

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 APRIL 2022

THE FIGURES HAVE NOT BEEN AUDITED

I. CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Individual Quarter		Cumulative Quarter	
	Current year quarter 30/04/2022 RM'000	Preceding year corresponding quarter 30/04/2021 RM'000	Three months to 30/04/2022 RM'000	Three months to 30/04/2021 RM'000
Revenue	886,081	1,470,594	886,081	1,470,594
Other operating income	7,232	5,235	7,232	5,235
Operating expenses	(819,546)	(1,281,618)	(819,546)	(1,281,618)
Operating profit	73,767	194,211	73,767	194,211
Depreciation and amortisation	(108,900)	(130,763)	(108,900)	(130,763)
Finance income	2,985	2,504	2,985	2,504
Finance costs	(125,389)	(156,029)	(125,389)	(156,029)
Gain on disposal of property, plant and equipment	-	5,197	-	5,197
Net foreign exchange gain/(loss)	175,908	(42,693)	175,908	(42,693)
Share of profit from associates and joint ventures	78,431	63,563	78,431	63,563
Profit/(loss) before taxation	96,802	(64,010)	96,802	(64,010)
Taxation	(9,410)	(38,192)	(9,410)	(38,192)
Profit/(loss) after taxation	87,392	(102,202)	87,392	(102,202)
Attributable to:				
Owners of the Parent	91,934	(97,074)	91,934	(97,074)
Non-controlling interests	(4,542)	(5,128)	(4,542)	(5,128)
	87,392	(102,202)	87,392	(102,202)
Profit/(loss) per share (sen)				
- Basic/Diluted	0.58	(0.61)	0.58	(0.61)

The condensed consolidated statement of profit or loss should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

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II. CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Quarter	
	Current year quarter 30/04/2022 RM'000	Preceding year corresponding quarter 30/04/2021 RM'000	Three months to 30/04/2022 RM'000	Three months to 30/04/2021 RM'000
Profit/(loss) after taxation	87,392	(102,202)	87,392	(102,202)
Other comprehensive income:				
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>				
Foreign currency translation differences	(176,755)	42,462	(176,755)	42,462
Net changes in cash flow hedge	-	(3,917)	-	(3,917)
Share of other comprehensive income/(loss) of associates and joint ventures:				
- Foreign currency translation differences	177,069	45,242	177,069	45,242
- Net changes in cash flow hedge	(12,985)	6,020	(12,985)	6,020
<i>Items that has been reclassified to profit or loss in current year:</i>				
Cumulative changes in cash flow hedge	-	18,952	-	18,952
Total comprehensive profit	74,721	6,557	74,721	6,557
Attributable to:				
Owners of the Parent	73,721	9,697	73,721	9,697
Non-controlling interests	1,000	(3,140)	1,000	(3,140)
Total comprehensive profit	74,721	6,557	74,721	6,557

The condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

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THE FIGURES HAVE NOT BEEN AUDITED

III. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	UNAUDITED As at end of current financial period 30/04/2022 RM'000	AUDITED As at end of preceding financial year 31/01/2021 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	6,574,447	6,437,033
Intangible assets	1,731,641	1,705,376
Investment in associates	2,159,064	2,035,721
Investment in joint ventures	2,305,508	2,168,609
Deferred tax assets	105,998	103,657
Trade and other receivables	87,328	227,560
	<u>12,963,986</u>	<u>12,677,956</u>
Current assets		
Inventories	422,470	428,841
Trade and other receivables	1,374,879	1,139,186
Contract assets	921,088	727,044
Tax recoverable	108,296	82,473
Cash, deposits and bank balances	539,142	717,751
	<u>3,365,875</u>	<u>3,095,295</u>
Non-current asset classified as held for sale	307,094	295,499
	<u>3,672,969</u>	<u>3,390,794</u>
TOTAL ASSETS	16,636,955	16,068,750
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	10,872,078	10,872,078
Islamic redeemable convertible preference shares ("RCPS-i")	982,713	982,713
Shares held under trust	(11,587)	(11,587)
Warrants reserve	109,110	109,110
Other reserves	1,773,142	1,791,355
Accumulated losses	(13,566,762)	(13,658,696)
	<u>158,694</u>	<u>84,973</u>
Non-controlling interests	<u>(5,987)</u>	<u>(6,987)</u>
Total equity	152,707	77,986

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 APRIL 2022

THE FIGURES HAVE NOT BEEN AUDITED

III. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D.)

