

SAPURA RESOURCES BERHAD - UNAUDITED FINANCIAL RESULTS Q3FY2020  
YEAR ENDED 31 JANUARY 2020

Sapura Resources Berhad  
Unaudited Financial Results Q3FY2020  
Year Ended 31 January 2020



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

Interim Financial Statements for the 3rd Quarter Ended 31 October 2019

The Board of Directors hereby announce the  
Unaudited financial results of the Group for the Year Ended 31 January 2020

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SAPURA RESOURCES BERHAD - UNAUDITED FINANCIAL RESULTS Q3FY2020  
YEAR ENDED 31 JANUARY 2020

Sapura Resources Berhad (Company No.: 3136-D)  
Unaudited Condensed Consolidated Statements of Comprehensive Income  
for the 3rd Quarter Ended 31 October 2019

	Note	Individual Quarter 3 Months Ended		Cumulative Quarter 9 Months Ended	
		Unaudited 31.10.2019	Unaudited 31.10.2018	Unaudited 31.10.2019	Unaudited 31.10.2018
		RM'000	RM'000	RM'000	RM'000
Revenue		12,052	12,588	36,899	35,762
Operating expenses		(17,455)	(15,027)	(49,927)	(44,107)
Other income	3	1,793	1,690	6,616	4,537
Operating loss		(3,610)	(749)	(6,412)	(3,808)
Finance costs		(511)	(28)	(1,533)	(54)
Loss before tax before share of result		(4,121)	(777)	(7,945)	(3,862)
Share of result of an associate		(442)	370	(314)	852
Share of result of joint ventures		(716)	(118)	(984)	(545)
Loss before tax		(5,279)	(525)	(9,243)	(3,555)
Taxation	18	(492)	(225)	(842)	(723)
Loss after tax, representing total comprehensive loss for the period		(5,771)	(750)	(10,085)	(4,278)
Loss, represent total comprehensive loss for the period attributable to:					
Owners of the parent		(5,609)	(750)	(9,750)	(4,278)
Non-controlling interests		(162)	-	(335)	-
		(5,771)	(750)	(10,085)	(4,278)
Earnings per share attributable to Owners of the parent (sen):					
Basic, loss for the period	27	(4.02)	(0.54)	(6.98)	(3.06)
		(4.02)	(0.54)	(6.98)	(3.06)

These unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 January 2019.

SAPURA RESOURCES BERHAD - UNAUDITED FINANCIAL RESULTS Q3FY2020  
YEAR ENDED 31 JANUARY 2020

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

Unaudited Condensed Consolidated Statement of Financial Position as at 31 October 2019

	Note	Unaudited 31.10.2019 RM'000	Audited 31.1.2019 RM'000
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment		56,382	54,933
Investment properties		112,383	114,740
Intangible assets	19	-	-
Investments in an associate		15,681	15,995
Investments in joint ventures		158,426	141,452
Right-of-use assets		32,768	-
		<u>375,640</u>	<u>327,120</u>
<b>CURRENT ASSETS</b>			
Inventories		-	13
Trade and other receivables		18,180	14,719
Prepayments		594	424
Other current financial assets	20	117	115
Tax recoverable		846	2,072
Short term investment		73,129	142,940
Cash and bank balances		40,926	5,296
		<u>133,792</u>	<u>165,579</u>
<b>TOTAL ASSETS</b>		<u>509,432</u>	<u>492,699</u>
<b>EQUITY AND LIABILITIES</b>			
Equity attributable to Owners of the Parent			
Share capital		139,600	139,600
Other reserves		2,581	2,581
Retained profits		296,369	314,100
Equity attributable to owners of the parent		<u>438,550</u>	<u>456,281</u>
Non-controlling interests		165	-
<b>Total Equity</b>		<u>438,715</u>	<u>456,281</u>
Non-current liabilities			
Deferred tax liabilities		4,202	4,202
Lease liabilities		35,978	-
Loans and borrowings	24	61	116
		<u>40,241</u>	<u>4,318</u>
Current Liabilities			
Trade and other payables		18,196	22,509
Provisions	23	3,830	3,830
Lease liabilities		5,704	-
Loans and borrowings	24	2,746	5,761
		<u>30,476</u>	<u>32,100</u>
<b>Total liabilities</b>		<u>70,717</u>	<u>36,418</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>509,432</u>	<u>492,699</u>
<b>NET ASSETS PER SHARE (RM)</b>		<u>3.14</u>	<u>3.27</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 2019.

