Risk Management Committee

Chairman
Datuk Anthony Lai Vai Ming @ Lai Kheng Ming, J.P.
Independent & Non-Executive

Members
Mohd Hasnol Bin Ayub
Independent & Non-Executive
Datuk Filik Bin Madan @ Esong
Non-Independent & Non-Executive

Secretary
Dionysia Aloysius Kibat (MIA 13601)
Group Internal Auditor
board of directors

Standing from left: Datuk Filik Bin Madan @ Esong, Datuk Dr. Hj. Patawari Bin Hj. Patawe, Mohd Hasnol Bin Ayub and Datuk Dr. Mohd. Yaakub Bin Hj. Johari, J.P.
board of directors’ profile

Tan Sri Ibrahim Bin Menudin
Chairman, Non-Independent & Non-Executive

Tan Sri Ibrahim Bin Menudin, 59, was appointed as a Non-Independent, Non-Executive Chairman of the Company on 20 May 2002. He also chairs the Boards of Sabah Ports Sdn. Bhd. since 23 December 2003 and Suria Bumiria Sdn. Bhd. since 7 September 2004.

He started his career in the Sabah State Civil Service and became Accountant General of Sabah from 1976 to 1979. In 1980, he resigned from the Service to become the Chief Executive Officer of Bumiputra Investment Fund of Sabah until 1985. He had also served as Chairman of Sabah Gas Industries Sdn. Bhd., Deputy Chairman of Sabah Forest Industries Sdn. Bhd. and board member of other Sabah Government Corporations which involved in finance, forestry, manufacturing, plantations, hotel and property development.

Tan Sri Ibrahim was once appointed as Group Chief Executive in 1986 of Malaysia Mining Corporation Berhad until 31 October 2001, also Chairman of Malaysia Smelting Corporation Berhad from October 1985 to October 2001. He was the Special Advisor to the Chief Minister of Sabah from 1 February 2002 until March 2004.

Tan Sri Ibrahim, a Malaysian, graduated with a Bachelor of Commerce from University of Western Australia. He is a member of Institute of Chartered Accountants in Australia, The Malaysian Institute of Certified Public Accountants as well as the Malaysian Institute of Accountants.

He is also currently, the Advisor of Sabah Forestry Development Authority (SAFODA).

He has no securities holding in SURIA and its subsidiaries and no family relationship with any Director and/or major shareholder nor any conflict of interest with SURIA.

Datuk Hj. Abu Bakar Bin Hj. Abas
Group Managing Director, Non-Independent & Executive

Datuk Hj. Abu Bakar Bin Hj. Abas, 50, was appointed as Group Managing Director for SURIA on 1 February 2004. Prior to this appointment, he held the post of Executive Director of SURIA. He also sits as member of the Remuneration Committee of the Board.


Datuk Hj. Abu Bakar, a Malaysian, graduated with a Bachelor of Economics (Hons) from Universiti Kebangsaan Malaysia. He had obtained his postgraduate Diploma in Economic Development from the University College of Swansea, United Kingdom.

He began his career in 1980 with the Sabah State Civil Service serving the State’s Economic Planning Unit, the State’s Ministry of Communication and Works and the State Ministry of Finance in various positions. He was the Secretary General of the Sabah Bumiputra Chamber of Commerce (SBCC) from 1983 until 1988. A year later, he was attached to the Financial Review Section of the State Ministry of Finance until 1994. In 1995, he was appointed as Senior Confidential Secretary to the Chief Minister of Sabah under the Chief Minister’s Department. While in the State Civil Service and SBCC, he had chaired and sat on the Board of various public companies as well as subsidiaries of SBCC.

Datuk Hj. Abu Bakar holds 115,000 shares in SURIA and has no family relationship with any Director and/or major shareholder nor any conflict of interest with SURIA.
Datuk Ismail Bin Awang Besar, 63, was appointed as Director of SURIA on 6 June 1996 and as Chairman from 1 July 2001 until 20 May 2002. He was made the Managing Director of SURIA from 14 September 2001 until 1 February 2004. He chairs the Nomination/Appointment Committee and is a member of the Remuneration Committee of the Board.

