

SAPURA RESOURCES BERHAD - UNAUDITED FINANCIAL RESULTS Q3FY2019
YEAR ENDED 31 JANUARY 2019

Sapura Resources Berhad

Unaudited Financial Results Q3 FY2019

Year Ended 31 January 2019



SAPURA RESOURCES BERHAD
(Company No.: 3136-D)

Interim Financial Statements for the 3rd Quarter Ended 31 October 2018

The Board of Directors hereby announce the
Unaudited financial results of the Group for the 3rd Quarter Ended 31 October 2018

CONTENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

EXPLANATORY NOTES

SAPURA RESOURCES BERHAD - UNAUDITED FINANCIAL RESULTS Q3FY2019
YEAR ENDED 31 JANUARY 2019

Sapura Resources Berhad (Company No.: 3136-D)
Unaudited Condensed Consolidated Statements of Comprehensive Income
for the 3rd Quarter Ended 31 October 2018

	Note	Individual Quarter 3 Months Ended		Cumulative Quarter 9 Months Ended	
		Unaudited	Unaudited Restated	Unaudited	Unaudited Restated
		31.10.2018 RM'000	31.10.2017 RM'000	31.10.2018 RM'000	31.10.2017 RM'000
Revenue		12,588	13,245	35,762	38,405
Operating expenses		(15,027)	(16,025)	(44,107)	(47,098)
Other income	3	1,690	1,986	4,537	5,015
Operating loss		(749)	(794)	(3,808)	(3,678)
Finance costs		(28)	(11)	(54)	(31)
Loss before tax before share of result		(777)	(805)	(3,862)	(3,709)
Share of result of an associate		370	1,118	852	3,204
Share of result of joint ventures		(118)	(34)	(545)	(206)
(Loss)/Profit before tax		(525)	279	(3,555)	(711)
Taxation	17	(225)	133	(723)	(733)
(Loss)/Profit after tax, representing total comprehensive (loss)/profit for the period		(750)	412	(4,278)	(1,444)
(Loss)/Profit, represent total comprehensive (loss)/profit for the period attributable to:					
Owners of the parent		(750)	412	(4,278)	(1,444)
Minority interests		-	-	-	-
		(750)	412	(4,278)	(1,444)
Earnings per share attributable to Owners of the parent (sen):					
Basic, (loss)/profit for the period	25	(0.54)	0.30	(3.06)	(1.03)
		(0.54)	0.30	(3.06)	(1.03)

These unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 January 2018.

SAPURA RESOURCES BERHAD - UNAUDITED FINANCIAL RESULTS Q3FY2019
YEAR ENDED 31 JANUARY 2019

Sapura Resources Berhad (Company No.: 3136-D)

Unaudited Condensed Consolidated Statement of Financial Position as at 31 October 2018

	Note	Unaudited 31.10.2018 RM'000	Audited 31.1.2018 RM'000
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment		50,272	45,229
Investment properties		115,525	117,900
Investments in an associate		14,180	13,329
Investments in joint ventures		140,179	139,931
		<u>320,156</u>	<u>316,389</u>
CURRENT ASSETS			
Inventories		15	18
Trade and other receivables		11,924	9,493
Prepayments		507	350
Other current financial assets	18	54	122
Tax recoverable		2,145	1,769
Short term investment		151,655	160,348
Cash and bank balances		2,476	4,402
		<u>168,776</u>	<u>176,502</u>
TOTAL ASSETS		<u>488,932</u>	<u>492,891</u>
EQUITY AND LIABILITIES			
Equity attributable to Owners of the Parent			
Share capital		139,600	139,600
Other reserves		2,581	2,581
Retained profits		315,899	320,177
Total Equity		<u>458,080</u>	<u>462,358</u>
Non-current liabilities			
Deferred tax liabilities		4,148	4,148
Loans and borrowings	21	189	188
		<u>4,337</u>	<u>4,336</u>
Current Liabilities			
Trade and other payables		18,706	22,934
Provisions		3,000	3,000
Loans and borrowings	21	4,809	139
Tax liability		-	124
		<u>26,515</u>	<u>26,197</u>
Total liabilities		<u>30,852</u>	<u>30,533</u>
TOTAL EQUITY AND LIABILITIES		<u>488,932</u>	<u>492,891</u>
NET ASSETS PER SHARE (RM)		<u>3.28</u>	<u>3.31</u>

These unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 January 2018.