SAPURA RESOURCES BERHAD - UNAUDITED FINANCIAL RESULTS Q3FY2020  
YEAR ENDED 31 JANUARY 2020

Sapura Resources Berhad (Company No.: 3136-D)  
Unaudited Condensed Consolidated Statement of Changes in Equity  
for the 3rd Quarter Ended 31 October 2019

	-----Attributable to owners of the parent-----					
	<- Non-distributable-> :----- Distributable -----:					
	Share Capital	Capital Reserve	General Reserve	Retained Profits	Non-controlling interests	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1.2.2019						
As previously reported	139,600	1,481	1,100	314,100	-	456,281
Effect of adoption of MFRS 16	-	-	-	(7,981)	-	(7,981)
At 1.2.2019, restated	139,600	1,481	1,100	306,119	-	448,300
Subscription of shares in a subsidiary	-	-	-	-	500	500
Total comprehensive loss for the period	-	-	-	(9,750)	(335)	(10,085)
At 31.10.2019	139,600	1,481	1,100	296,369	165	438,715
At 1.2.2018	139,600	1,481	1,100	306,723	-	448,904
Total comprehensive loss for the period	-	-	-	(4,278)	-	(4,278)
At 31.10.2018	139,600	1,481	1,100	302,445	-	444,626

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 2019.

SAPURA RESOURCES BERHAD - UNAUDITED FINANCIAL RESULTS Q3FY2020  
YEAR ENDED 31 JANUARY 2020

Sapura Resources Berhad (Company No.: 3136-D)  
Unaudited Condensed Consolidated Statement of Cash Flows  
for the 3rd Quarter Ended 31 October 2019

	Unaudited For the period ended 31.10.2019 <u>RM'000</u>	Unaudited For the period ended 31.10.2018 <u>RM'000</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before tax	(9,243)	(3,555)
Adjustment for:		
Non-cash items	9,854	2,410
Operating profit/(loss) before working capital changes	<u>611</u>	<u>(1,145)</u>
Net change in current assets	(3,370)	(2,656)
Net change in current liabilities	(4,313)	(4,228)
Tax refund/(paid)	384	(1,223)
Net cash used in operating activities	<u>(6,688)</u>	<u>(9,252)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment in joint venture companies	(17,958)	(1,250)
Purchase of property, plant and equipment	(7,740)	(9,539)
Net withdrawal from short term investment	69,811	8,693
Profits distribution received from short term investment	6,160	4,298
Dividend received	2	-
Proceeds from liquidation of a joint venture	-	364
Proceeds from disposal of property, plant and equipment	67	143
Net cash generated from investing activities	<u>50,342</u>	<u>2,709</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from subscription of shares by non-controlling interests	500	-
Interest paid	(1,533)	(54)
Net repayment of obligation under finance lease	(70)	(129)
Net (repayment)/withdrawal of short term borrowings	(3,000)	4,800
Net repayment of lease liabilities	(3,921)	-
Net cash (used in)/generated from financing activities	<u>(8,024)</u>	<u>4,617</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	35,630	(1,926)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>5,296</u>	<u>4,402</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>40,926</u>	<u>2,476</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 2019.

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 2019, the Group adopted the following new and amended MFRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2019.