	UNAUDITED As at end of current financial period 30/04/2022 RM'000	AUDITED As at end of preceding financial year 31/01/2021 RM'000
Non-current liabilities		
Derivative liabilities	-	24,644
Trade and other payables	14,422	19,082
Contract liabilities	9,470	10,584
Lease liabilities	7,876	8,745
Deferred tax liabilities	91,595	86,089
	123,363	149,144
Current liabilities		
Borrowings	10,690,209	10,658,021
Trade and other payables	4,110,035	3,670,461
Contract liabilities	960,241	817,139
Lease liabilities	7,534	7,976
Provisions	494,239	609,356
Provision for tax	98,627	78,667
	16,360,885	15,841,620
TOTAL LIABILITIES	16,484,248	15,990,764
TOTAL EQUITY AND LIABILITIES	16,636,955	16,068,750
Net assets per share (RM)	0.01	0.01

The condensed consolidated statement of financial position should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 APRIL 2022

THE FIGURES HAVE NOT BEEN AUDITED

IV. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Parent						Non-controlling interests	Total equity	
	Non-distributable			Distributable					
	Share capital RM'000	RCPS-i RM'000	Shares held under trust RM'000	Warrants reserve RM'000	Other reserves RM'000	Accumulated losses RM'000			Total RM'000
Three months to 30 April 2022 (Unaudited)									
At 1 February 2022	10,872,078	982,713	(11,587)	109,110	1,791,355	(13,658,696)	84,973	(6,987)	77,986
Total comprehensive (loss)/income	-	-	-	-	(18,213)	91,934	73,721	1,000	74,721
At 30 April 2022	10,872,078	982,713	(11,587)	109,110	1,773,142	(13,566,762)	158,694	(5,987)	152,707
Three months to 30 April 2021 (Unaudited)									
At 1 February 2021	10,872,078	982,713	(11,587)	109,110	1,618,671	(4,625,415)	8,945,570	(8,820)	8,936,750
Total comprehensive income/(loss)	-	-	-	-	106,771	(97,074)	9,697	(3,140)	6,557
At 30 April 2021	10,872,078	982,713	(11,587)	109,110	1,725,442	(4,722,489)	8,955,267	(11,960)	8,943,307

The condensed consolidated statement of changes in equity should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 APRIL 2022

THE FIGURES HAVE NOT BEEN AUDITED

V. CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	UNAUDITED Three months to 30/04/2022 RM'000	UNAUDITED Three months to 30/04/2021 RM'000
Cash flows from operating activities		
Profit/(loss) before taxation	96,802	(64,010)
Adjustments	116,004	249,426
Operating profit before working capital changes	212,806	185,416
Changes in working capital	(278,271)	(145,037)
Cash (used in)/generated from operations	(65,465)	40,379
Net taxes paid	(10,797)	(28,129)
Net cash (used in)/generated from operating activities	(76,262)	12,250
Cash flows from investing activities		
Purchase of property, plant and equipment	(31,802)	(27,485)
Proceeds from disposal of property, plant and equipment	-	9,424
Repayment of advances from a joint venture	-	44,467
Dividend received from a joint venture	4,274	-
Other items	1,062	1,438
Net cash (used in)/generated from investing activities	(26,466)	27,844
Cash flows from financing activities		
Finance costs paid	(5,016)	(65,657)
Net (repayment)/drawdown of revolving credit and trade financing	(176,456)	161,034
Net repayment of lease liabilities	(8,759)	(1,644)
Withdrawal/(placement) of cash pledged with bank (restricted)	106,439	(66,499)
Net cash (used in)/generated from financing activities	(83,792)	27,234
Net (decrease)/increase in cash and cash equivalents	(186,520)	67,328
Effect of exchange rate translation	7,911	14,551
Cash and cash equivalents at beginning of year	717,751	488,966
Cash and cash equivalents at end of period	539,142	570,845
Cash and cash equivalents comprise:		
Cash, deposits and bank balances	708,240	767,851
Less: Cash pledged with bank (restricted)	(169,098)	(197,006)
Cash and cash equivalents	539,142	570,845