SAPURA RESOURCES BERHAD - UNAUDITED FINANCIAL RESULTS Q3FY2019
 YEAR ENDED 31 JANUARY 2019

Sapura Resources Berhad (Company No.: 3136-D)
 Unaudited Condensed Consolidated Statement of Changes in Equity
 for the 3rd Quarter Ended 31 October 2018

	<-----Attributable to owners of the parent----->				
	<- Non- distributable ->		<----- Distributable ----->		
	Share Capital	Capital Reserve	General Reserve	Retained Profits	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1.2.2018	139,600	1,481	1,100	320,177	462,358
Total comprehensive loss for the period	-	-	-	(4,278)	(4,278)
At 31.10.2018	<u>139,600</u>	<u>1,481</u>	<u>1,100</u>	<u>315,899</u>	<u>458,080</u>
At 1.2.2017	139,600	1,481	1,100	306,723	448,904
Total comprehensive loss for the period	-	-	-	(1,444)	(1,444)
At 31.10.2017	<u>139,600</u>	<u>1,481</u>	<u>1,100</u>	<u>305,279</u>	<u>447,460</u>

These unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 January 2018.

SAPURA RESOURCES BERHAD - UNAUDITED FINANCIAL RESULTS Q3FY2019
YEAR ENDED 31 JANUARY 2019

Sapura Resources Berhad (Company No.: 3136-D)
Unaudited Condensed Consolidated Statement of Cash Flows
for the 3rd Quarter Ended 31 October 2018

	Unaudited For the period ended 31.10.2018 <u>RM'000</u>	Unaudited For the period ended 31.10.2017 <u>RM'000</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(3,555)	(711)
Adjustment for:		
Non-cash items	2,410	(745)
Operating loss before working capital changes	<u>(1,145)</u>	<u>(1,456)</u>
Net change in current assets	(2,656)	196
Net change in current liabilities	(4,228)	(3,602)
Tax paid	<u>(1,223)</u>	<u>(2,275)</u>
Net cash used in operating activities	<u>(9,252)</u>	<u>(7,137)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additional Investment in a joint venture	(1,250)	-
Purchase of property, plant and equipment	(9,539)	(7,730)
Proceeds from/(Net subscription in) redemption of short term investment	8,693	(1,200)
Profits distribution received from short term investment	4,298	4,517
Proceeds from liquidation of a joint venture	364	-
Proceeds from disposal of property, plant and equipment	143	-
Net cash generated from/(used in) investing activities	<u>2,709</u>	<u>(4,413)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(54)	(31)
Net repayment of obligation under finance lease	(129)	(141)
Net withdrawal of short term borrowings	4,800	-
Net cash generated from/(used in) financing activities	<u>4,617</u>	<u>(172)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,926)	(11,722)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>4,402</u>	<u>14,425</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>2,476</u>	<u>2,703</u>

These unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 January 2018.

EXPLANATORY NOTES

1 BASIS OF PREPARATION

The interim financial statements have been prepared under the historical cost convention. The interim financial statements are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards (“MFRS”) 134: Interim Financial Reporting and Chapter 9.22, part K of Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”). The interim financial report is in compliance with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board.

The interim financial statements should be read in conjunction with the explanatory notes attached to the interim financial statements which provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group.

2 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 February 2018, the Group adopted the following new and amended MFRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2018.

<u>Description</u>	<u>Effective for annual periods beginning on or after</u>
MFRS 9: Financial Instruments	1 January 2018
MFRS 15: Revenue from Contract with Customers	1 January 2018
Amendments to MFRS 2 : Classification and Measurement of Share-based Payment Transaction	1 January 2018
Amendments to MFRS 15: Revenue from Contract with Customers: Clarification to MFRS 15	1 January 2018
Amendments to MFRS 128: Investments in Associates and Joint Ventures	1 January 2018
Amendments to MFRS 140: Investment Property: Transfers of Investment Property	1 January 2018
IC Interpretation 22: Foreign Currency Transactions and Advance Consideration	1 January 2018

The adoption of the above Amendments to MFRS and IC Interpretation did not have any significant financial impact to the Group except as mentioned below:

i. MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

EXPLANATORY NOTES (CONT'D.)