<u>Description</u>	<u>Effective for annual periods beginning on or after</u>
MFRS 16 : Leases	1 January 2019
Amendments to MFRS 3: Business Combinations (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)	1 January 2019
Amendments to MFRS 11: Joint arrangements (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)	1 January 2019
Amendments to MFRS 112: Income Taxes (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)	1 January 2019
Amendments to MFRS 128 : Investments in Associates and Joint Ventures	1 January 2019
IC Interpretation 23: Uncertainty over Income Tax Treatments	1 January 2019

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 16: *Leases*

MFRS 16 replaces 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.

EXPLANATORY NOTES (CONT'D.)

2 CHANGES IN ACCOUNTING POLICIES (CONT'D.)

i. MFRS 16: *Leases (cont'd.)*

MFRS 16 introduces a single, on balance sheet lease accounting for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating leases.

Right-of-use assets are disclosed as a single line in the statement of financial position. The lease liabilities are included as borrowings in the statement of financial position.

As allowed by the transitional provision of MFRS 16, the Group have elected the modified retrospective approach with no restatement of comparative and cumulative adjustments resulting from the initial application of MFRS 16 are recognised in retained earnings and reserves as at 1 January 2019, as disclosed below:

	Impact of adoption of MFRS 16 to opening balance at 1 February 2019 In RM'000
	<hr/>
Increase in right-of-use assets	30,294
Decrease in retained earnings	7,981
Increase in lease liabilities	(38,967)
Decrease in other payables	692
	<hr/>

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>
Amendments to MFRS 3: Business Combinations (Definition of a business)	1 January 2020
Amendments to MFRS 101: Presentation of Financial Statements (Definition of material)	1 January 2020
Amendments to MFRS 108: Accounting Policies, Changes in Accounting Estimates and Errors (Definition of material)	1 January 2020

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.



EXPLANATORY NOTES (CONT'D.)

3 OTHER INCOME

	Individual Quarter 3 Months Ended		Cumulative Quarter 9 Months Ended	
	31.10.2019 RM'000	31.10.2018 RM'000	31.10.2019 RM'000	31.10.2018 RM'000
Profits distribution received from short term investment	1,608	1,485	6,160	4,298
Gain on disposal of property, plant and equipment	67	139	67	139
Reversal of allowances for impairment of trade receivables	62	-	248	-
Miscellaneous income	56	66	141	100
	<u>1,793</u>	<u>1,690</u>	<u>6,616</u>	<u>4,537</u>

4 AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the year ended 31 January 2019 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.

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 four 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.
- (iv) Maintenance, repair and overhaul ("MRO") - provision of MRO services for aircraft and the related services.

EXPLANATORY NOTES (CONT'D.)

9 SEGMENTAL INFORMATION (CONT'D)

	Individual Quarter		Cumulative Quarter	
	3 Months Ended		9 Months Ended	
	31.10.2019	31.10.2018	31.10.2019	31.10.2018
	RM'000	RM'000	RM'000	RM'000
Revenue				
Investment holding	768	875	2,328	2,625
Property Investment	6,672	6,445	20,161	19,052
Aviation	5,181	6,167	16,635	16,783
MRO	219	-	755	-
Eliminations	(788)	(899)	(2,980)	(2,698)
	<u>12,052</u>	<u>12,588</u>	<u>36,899</u>	<u>35,762</u>
Loss before tax:				
Investment holding	(2,692)	(1,464)	(4,835)	(4,259)
Property Investment	2,141	2,857	7,403	7,610
Aviation	(940)	(2,170)	(2,795)	(7,213)
MRO	(3,156)	-	(6,748)	-
Eliminations	526	-	(970)	-
	<u>(4,121)</u>	<u>(777)</u>	<u>(7,945)</u>	<u>(3,862)</u>
Share of result of an associate	(442)	370	(314)	852
Share of result of joint ventures	(716)	(118)	(984)	(545)
Loss before tax	<u>(5,279)</u>	<u>(525)</u>	<u>(9,243)</u>	<u>(3,555)</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 except for the followings:

- (i) On 18 March 2019, the Company announced that the joint venture company namely, Sapura Technics Sdn. Bhd. ("**STSB**") has been duly incorporated on 12 December 2018 pursuant to the Joint Venture and Shareholders' Agreement ("Agreement"). STSB has an initial issued share capital of RM1.00 only comprising of one (1) ordinary share which is subscribed by Mercu Sapura Sdn. Bhd. ("**MSSB**").