He also sits on the Boards of the Company’s subsidiaries, namely Tricubes Suria Sdn. Bhd. and Suria Bumiria Sdn. Bhd.

Datuk Ismail, a Malaysian citizen, is the Chairman of the Sabah Public Service Commission. He holds a Bachelor of Arts (Hons) majoring in International Studies from the University of Staffordshire, United Kingdom. He also has a postgraduate Diploma in Development Administration from the University of Birmingham.

Once a senior staff in the Sabah State’s Civil Service under various appointments, he joined Sabah Development Bank Berhad in 1985 as a Training Manager and moved his way up to Executive Director until he left in 1998. He was the Chairman of Saham Sabah Berhad, a state-sponsored unit trust management company until 2001.

Datuk Ismail has no securities holding in SURIA and its subsidiaries and no family relationship with any Director and/or major shareholder nor any conflict of interest with SURIA.
Datuk Dr. Mohd. Yaakub Bin Hj. Johari, J.P.
Non-Independent & Non-Executive

Datuk Dr. Mohd. Yaakub Bin Hj. Johari, 52, joined the Board of SURIA on 24 August 1996 as a Non-Independent and Non-Executive Director. He is a member of the Nomination/Appointment Committee of the Board.


Datuk Dr. Mohd. Yaakub, a Malaysian, is the Executive Director/Chief Executive of Institute for Development Studies, Sabah (IDS).

He holds a Bachelor of Science (Hons) from the University of Sussex and a Master of Science (Liberal Studies) from the University of Manchester, England. In 1982, he obtained his PhD in Sociology from the University of Salford, England.

He began his career as a part-time Lecturer in Political Science at the MARA Institute of Technology and in 1983, he joined the Sabah State Civil Service as an Assistant Director (Research and Consultant) in the Sabah Chief Minister’s Department. He was made the Principal Assistant Director (Management Development) in 1984. He joined the Institute for Development Studies, Sabah (IDS) as an Associate Director (Social Affairs) in 1985 and later moved up to Deputy Chief Executive/Senior Research Fellow in 1991. In 1994, he was promoted again to his current position as the Executive Director/Chief Executive of the Institute.

Datuk Dr. Mohd. Yaakub has no securities holding in SURIA and its subsidiaries and no family relationship with any Director and/or major shareholder nor any conflict of interest with SURIA.
Hj. Abdul Kadir Bin Hj. Mohd. Kassim
Independent & Non-Executive

Hj. Abdul Kadir Bin Hj. Mohd. Kassim, 66, was appointed to the Board of SURIA as an Independent and Non-Executive Director on 18 July 1997. He is the Senior Reference Director, who also chairs the Remuneration Committee of the Board.

He is the Managing Partner of Messrs Kadir, Andri & Partners. He is also a Director of UEM Group Berhad (formerly known as United Engineers (Malaysia) Berhad), UEM World Berhad, TIME dotcom Berhad, Ho Hup Construction Company Berhad, Proton Holdings Berhad and a few private companies, including being Chairman of the Committee of Labuan International Financial Exchange.

He served in the Malaysian Administrative and Diplomatic Service and in the Judicial and Legal Service between 1966 and 1973, holding various positions.

Hj. Abdul Kadir, a Malaysian, holds a Bachelor of Laws degree from University of Singapore.

He has no securities holdings in SURIA and/or its subsidiaries and also has no family relationship with any Director and/or major shareholders nor any conflict of interest with SURIA.

Datuk Filik Bin Madan @ Esong
Non-Independent & Non-Executive

Datuk Filik Bin Madan @ Esong, 54, joined the Board of SURIA on 1 July 2001 as a Non-Independent and Non-Executive Director. He sits as member of the Nomination/Appointment Committee, the Remuneration Committee and the Audit and Risk Management Committee of the Board.

He is the Deputy Permanent Secretary of the State’s Ministry of Finance, Sabah.