2 CHANGES IN ACCOUNTING POLICIES (CONT'D)

i. MFRS 15 *Revenue from Contracts with Customers (cont'd)*

The Group adopts this standard on the required effective date using the full retrospective method. The application of MFRS15 does not have a material effect on the Group's financial statements except on the presentation and disclosure requirements. The presentation and disclosure requirements in MFRS 15 are more detailed than the current standard.

ii. MFRS 9 *Financial Instruments*

MFRS 9 introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. In FY2018, the Group had performed a detailed impact assessment of all three aspects of MFRS 9. The assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group adopts MFRS 9.

There was no material impact on the accounting for the Group's financial assets upon initial application of the new classification requirements.

Standards and interpretations issued but not yet effective

The Group has not adopted the following standards and interpretations that have been issued but not yet effective.

<u>Description</u>	<u>Effective for annual periods beginning on or after</u>
MFRS 16 : Leases	1 January 2019
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 11: Annual Improvements to MFRS Standards 2015 - 2017 Cycle	1 January 2019
Amendments to MFRS 112: Annual Improvements to MFRS Standards 2015 - 2017 Cycle	1 January 2019
Amendments to MFRS 119 : Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128 : Long-term Interests in Associates and Joint Ventures	1 January 2019
IC Interpretation 23: Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvements to MFRS Standards 2015 -2017 Cycle	1 January 2019

EXPLANATORY NOTES (CONT'D.)

2 CHANGES IN ACCOUNTING POLICIES (CONT'D)

Standards and interpretations issued but not yet effective (cont'd.)

The Group are expected to apply the abovementioned pronouncements beginning from the respective dates the pronouncements become effective. The initial application of the abovementioned pronouncements are not expected to have any material impacts to the financial statements of the Group except as mentioned below:

(i) MFRS 16 *Leases*

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

The Group are expected to apply the abovementioned pronouncements beginning from the respective dates the pronouncements become effective.

3 OTHER INCOME

	Individual Quarter		Cumulative Quarter	
	3 Months Ended		9 Months Ended	
	31.10.2018	31.10.2017	31.10.2018	31.10.2017
Profits distribution from short term investment	1,485	1,590	4,298	4,517
Gain on disposal of property, plant and equipment	139	-	139	-
Miscellaneous income	66	396	100	498
	<u>1,690</u>	<u>1,986</u>	<u>4,537</u>	<u>5,015</u>

4 AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the year ended 31 January 2018 was not qualified.

5 SEASONAL OR CYCLICAL FACTORS

The Group's performance is not significantly affected by any seasonal or cyclical fluctuations.

6 UNUSUAL ITEMS

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group.

7 CHANGES IN ACCOUNTING ESTIMATES

There were no material changes in estimates of the amounts reported in the previous financial period that have a material effect on the results of the current reporting period.

EXPLANATORY NOTES (CONT'D.)

8 DEBT AND EQUITY SECURITIES

There were no issuances, cancellations, repurchases, resale or repayment of debt and equity securities.

9 SEGMENTAL INFORMATION

For management purposes, the Group is organised into business units based on their products and services, and has three reportable operating segments as follows:

- (i) Investment holding - equity investment, including group-level corporate services and business development functions.
- (ii) Property investment - rental of investment properties.
- (iii) Aviation - Provision of hangarage services, ground handling, aircraft management, engineering services, charter services and other aviation related services.

	Individual Quarter		Cumulative Quarter	
	3 Months Ended		9 Months Ended	
	31.10.2018	31.10.2017	31.10.2018	31.10.2017
	RM'000	RM'000	RM'000	RM'000
Revenue				
Investment holding	875	865	2,625	2,593
Property Investments	6,445	6,488	19,052	19,549
Aviation	6,167	6,750	16,783	18,916
Eliminations	(899)	(858)	(2,698)	(2,653)
	<u>12,588</u>	<u>13,245</u>	<u>35,762</u>	<u>38,405</u>
(Loss)/Profit before tax:				
Investment holding	(1,464)	(1,543)	(4,259)	(5,521)
Property Investments	2,857	3,005	7,610	8,951
Aviation	(2,170)	(2,232)	(7,213)	(7,035)
Eliminations	-	(35)	-	(104)
	<u>(777)</u>	<u>(805)</u>	<u>(3,862)</u>	<u>(3,709)</u>
Share of results of an associate	370	1,118	852	3,204
Share of results of Joint ventures	(118)	(34)	(545)	(206)
(Loss)/Profit before tax	<u>(525)</u>	<u>279</u>	<u>(3,555)</u>	<u>(711)</u>

No geographical segment is presented as the Group's activities are carried out in Malaysia.