EXPLANATORY NOTES (CONT'D.)

11 CHANGES IN COMPOSITION OF THE GROUP (CONT'D)

There were no changes in the composition of the Group since the last annual reporting date except for the followings (cont'd):

- (i) Pursuant to Clause 4 of the Agreement, the Parties have on 18 March 2019 subscribed for the following number of ordinary shares at an issue price of RM1.00 each fully paid in STSB by way of cash subscription at the following consideration:-

Party	Number of ordinary shares subscribed in the STSB on 18 March 2019	Consideration (RM)	Total number of Ordinary Shares held in the STSB	Percentage of shareholdings in the STSB
MSSB	9,499,999	9,499,999	9,500,000	95%
DTSSB	500,000	500,000	500,000	5%
Total	9,999,999	9,999,999	10,000,000	100%

With the completion of the share subscription, STSB shall cease to be an indirect wholly-owned subsidiary of the Company and shall become an indirect 95%-owned subsidiary of the Company via MSSB.

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 31.10.2019 RM'000	As at 31.1.2019 RM'000
Approved and contracted for:		
Property, plant and equipment	7,044	9,026
Approved but not contracted for:		
Property, plant and equipment	4,236	4,322
Investment in a subsidiary	6,500	24,300
Investment in joint ventures	109,676	90,134
	<u>127,456</u>	<u>127,782</u>

EXPLANATORY NOTES (CONT'D.)

14 REVIEW OF GROUP PERFORMANCE

14.1 Current quarter vs. corresponding quarter of the preceding year (Q3FY2020 vs. Q3FY2019)

The Group revenue for the three (3) months period under review decreased from RM12.6 million to RM12.0 million (a decrease of RM0.6 million or 4%) mainly attributable to the lower revenue from Aviation segment and partially offset with higher revenue from Property segment.

Loss before tax for the three (3) months period under review increased from RM0.5 million to RM5.3 million (an increase of RM4.8 million) mainly attributable to the higher operating expenses of RM2.4 million and higher share of losses of an associate and joint ventures of RM1.4 million.

14.2 Current period vs. corresponding period of the preceding year (YTDQ3FY2020 vs. YTDQ3FY2019)

The Group revenue for the six (6) months period under review increased from RM35.8 million to RM36.9 million (an increase of RM1.1 million or 3%) mainly attributable to the higher revenue from Property segment.

Loss before tax for the six (6) months period under review increased from RM3.5 million to RM9.2 million (an increase of RM5.7 million) mainly attributable to the higher operating expenses.

14.3 Current quarter vs. immediate preceding quarter (Q3FY2020 vs Q2FY2020)

	Current Quarter 31.10.2019 RM'000	Immediate Preceding Quarter 31.7.2019 RM'000
Revenue	12,052	12,841
Operating loss	(3,610)	(2,221)
Loss before tax	(5,279)	(2,821)

The Group recorded a loss before taxation of RM5.3 million in the current quarter, which was higher by RM2.5 million as compared to the loss before taxation of RM2.8 million in the immediate preceding quarter mainly due to higher operating expenses recorded by MRO segment.

15 SEGMENTAL ANALYSIS

(i) Investment holding

Q3FY2020 vs Q3FY2019

Revenue decreased by 11% from RM0.9 million in Q3FY19 to RM0.8 million in Q3FY20 mainly due to lower management fee income from subsidiaries.

The segment recorded higher loss before taxation of RM2.7 million in Q3FY20 as compared to loss before taxation of RM1.5 million in Q3FY2019 mainly due to higher operating expenses.