The condensed consolidated statement of cash flows should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

The unaudited condensed consolidated interim financial statements for the period ended 30 April 2022 have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("BMSB"). These condensed consolidated interim financial statements also comply with International Accounting Standards ("IAS") 34: Interim Financial Reporting issued by the International Accounting Standards Board.

The unaudited condensed consolidated interim financial statements for the financial period ended 30 April 2022 should be read in conjunction with the audited financial statements for the financial year ended 31 January 2022.

Effective for annual periods beginning on or after 1 January 2022:

- Amendments to MFRS 3: Business Combinations
- Amendments to MFRS 116: Property, Plant and Equipment
- Amendments to MFRS 137: Provisions, Contingent Liabilities and Contingent Assets
- Amendments to MFRS 101: Presentation of Financial Statements
- Amendments to MFRS 108: Accounting Policies, Changes in Accounting Estimates and Errors
- Amendments to MFRS 112: Income Taxes

The adoption of the above standards and interpretations did not have a significant impact on the financial statements in the period of application.

2. Seasonality and cyclicity of operations

The Group's operations are not materially affected by any seasonal or cyclical factors except for severe weather conditions in the various regions that the Group operates.

3. Auditors' report on preceding annual financial statements

The auditors have expressed an unqualified opinion with material uncertainty relating to going concern in the Company's audited financial statements for the financial year ended 31 January 2022 in their report dated 31 May 2022. An extract of the opinion is as follows:

"We draw attention to Note 2.1 to the financial statements, which indicates that the Group and the Company reported a net loss of RM9,060.9 million and RM8,898.4 million respectively for the year ended 31 January 2022, and as of that date, the Group's and the Company's current liabilities exceeded their current assets by RM12,450.8 million and RM1,331.3 million respectively, and that the Group is facing severe liquidity constraints. The Company and 22 of its subsidiaries ("the Applicants") have obtained Restraining Orders under Section 368 of the Companies Act 2016 in Malaysia ("the Act") as well as separate contractual standstill arrangements with the lenders ("Standstill Arrangements") which will expire on 10 June 2022 and 6 June 2022 respectively and is in the process of undertaking schemes of arrangement ("SOA") and compromise under Section 366 of the Act.

These events or conditions, along with other matters as set forth in Note 2.1 to the financial statements, indicate the existence of material uncertainties that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. Nevertheless, the financial statements of the Group and of the Company have been prepared on a going concern basis, the validity of which is highly dependent on obtaining extensions of the Restraining Orders and Standstill Arrangements; and the successful and timely implementation of the proposed SOA which requires that the Applicants to secure approvals from at least 75% of the scheme creditors in the court convened meetings.

3. Auditors' report on preceding annual financial statements (cont'd.)

Should the going concern basis for the preparation of the financial statement be no longer appropriate, adjustments would have to be made in the financial statements relating to the amounts and classification of the assets and liabilities. No such adjustments have been made to these financial statements.

Our opinion is not qualified in respect of this matter."

4. Unusual items due to their nature, size and incidence

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows for the current financial period, other than as disclosed in these condensed consolidated interim financial statements.

5. Changes in estimates

There were no changes in estimates that have a material effect in the current financial period, other than as disclosed in these condensed consolidated statement of profit or loss.