Datuk Filik, a Malaysian, began his career with the Sabah Civil Service on 9 June 1977 assuming various positions such as the Principal Assistant Secretary to the State’s Ministry of Industrial Development, Permanent Secretary of the Ministry of Agriculture and Fisheries; Permanent Secretary of the Ministry of Resources and Information Technology Development and the Government Printer.

He graduated with a Bachelor of Economics (Applied Economics) from University of Malaya.

He has no securities holding in SURIA and its subsidiaries and no family relationship with any Director and/or major shareholder nor any conflict of interest with SURIA.

Datuk Anthony Lai Vai Ming @ Lai Kheng Ming, J.P.
Independent & Non-Executive

Datuk Anthony Lai Vai Ming @ Lai Kheng Ming, 64, was appointed to the Board of SURIA on 1 July 2001 as an Independent and Non-Executive Director. He also chairs the Audit and Risk Management Committee of the Board.

He is a member of Malaysian Institute of Accountants, member of The Malaysian Institute of Certified Public Accountants, Fellow of Certified Practising Accountants, Australia, Fellow of The Malaysian Institute of Chartered Secretaries & Administrators, Fellow of Malaysian Institute of Taxation and member of Chartered Management Institute.

He has been practising as a Chartered Accountant since 1974 with V.M. Lai & Co.

He served as a Senior Accountant from 1968 until 1971 with TH Liew & Co, as a Chartered Accountant, Management Consultant cum Accountant in 1972 up to 1974 with Sri Kedua Sdn. Bhd.

He has no securities holding in SURIA and its subsidiaries and no family relationship with any Director and/or major shareholder nor any conflict of interest with SURIA.

Mohd Hasnol Bin Ayub
Independent & Non-Executive

Encik Mohd Hasnol Bin Ayub, 43, joined the Board of SURIA on 1 July 2001 as an Independent and Non-Executive Director. He is also a member of the Audit and Risk Management Committee of the Board.


He was the former Chairman of Abad Mesra Sdn. Bhd. and was a Director of City Finance Bhd. from 1994 to 2000.

Encik Hasnol, a Malaysian, holds a postgraduate Diploma in Business Administration and a Masters Degree in Business Administration both from the University of Wales, United Kingdom.

He holds 5,000 shares in SURIA and has no family relationship with any Director and/or major shareholder nor any conflict of interest with SURIA.

Datuk Dr. Hj. Patawari Bin Hj. Patawe
Non-Independent & Non-Executive

Datuk Dr. Hj. Patawari Bin Hj. Patawe, 50, appointed to the Board of SURIA on 12 October 2004 as a Non-Independent and Non-Executive Director.

He is a Fellow of Royal College of Surgeons (FRCS), Edinburgh, Scotland and has been a practicing Doctor since 1982.

Datuk Dr. Hj. Patawari is an elected member of the Sabah State Legislative Assembly for Sebatik Constituency and the Chairman of Warisan Harta Sabah Sdn. Bhd. (WHSSB). He is also the Chairman of WHSSB Property Development Sdn. Bhd. and holds directorship of Damai Specialist Centre.

He was the former State’s Assistant Minister of Resource Development and Information Technology, Assistant Minister of Industrial Development and Assistant Minister of Agriculture and Food Technology.

He has no securities holding in SURIA and its subsidiaries and no family relationship with any Director and/or major shareholder nor any conflict of interest with SURIA.
senior management team

1. Datuk Hj. Abu Bakar Bin Haji Abas  
   Group Managing Director

2. Mohamad Yasin Bin Abdullah  
   Chief Financial Officer

3. Hj. Ramli Bin Abu Samah  
   Chief Operating Officer (Sabah Ports)

4. Hj. Zainie Bin Abd Aucasa  
   Executive Director (Bumiria)

5. Loh Boon Hon  
   Executive Director (S.P. Satria)

6. Steven Hooi Kok Hoe  
   Chief Executive Officer (SCHB Engineering)

7. Jamaluddin Bin Abu Bakar  
   Chief Executive Officer (TriSuria)

8. Shaiful Bin Hj. Batong  
   Executive Director (Satria Logistics)

   General Manager, Operations (Sabah Ports)