EXPLANATORY NOTES (CONT'D.)

15 SEGMENTAL ANALYSIS (CONT'D.)

(i) Investment holding (cont'd.)

YTDQ3FY2020 vs YTDQ3FY2019

Revenue decreased by 12% from RM2.6 million in YTDQ3FY19 to RM2.3 million in YTDQ3FY20 mainly due to lower management fee income from subsidiaries.

The segment recorded higher loss before taxation of RM4.8 million in YTDQ3FY20 as compared to loss before taxation of RM4.3 million in YTDQ3FY2019 mainly due to higher operating expenses and partially offset with an increase in profits distribution received from short term investment.

(ii) Property Investment

Q3FY2020 vs Q3FY2019

The segment recorded lower profit before taxation of RM2.1 million in Q3FY20 as compared to RM2.9 million in Q3FY19 due to higher depreciation charges on the newly completed Asset Enhancement Initiatives ("**AEI**") projects.

YTDQ3 FY2020 vs YTDQ3 FY2019

Revenue increased by 6% from RM19.1 million in YTDQ3FY19 to RM20.2 million in YTDQ3FY20 mainly contributed by an increase in occupancy rates.

The segment recorded lower profit before taxation of RM7.4 million in YTDQ3FY20 as compared to RM7.6 million in YTDQ3FY19 due to higher depreciation charges on the newly completed AEI projects and partially offset by an increase in revenue.

(iii) Aviation

Q3FY2020 vs Q3FY2019

Revenue decreased by 16% from RM6.2 million in Q3FY19 to RM5.2 million in Q3FY20 due to lower revenue in hangarage rental and ground handling services.

The segment recorded lower loss before taxation of RM0.9 million in Q3FY20 as compared to RM2.2 million in Q3FY19 mainly due to lower operating expenses.

YTDQ3FY2020 vs YTDQ3FY2019

The segment recorded lower loss before taxation of RM2.8 million in YTDQ3FY20 as compared to RM7.2 million in YTDQ3FY19 mainly due to lower operating expenses and one-off gain on novation of the hangar lease agreement from Aviation segment to newly establish MRO segment.

(iv) MRO

The segment which was incorporated in Q4FY19, is still in its gestation period, recorded a loss before taxation of RM3.2 million in Q3FY20 and RM6.7 million in YTDQ3FY20.

16 PROFIT FORECAST

No profit forecast was issued for the financial period.

EXPLANATORY NOTES (CONT'D.)

17 PROSPECTS

The Company is currently driven by property and aviation businesses. The Company looks forward to growth in the MRO and engineering services in marine sector. However, the property sector remains challenging.

18 TAXATION

	9 months ended 31.10.2019 RM'000	9 months ended 31.10.2018 RM'000
Malaysian taxation	<u>842</u>	<u>723</u>

19 INTANGIBLE ASSETS

	As at 31.10.2019 RM'000	As at 31.1.2019 RM'000
Cost		
At beginning/ end of period	2,389	2,389
Accumulated impairment		
At beginning/ end of period	2,389	2,389
Net carrying amount	<u>-</u>	<u>-</u>

The cost of goodwill, which has been allocated to the Group's CGUs identified according to the business segments is as follows:

	As at 31.10.2019 RM'000	As at 31.1.2019 RM'000
Premium automotive	<u>2,389</u>	<u>2,389</u>

The recoverable amounts of CGU for Automotive segment was determined based on fair value less cost to sell (determined by management based on best information available on recoverable amount of the CGU).

20 OTHER CURRENT FINANCIAL ASSETS

	As at 31.10.2019 RM'000	As at 31.1.2019 RM'000
Held for trading investments:		
Quoted equity shares	117	115
Total financial assets at fair value through profit or loss	<u>117</u>	<u>115</u>

EXPLANATORY NOTES (CONT'D.)