6. Debt and equity securities

There were no other issuance and repayment of debt securities, share buy-back, share cancellations, shares held under trust and resale of shares held under trust during the quarter ended 30 April 2022.

7. Subsequent events

On 8 June 2022 the Applicants were granted an Order of the Court under Section 368 of the Act that the Restraining Orders be extended for a period of 9 months from 10 June 2022 (i.e. the date that such Restraining Orders would otherwise have expired), to 10 March 2023 (the "Extended Restraining Orders").

The MCF Financiers will continue to be excluded from the application of the RO, on the basis that those Applicants who are obligors in relation to the MCF Facilities, have entered into an agreement with a significant majority of the MCF Financiers for inter alia, a standstill on claims under the MCF Facilities for a further period of 6 months up to 10 December 2022. The Company is continuing to engage with the remaining minority MCF Financiers with a view to agreeing a standstill with such MCF Financiers in short order.

In addition to granting the extension, the Court has also designated an independent adjudicator to resolve any dispute arising out of the adjudication of proof of debt involving the Applicant in the SOA.

Other than disclosed above and in Note 13(b)(ii) and 15(d), there is no material event subsequent to 30 April 2022 which has not been reflected in these condensed consolidated interim financial statements.

8. Changes in the composition of the Group

There was no significant change in the composition of the Group during the current financial period.

9. Contingent liabilities

- (a) The Group has provided corporate guarantees given to financial institutions for credit facilities and performance bonds granted to joint ventures and associates amounting to RM592.1 million (31 January 2022: RM606.3 million).
- (b) On 31 January 2019, SapuraOMV Upstream Sdn. Bhd. ("SapuraOMV") (an associate company of the Group) entered into a facility agreement with OMV Exploration & Production GmbH ("OMV E&P") for the OMV financing amounting to USD350.0 million (RM1,431.2 million). As security for this, Sapura Upstream Assets Sdn. Bhd. (a subsidiary of the Group) has pledged shares of SapuraOMV with a value of USD175.0 million (RM715.6 million) in favour of OMV E&P.
- (c) On 1 October 2020 and 18 November 2020, the Inland Revenue Board of Malaysia ("IRB") has raised assessments to Sapura TMC Sdn. Bhd. ("Sapura TMC"), for the years of assessment 2014 to 2019 in respect of the technical interpretation of tax laws in connection to its Treasury Management Centre status, deemed interest income on non-interest bearing intercompany balances and the tax treatment of interest income earned from year of assessment 2019. On 28 October 2020 and 3 December 2020, Sapura TMC has lodged the Notices of Appeal ("Forms Q") against the assessments raised for the years of assessments 2014 to 2019 outlining the relevant grounds of appeal. Based on valid justifications and merits to appeal against the assessments, Sapura TMC is currently in formal discussion with the Dispute Resolution Department to resolve the matter at the earliest. On 25 April 2022, Sapura TMC has submitted a proposed settlement to Dispute Resolution Department for their consideration.
- (d) On 17 November 2019, PETRONAS approved a 2-year extension to the Exploration Period for SB331 and SB332 Production Sharing Contracts to Sapura Energy Ventures Sdn. Bhd. ("SEV") subject to the fulfilment of certain minimum work commitments, failure of which there is a sum payable to PETRONAS. On 29 December 2021, PETRONAS approved a further extension for 3 years allowing SEV to complete its commitments by 19 November 2024. SEV is currently reviewing the terms and conditions stipulated in the extension.
- (e) Other than as described above and Note 15(b) and (c), there were no other changes in contingent liabilities in the current financial period.