10. Ng Kiat Min  
    General Manager, Corporate Services/Finance (Sabah Ports)

11. Lee Tain Chew @ David  
    General Manager, Corporate Development (Sabah Ports)

12. Mohd Hanan Bin Ramli  
    Group Company Secretary/Legal Advisor

13. Dionysia Aloysius Kibat  
    Group Internal Auditor

14. Wong Lee Ken  
    Senior Manager, Finance/Corporate

15. Suryani Binti Mohd Saidi  
    Company Secretary (Sabah Ports)

16. Datin Mariam Binti Mahmun  
    Manager, Corporate Affairs

17. Alias Bin Nasip  
    Manager, Risk Management

18. Hj. Abdul Rahman Bin Ibrahim  
    Manager, Kuala Lumpur Regional Office

19. Pascalis Claudius @ Raphael  
    Manager, Human Resource & Administration
developing a new landmark
It is anticipated that the Phase 1 of the massive development of ‘former’ Kota Kinabalu Port’s land namely Jesselton Waterfront will be launched in the second or third quarter of 2007.
The year 2006 marked yet another year of progress in the Group’s efforts to widen and deepen the scope of our business.
Dear Shareholders,

On behalf of the Board of Directors of Suria Capital Holdings Berhad and its Group of Companies (SuriaGroup), I am pleased to present the Annual Report of the Group for the financial year ended 31 December 2006.

The year 2006 marked yet another year of progress in the Group’s efforts to expand the scope of our business. While the mainstay of our business continued to remain focused on port operations and services, provided by Sabah Ports Sdn. Bhd. (Sabah Ports), the remaining subsidiaries of the Group recorded continued progress in the respective areas of their business activities. This served to further widen and strengthen the product base of the Group.

Steady Malaysian Economy

The Malaysian economy continued to grow stronger. During the year under review the economy posted an impressive growth of 5.9% compared to 5.2% in 2005 (Bank Negara Malaysia, Annual Report 2006). It was very significant that during the year under review, Malaysia’s external trade breached the RM1 trillion-mark with the value of the trade totaling RM1.1 trillion. Exports posted 10.3% growth while imports recorded 10.7% growth (Department of Statistics).

Major public policy initiatives during the year under review were the release of the Ninth Malaysia Plan (9MP) (2006-2010) in March and the launching of the Third Industrial Master Plan (IMP3) (2006-2020). According to the 9MP, the Government has targeted 17.6% in spending on development and infrastructure projects. The IMP3 meanwhile has identified the logistics services sector as a growth driver and contains broad guidelines to foster the growth of the logistics services sector.

Overall, the healthy performance of the economy provided our SuriaGroup a positive environment for growth. The sustained
expansion of the economy spawned positive benefits and opportunities for the growth and expansion of our SuriaGroup.

**Growing our Business Portfolio**

During the year under review, the Group kicked off the RM133.8 million contract for the rehabilitation of a major railway line in the State of Sabah. This marked another major foray by the Group into infrastructure development in the State.

Improvement recorded by Sabah Ports in the operations of seven (7) ports under its jurisdiction in the state was especially significant. In particular, the decision by the group of domestic container shipping lines to remove the congestion surcharge effective 1 June 2006 as a result of improved productivity recorded at Kota Kinabalu Port was a notable and a laudable achievement in Sabah Ports’ efforts to foster greater efficiencies in the port and logistic delivery system in Sabah.

A very significant and important project for Sabah Ports is the development of the RM400.0 million Sapangar Bay Container Port. As at year end, the project was 90% completed and will be in full operations towards the end of 2007. As a fully dedicated container port equipped with modern container handling equipment and facilities that are at par, if not better than, with other similar ports in BIMP - EAGA [Brunei, Indonesia, Malaysia, Philippines - East Asean Growth Area], Sabah Ports is well positioned to play its role as a regional hub in BIMP - EAGA.