21 CORPORATE PROPOSALS

The corporate proposals announced are as follows:

- (i) On 26 March 2019, the Company announced that the Company has entered into into a Memorandum Of Understanding ("MOU") with MTU Asia Pte. Ltd. ("MTU"). The purpose of the MOU is to support discussion on a potential strategic collaboration between the Parties to establish a joint venture for the sales and service of original equipment packaging solutions in marine (both naval and commercial), rail, construction & industrial, mining, agriculture, oil and gas, and power generation market sectors in Malaysia and which will primarily serve the Malaysian market ("Project").
- (ii) On 15 May 2019, the Company announced that further to the Company's announcement made on 26 March 2019, the Company and SRB One Sdn. Bhd. ("**SRB One**") as well as MTU and MTU Power Systems Sdn. Bhd. ("**MPS**") had entered into a conditional subscription and joint venture agreement dated 15 May 2019, in order for MPS to undertake the sale and service of "**original equipment packaging solutions**" in marine (both naval and commercial), rail, construction and industrial, mining, agriculture, oil and gas, and power generation market sectors in Malaysia and such other businesses as may be mutually agreed between **SRB One and MTU from time to time ("Proposed Joint Venture")**.

As a consequence of the Proposed Joint Venture, SRB proposes to diversify its principal activities and of its subsidiaries to include the sale and service of products, engine and parts, and provision of related value-added services.

- (iii) On 23 May 2019, the Company announced that pursuant to the terms of the JV Agreement, SRB One and MTU have on 23 May 2019 subscribed for the following number of ordinary shares ("**Initial Subscription Shares**") at an issue price of RM1.00 each fully paid in MPS, being the joint venture entity, by way of cash subscription at the following consideration:-

Party	Class of Ordinary Shares	Number of ordinary shares subscribed in MPS on 23 May 2019	Consideration (RM)	Total number of Ordinary Shares held in the MPS upon Initial Subscription Shares	Percentage of shareholdings in the MPS
SRB One	Class B	1,248,979	1,248,979	1,248,979	51%
MTU	Class A	1,000,000	1,000,000	1,200,000	49%
Total		2,248,979	2,248,979	2,448,979	100%

With the completion of the Initial Subscription Shares, SRB holds 51% indirect equity interest in MPS via SRB One.

- (iv) On 3 July 2019, the Company announced that all the conditions precedent as set out in the JV Agreement have been fulfilled and/or waived in accordance with the terms of the JV Agreement. Accordingly, the JV Agreement has become unconditional on 3 July 2019.

EXPLANATORY NOTES (CONT'D.)

21 CORPORATE PROPOSALS (CONT'D.)

The corporate proposals announced are as follows (cont'd):

- (v) On 10 July 2019, the Company announced that pursuant to the terms of the JV Agreement, the SRB One **Shareholder's** Loan was capitalised on 10 July 2019 with the allotment and issuance of 8,959,185 new Class B Shares to SRB One at an issue price of RM1.00 per share.

In addition, on the same day, MTU has also subscribed for 8,607,844 new Class A Shares for a cash consideration of RM8,607,844.

With the completion of the Subsequent Subscriptions, SRB One holds 10,208,164 Class B Shares and MTU holds 9,807,844 Class A Shares, representing 51% and 49% equity interest in MPS respectively.

22 STATUS OF THE UTILISATION OF PROCEEDS FROM CORPORATE PROPOSALS

As at 31 October 2019, 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	141,746	(51,108)	90,638	Within 48 months
ii) General working capital requirements	8,000	(5,000)	3,000	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>(221,362)</u>	<u>93,638</u>	



EXPLANATORY NOTES (CONT'D.)

23 PROVISIONS

	As at 31.10.2019 RM'000	As at 31.1.2019 RM'000
At the beginning of period/year	3,830	3,000
Current year provision	-	830
At the end of period/year	<u>3,830</u>	<u>3,830</u>

As part of the disposal of associates, in prior year, 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.