10. Capital commitments

Capital expenditure for property, plant and equipment approved and not provided for in these condensed consolidated interim financial statements as at 30 April 2022 is as follows:

Approved and contracted for:	30/04/2022
	RM'000
Group	<u>291,641</u>

11. Taxation

Taxation comprises of the following:

	Individual Quarter		Cumulative Quarter	
	Three months to 30/04/2022	Three months to 30/04/2021	Three months to 30/04/2022	Three months to 30/04/2021
	RM'000	RM'000	RM'000	RM'000
Current taxation:				
Malaysian taxation	3,655	14,548	3,655	14,548
Foreign taxation	2,372	14,242	2,372	14,242
Deferred taxation	3,383	9,402	3,383	9,402
	<u>9,410</u>	<u>38,192</u>	<u>9,410</u>	<u>38,192</u>

Domestic income tax is calculated at the Malaysian statutory corporate tax rate of 24% of the estimated assessable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

12. Status of corporate proposals announced

There were no corporate proposals announced and not completed as at the date of this announcement.

13. Borrowings

(a) Included in the Group's borrowings are as follows:

	Short term borrowings		Total borrowings	
	USD denomination	RM denomination	USD denomination	RM denomination
	RM'000	RM'000	RM'000	RM'000
As at 30 April 2022				
Unsecured				
Revolving credits	-	356,066	-	356,066
Term loans	2,251,384	835,742	2,251,384	835,742
Sukuk Programme	866,815	6,380,202	866,815	6,380,202
	<u>3,118,199</u>	<u>7,572,010</u>	<u>3,118,199</u>	<u>7,572,010</u>
Total		<u>10,690,209</u>		<u>10,690,209</u>
As at 31 January 2022				
Unsecured				
Revolving credits	-	357,263	-	357,263
Trade financing	-	89,436	-	89,436
Term loans	2,164,428	832,607	2,164,428	832,607
Sukuk Programme	834,084	6,380,203	834,084	6,380,203
	<u>2,998,512</u>	<u>7,659,509</u>	<u>2,998,512</u>	<u>7,659,509</u>
Total		<u>10,658,021</u>		<u>10,658,021</u>

13. Borrowings (cont'd.)

(b) Other information relating to borrowings:

- (i) On 26 February 2021, the Company through its wholly-owned subsidiary, Sapura TMC Sdn. Bhd. ("Sapura TMC"), had signed an agreement for its additional working capital facilities of up to RM700 million with Maybank Islamic Berhad ("Maybank Islamic Facility").

With the acceptance of the Maybank Islamic Facility, the total facilities available for working capital purposes is now approximately RM1.2 billion being the combined value with the existing Multi-Option line under Trade Financing of up to USD135 million secured from CIMB Bank Berhad in November 2019, through its wholly-owned subsidiary, Sapura Fabrication Sdn. Bhd..

On 29 April 2022, Sapura TMC entered into a supplemental letter of offer for the utilisation of a revolving credit facility of RM300 million under the Maybank Islamic Facility (the "RCF"). The RCF is secured by a mortgage over an asset.

- (ii) On 29 March 2021, Sapura TMC had executed multi-currency financing facilities agreements (collectively, the "MCF 2021") consisting of:

- (a) the Conventional Facilities Agreement 2021; and
 (b) the Sukuk Murabahah Issuance 2021 under the Multi-Currency Sukuk Programme (as described in the Company's announcement dated 8 September 2015)

with a consortium of Malaysian banks for the Sukuk Murabahah Issuance 2021 and Malaysian, regional and international banks for the Conventional Facilities Agreement 2021.

The relevant participating banks have made available and Sapura TMC has drawn down the USD term loan facility of approximately USD602.1 million and the RM term loan facility of RM906.0 million under the Conventional Facilities Agreement 2021. In addition, Sapura TMC has also made further issuance of Sukuk Murabahah amounting to RM6,380.2 million and USD124.5 million in nominal value under the Multi-Currency Sukuk Programme.

The proceeds from the MCF 2021 have been utilised towards full settlement of all amounts payable and outstanding by Sapura TMC under a 2014 conventional facility, a 2015 Islamic facility, a 2017 conventional facility and the existing outstanding Sukuk Murabahah under the Multi-Currency Sukuk Programme.