10 MATERIAL EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

There were no material events subsequent to end of the reporting period.

11 CHANGES IN COMPOSITION OF THE GROUP

There were no changes in the composition of the Group since the last annual reporting date.

EXPLANATORY NOTES (CONT'D.)

12 CONTINGENT LIABILITIES

There were no material changes in contingent liabilities of the Group since the last annual reporting date.

13 CAPITAL COMMITMENTS

	As at 31.10.2018 RM'000	As at 31.1.2018 RM'000
Approved and contracted for:		
Property, plant and equipment	9,283	6,042
Approved but not contracted for:		
Property, plant and equipment	14,063	9,741
Investment in joint venture	92,734	93,984
	<u>116,080</u>	<u>109,767</u>

14 REVIEW OF PERFORMANCE

(a) Three (3) months results - Q3FY2019 vs Q3FY2018

The Group revenue for the three (3) months period under review decreased to RM12.6 million from RM13.2 million (a decrease of RM0.6 million or 5%) mainly due to lower revenue registered in Aviation segment.

Profit attributable to Owners of the parent for the three (3) months decreased to a loss of RM0.8 million from a profit of RM0.4 million mainly due to lower share of result from an associate of RM0.7 million and higher tax of RM0.3 million.

(b) Nine (9) months results - YTDQ3FY2019 vs YTDQ3FY2018

The Group revenue for the period under review decreased to RM35.8 million from RM38.4 million (a decrease of RM2.6 million or 7%) mainly due to lower revenue registered in Aviation & Property segments.

Profit attributable to Owners of the parent for the period decreased to a loss of RM4.3 million from RM1.4 million mainly due to lower share of result from an associate of RM2.4 million.

15 MATERIAL CHANGES IN THE QUARTERLY RESULTS COMPARED TO PRECEDING QUARTER

	Current Quarter 31.10.2018 RM'000	Immediate Preceding Quarter 31.7.2018 RM'000
Revenue	12,588	11,278
Operating loss	(749)	(2,221)
Loss before tax	(525)	(2,422)
Loss, represent total comprehensive loss for the period attributable to the owners of the parent	<u>(750)</u>	<u>(2,618)</u>

EXPLANATORY NOTES (CONT'D.)

15 MATERIAL CHANGES IN THE QUARTERLY RESULTS COMPARED TO PRECEDING QUARTER (CONT'D)

The Group recorded a loss attributable to owners of the parent of RM0.8 million in the current quarter, as compared to RM2.6 million in the immediate preceding quarter mainly due to higher revenue earned by RM1.3 million and higher share of result from an associate by RM0.3 million.

16 PROSPECTS

The Company's prospects are driven by two core businesses ie; property and aviation. Although the property market is softening, the Company takes a long term view on its property investments. On aviation business, we continue to review the portfolio to achieve a positive outlook for the Group.

17 TAXATION

	9 months ended 31.10.2018 RM'000	9 months ended 31.10.2017 RM'000
Malaysian taxation	<u>723</u>	<u>733</u>

18 OTHER CURRENT FINANCIAL ASSETS

	As at 31.10.2018 RM'000	As at 31.1.2018 RM'000
Held for trading investments:		
Quoted equity shares	<u>54</u>	<u>122</u>
Total financial assets at fair value through profit or loss	<u>54</u>	<u>122</u>

19 CORPORATE PROPOSALS

The corporate proposals announced are as follows:

- (i) On 29 October 2018, the Company announced that Mercuri Sapura Sdn. Bhd. ("MSSB"), a wholly-owned subsidiary of the Company has entered into a Joint Venture and Shareholders Agreement ("**Agreement**") with Dilog Training & Services Sdn Bhd ("**DTSSB**") to regulate their relationship as shareholders of a joint venture company ("**JVCO**") which is to be determined later and to effectively collaborate by drawing upon skills, expertise, experience and capabilities of each other for all **parties'** mutual benefits and profits in the undertaking of the business of provision of maintenance, repair and overhaul services for narrow body commercial aircraft in Senai, Johor, Malaysia.