**Record Financial Results**

I am pleased to announce that the Group’s pre-tax and post-tax profit grew by 11.3% and 14.6% to close at RM69.5 million [2005: RM62.4 million] and RM46.9 million [2005: RM40.9 million] respectively. The record performance was made possible on the back of the 31.0% higher revenue generated by the Group totaling RM211.4 million during 2006 compared to RM161.4 million in 2005.

**Commendable Credit Rating**

Our anchor subsidiary, Sabah Ports had successfully issued RM150.0 million Islamic securities on 2 April 2007. The proceeds from the issuance are mainly utilised to finance Sabah Ports’ capital expenditure for the expansion and building of new port facilities to cater for increasing demand from port users and particularly to support Sabah palm oil industries in the East coast namely Sandakan, Kunak and Lahad Datu.

I am pleased that the Rating Agency of Malaysia (RAM) has assigned credit ratings of AA3/P1 to the Islamic securities. This recognition reckons our financial strength, commendable credit as well as prospects of the company. We believe that the ratings will improve as the company grows.

**Improved Dividend Quantum**

Based on the Group’s continued improved performance during the financial year, I am happy to announce that the Board has proposed the payment of a first and final dividend of 2.5% per share, less income taxation of 27%, amounting to RM10.3 million in respect of the financial year ended 31 December 2006 which, subject to the approval of members at the forthcoming Annual General Meeting of the Company. The gross dividend paid for the financial year ended 31 December 2005 was RM8.2 million, equivalent to 2.0% per share.
“...the Group recorded continued progress in the respective areas of business activities.”

**Prospects**
We expect the property & development business will enhance our Group’s revenue in 2007 onwards with the launching of the first phase of Jesselton Waterfront project. Similarly, the new bunkering and logistics business that compliment the current port operations, will strengthen our Group’s income stream. As for contract and engineering business, the Federal Government’s RM2.3 billion budget allocation for Sabah State as well as growth opportunities from increasing gas exploration and production activities will be advantageous to this segment.

The engine of growth for our anchor ports operations is leveraging on the following key drivers, namely strong palm oil growth, commencement of operation of the upcoming Sapangar Bay Container Port as well as operational improvement. The seven (7) ports in Sabah will continue to benefit from the expanding palm oil industry in line with the State Government’s efforts to develop palm oil related downstream industries. The upcoming Sapangar Bay Container Port with more than double the current capacities and equipped with modern infrastructures/equipment will augur well for the Group, moving forward.

**Corporate Governance**
As a Group which adopts and practices the value of good corporate governance, the Group continues to subscribe and remain committed to best practices as contained in the Malaysian Code on Corporate Governance. Our statement of corporate governance and related reports are on pages 39 to 42 of this Annual Report.

**Related Party Transactions**
Significant related party transactions of the Group for the year under review are disclosed in Note 33 to the Financial Statements.

**Risk Management**
The Group’s overall risk management objective is to ensure that the Group creates value for its shareholders. Accordingly, we ensure that adequate resources are available for the development of the Group’s businesses while managing the interest rate, foreign currency exchange, liquidity and credit risks. The risk management report is disclosed on pages 36 to 37 of this Annual Report.

**Appreciation**
On behalf of SuriaGroup, I would like to place on record my heartfelt thanks and sincere appreciation to the support and assistance of the State Government and other relevant agencies, especially Sabah Ports Authority, the State Ministry of Infrastructure Development, Ministry of Industrial Development and the State Ministry of Finance.

I would also like to express my gratitude to the shareholders, stakeholders, our customers, financiers and business associates for their continued support and confidence in the SuriaGroup.

My special thanks go to my fellow members of the Board, the management and staff of SuriaGroup for their dedication and commitment in our efforts to take SuriaGroup to greater heights of success and achievements.

Thank you.

Sincerely,

TAN SRI IBRAHIM BIN MENUDIN
Chairman
emerging growth for future
The operational efficiency and higher productivity in ship and cargo handling achieved by Sabah Ports was widely acknowledged by the industry and the media.

*Operations at Kota Kinabalu Port*