The MCF 2021 has a tenure of 7 years and is guaranteed by the Company and material subsidiaries within the Group. The security package and restrictions for the MCF 2021, comprise, among others, a negative pledge over all assets of the Group (save for certain permitted security), debenture over Sapura TMC and assignments and charges over certain bank accounts.

In March 2022 and subsequently in June 2022, Sapura TMC and the Obligors requested the Financiers under the MCF 2021 to waive any event of default which may arise as a result of:

- (a) failure by Sapura TMC and the Obligors, to comply with certain financial covenants under the MCF 2021;
 (b) granting of Restraining Orders in relation to Sapura TMC and the Obligors, and the filing of any documents in connection with that Restraining Order; and
 (c) failure by Sapura TMC or any of the Obligor of the MCF 2021 to pay certain amounts due and payable under the MCF 2021 during the 90-day period commencing from 7 March 2022 and a further 6 months from 6 June 2022 to 10 December 2022.

13. Borrowings (cont'd.)

(b) Other information relating to borrowings (cont'd.):

(ii) On 29 March 2021, Sapura TMC had executed multi-currency financing facilities agreements (collectively, the "MCF 2021") consisting of (cont'd.):

In relation to (a) and (b) above, the requisite majority of the Financiers under the MCF 2021 have consented to these requests and agreed not to take any Enforcement Action (as defined in the MCF 2021) in relation to any default which may arise as a result of:

(aa) the failure by Sapura TMC and the Obligors to comply with certain financial covenants under the MCF 2021; and

(bb) the Restraining Orders in relation to Sapura TMC and the Obligors and the filing of any documents in connection with the Restraining Orders.

In relation to (c) above with regards to the request dated 6 June 2022, a significant amount of the Financiers have consented and agreed not to take any Enforcement Action (as defined in the MCF 2021) in relation to any default that may arise as a result of Sapura TMC or any of the Obligors' failure to pay amounts due and payable under the MCF 2021 during the 90 days period commencing 7 March 2022 and a further 6 months from 6 June 2022 to 10 December 2022. Accordingly, no Enforcement Action (including any acceleration of the amounts due under the MCF 2021) may be taken as a result of the occurrence of the foregoing events of default.

(iii) On 22 June 2021, the Company through its wholly-owned subsidiary, Sapura TMC had;

(a) made a lodgement to the Securities Commission Malaysia ("SC") for the purpose of effecting the upsized and revised terms of the existing Multi-Currency Sukuk Programme, from up to RM7.0 billion in nominal value to up to RM10.0 billion in nominal value, established by Sapura TMC ("Sukuk Upsize") under the SC's new Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework; and

(b) duly executed the transaction documents for the Multi-Currency Sukuk Programme to reflect the Sukuk Upsize.

Upon lodgement with SC on 22 June 2021, the Multi-Currency Sukuk Programme has been upsized to up to RM10.0 billion in nominal value (or the equivalent of USD, converted at a notional exchange rate of USD1.00=MYR4.15), and will continue to be guaranteed by the Company and the identified material subsidiaries within the Group. The existing security package for the Multi-Currency Sukuk Programme which comprise a debenture over Sapura TMC and assignments and charges over certain bank accounts, shall remain unchanged.

The Sukuk Upsize is part of the Group's long-term capital management programme whereby the upsizing the limit of the Multi-Currency Sukuk Programme to up to RM10.0 billion in nominal value would provide additional headroom for lenders to participate in the Multi-Currency Sukuk Programme as an alternative funding platform for the Group moving forward.

As required under MFRS 101: Presentation of Financial Statements, in the event of a breach of loan covenants on or before the end of reporting date, before the end of the reporting date which gives lender the rights to demand for immediate repayment, an entity is required to classify a liability as current as it no longer has the unconditional right to defer its settlement for at least twelve months after that date.

As at 30 April 2022, the Group breached certain financial covenants pursuant to the MCF 2021. As a result, the borrowings have been classified as current liabilities.