EXPLANATORY NOTES (CONT'D.)

20 STATUS OF THE UTILISATION OF PROCEEDS FROM CORPORATE PROPOSALS

As at 31 October 2018, the status of the utilisation from the disposal of associates which was completed on 24 August 2016, amounting to RM315 million is as follows:

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance Unutilised RM'000	Intended Timeframe for Utilisation from the date of Receipts of Proceeds
i) Existing projects and future expansions	119,746	(4,500)	115,246	Within 48 months
ii) General working capital requirements	30,000	(5,000)	25,000	Within 48 months
iii) Repayments of borrowings	144,600	(144,600)	-	-
iv) Proposed special dividends	16,054	(16,054)	-	-
v) Estimated expenses	4,600	(4,600)	-	-
	<u>315,000</u>	<u>(174,754)</u>	<u>140,246</u>	

21 LOAN AND BORROWINGS

(a) Details of Group's borrowings are as follows:

	As at 31.10.2018 RM'000
Current:	
Secured:	
Obligations under finance leases	9
Unsecured:	
Revolving credit	4,800
	<u>4,809</u>
Non-current:	
Secured:	
Obligations under finance leases	189
	<u>189</u>
Total borrowings	<u>4,998</u>

(b) Currency denominations

All the loan and borrowings are denominated in Ringgit Malaysia.

EXPLANATORY NOTES (CONT'D.)

22 PROVISIONS

	As at 31.10.2018 RM'000	As at 31.1.2018 RM'000
Provision for indemnity		
At the beginning of period/year	3,000	25,000
Reversal in current year	-	(22,000)
At the end of period/year	<u>3,000</u>	<u>3,000</u>

In the disposal of associates which was completed on 24 August 2016, SRB indemnified APIIT Sdn. Bhd. ("APIIT") and ILMU Education Group Sdn. Bhd. ("ILMU") against any claims in connection with any failure to comply with specific applicable laws in Sri Lanka prior to the disposal of the associates, provided that any indemnity claim is made by APIIT and/or ILMU within the agreed period.

On 20 November 2017, the applicable law in Sri Lanka relating to the indemnity was amended resulting in RM22.0 million reversal of the provision.

23 MATERIAL LITIGATION

The Company and its subsidiaries have no outstanding material litigation as at date of this announcement.

24 DIVIDEND

The Board of Directors did not recommend any dividend for the quarter under review.

25 EARNINGS PER SHARE

The earnings per share has been calculated based on the profit attributable to Owners of the Parent divided by the number of ordinary shares in issue during the period of RM139,600,000.

26 ADDITIONAL INFORMATION

The following items are included in the statement of comprehensive income:

	Individual Quarter 3 Months Ended		Cumulative Quarter 9 Months Ended	
	31.10.2018 RM'000	31.10.2017 RM'000	31.10.2018 RM'000	31.10.2017 RM'000
Interest expense	28	11	54	31
(Write back)/Impairment on trade receivables	(295)	-	70	-
Depreciation and amortisation	2,283	2,328	6,867	6,740
Gain on disposal of PPE	(139)	-	(139)	-
Loss on liquidation of a joint venture	93	-	93	-
Net fair value loss/(gain) on held for trading investment	-	-	-	-
	<u>45</u>	<u>(7)</u>	<u>68</u>	<u>21</u>

EXPLANATORY NOTES (CONT'D.)

27 COMPARATIVE

Arising from the adoption of MFRS 15, the unaudited condensed financial statements for the previous financial periods have been restated as follows:

	As previously stated as at 31.10.2017 RM'000	Adjustments Effect of adoption of MFRS15 RM'000	As restated as at 31.10.2017 RM'000
<u>Unaudited Condensed Consolidated Statements of Comprehensive Income</u>			
Revenue	37,559	846	38,405
Other income	5,861	(846)	5,015

28 APPROVAL OF INTERIM FINANCIAL STATEMENT

The interim financial statements have been approved by the Board of Directors.

Chua Siew Chuan (MAICSA 0777689)
 Company Secretary