In addition, in the previous financial year, the Group has made a provision in relation to a potential claim from insurer of a customer.

24 LOAN AND BORROWINGS

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

	As at 31.10.2019 RM'000
Current:	
Secured:	
Obligations under finance leases	46
Unsecured:	
Revolving credit	2,700
	<u>2,746</u>
Non-current:	
Secured:	
Obligations under finance leases	61
	<u>61</u>
Total borrowings	<u>2,807</u>

(b) Currency denominations

All the loan and borrowings are denominated in Ringgit Malaysia.

EXPLANATORY NOTES (CONT'D.)

25 MATERIAL LITIGATION

Aerodome Sdn. Bhd. ("**Aerodome**") is the subsidiary of DNest Aviation Sdn. Bhd. ("**DNest**") and Sapura Resources Berhad ("**the Company**") is the holding company for DNest. The Company wishes to announce that Aerodome had on 10 October 2019 received a Writ of Summons together with a Statement of Claim dated 30 September 2019 filed by (1) Best Perfection Holdings Limited (2) Pan Asia Property Management Sdn. Bhd. (3) Allianz Global Corporate & Specialty ("**Plaintiffs**") through its solicitor Messrs. Joseph & Partners.

The Plaintiff is claiming for the following :-

- (a) Loss of use of the Aircraft due to the Aircraft Damage in the sum of USD203,090.00 (equivalent to MYR850,340.37 at the Central Bank Malaysia rate of exchange of USD1=MYR4.187 as at 30 September 2019;
- (b) Pre-judgment interest, pursuant to Section 11 of the Civil Law Act 1956 at the rate of 5% per annum on the sum of USD203,090.00 from 1.11.2015 until the date of Judgment;
- (c) Post-judgment interest at the rate of 5% per annum on the sum of USD203,090.00 from the date of Judgment until full realization thereof;
- (d) Costs on a solicitor client basis; and
- (e) Any or other Order or further relief as the Court may deem fit and expedient.

Aerodome has to file the Defence on or before 21 November 2019 and the next case management has been fixed on 6 January 2020 at Shah Alam Sessions Court, Bangunan Mahkamah Sultan Salahuddin Abdul Aziz Shah, Persiaran Pegawai, Seksyen 54000 Shah Alam, Selangor.

Details of the circumstances leading to the filing of Writ of Summons against the Company

The circumstances leading to the filing of Writ of Summons was due to the alleged breach of Aircraft Management and Maintenance Agreement dated 6 July 2012 between Pan Asia Property Management Sdn. Bhd. and Aerodome involving the incident of the Aircraft owned by Best Perfection Holdings Limited and operated by Pan Asia Property Management Sdn. Bhd. where the tail of the Aircraft tipped downwards and struck the raised concrete of the apron at Subang Airport.

26 DIVIDEND

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

27 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.

EXPLANATORY NOTES (CONT'D.)

28 ADDITIONAL INFORMATION

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

	Individual Quarter		Cumulative Quarter	
	3 Months Ended		9 Months Ended	
	31.10.2019	31.10.2018	31.10.2019	31.10.2018
	RM'000	RM'000	RM'000	RM'000
Interest expense	38	28	137	54
Interest expense on lease liabilities	473	-	1,396	-
Impairment loss on trade receivables	-	-	-	70
Reversal of allowances for impairment of trade receivables	(62)	(295)	(248)	-
Depreciation of property, plant and equipment	963	1,497	6,291	4,510
Depreciation of investment properties	786	786	2,357	2,357
Depreciation of right-of-use assets	1,441	-	4,168	-
Gain on disposal of property, plant and equipment	(67)	(139)	(67)	(139)
Loss on liquidation of a joint venture	-	93	-	93
Net fair value loss/(gain) on held for trading investment	13	45	(2)	68

29 APPROVAL OF INTERIM FINANCIAL STATEMENT

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

Chua Siew Chuan (MAICSA 0777689)  
 Company Secretary