14. Derivative financial instruments

In the previous financial year, the Group has entered into ICRCs contracts with various banks to hedge part of the Group's borrowings.

On 7 March 2022, the 5 years Islamic Cross-Currency Swap ("ICRCs") matured and in accordance to the ICRCs contracts, the 5 years ICRCs was settled. The financial impact of this settlement has been recognised in the financial year ending 31 January 2023.

Details of the derivative at the reporting date are as follows:

	As at 30 April 2022		As at 31 January 2022	
	Notional Value RM'000	Liabilities Fair Value RM'000	Notional Value RM'000	Liabilities Fair Value RM'000
5 years Islamic Cross-Currency Swap	-	-	2,528,606	(24,644)

15. Material litigation

(a) Sarku Engineering Services Sdn. Bhd.

On 20 February 2006, Sarku Engineering Services Sdn. Bhd. ("SESSB"), a wholly owned subsidiary of the Company entered into a contract with Oil and Natural Gas Corporation Limited ("ONGC") for the performance of works by SESSB to revamp 26 well platforms located in Mumbai High South field offshore site ("Contract").

On 21 September 2012, SESSB commenced arbitration proceedings by filing a statement of claim against ONGC in relation to disputes pursuant to the Contract for a sum of Indian Rupee ("INR") 1,063,759,201 and USD123,819,632 (including interest, costs, losses and damages).

On 17 December 2012, ONGC has filed their reply to the Statement of Claim. No counter claims have been filed by ONGC. Documents and witness statements have been filed.

Examination in chief took place in January 2014 whereby revised list of documents were exchanged and recorded.

The cross examination of ONGC's witness were on 22 to 24 December 2014 and 5 to 6 January 2015.

In January 2018 and February 2018 sittings, SESSB have concluded its arguments on each of the claims filed before the tribunal. On 5 February 2018, submissions were made by SESSB's external counsel and thereafter arguments were closed.

ONGC counsel commenced their arguments in defence on 6 February 2018 and continued on the 2 to 4 May 2018. They concluded their arguments in the said sittings and handed over written note of their arguments.

15. Material litigation (cont'd.)

(a) Sarku Engineering Services Sdn. Bhd. (cont'd.)

Proceedings continued on the 21, 22 and 23 November 2018 with submissions from SESSB's counsel. The tribunal heard ONGC's counsel present its submissions on 12 and 13 February 2019. Final written submission has been submitted to arbitrators on 15 April 2019. ONGC presented its submissions on 31 July 2019. SESSB was awarded the sum of USD3,009,789 by the arbitral tribunal, comprised of work done of USD1,983,521 (subject to 4.368% withholding tax to be deducted by ONGC) and interest of USD1,026,267 (subject to income tax of 43.68%).

SESSB has instructed its solicitors to file an appeal against the award dated 30 November 2019.

SESSB has been advised by its solicitors, that SESSB has reasonably strong grounds to appeal against the arbitral tribunal's decision. The following are reasons provided by its solicitors as grounds of appeal against the arbitral tribunal's award.

- (i) The arbitral tribunal had failed to consider the record and detailed written and oral submissions on behalf of SESSB in arriving at its findings while rejecting most of SESSB's claims and that they had made an error in rejecting the claims; and
- (ii) There were instances of procedural irregularities in the arbitration in favour of ONGC which may lead to a successful challenge of the award in the courts.

ONGC has since filed an application to the tribunal disputing the computation of the award and seeking a correction of the amounts awarded in respect of the interest portion of the award.

The application of ONGC for correction of the errors in the award was allowed by the tribunal on 29 August 2020. The total amount payable by ONGC as per the Final Award is USD413,037 ("Final Award"). The tribunal initially awarded SESSB a sum of USD3,009,789 ("First Award"). The difference between the First Award and the Final award is in the sum of USD2,596,752. Parties will have 90 days from the date of the Final Award to file an appeal to the courts.

SESSB's solicitor has accordingly filed an appeal on 8 December 2020 to challenge or set aside that part of the First Award and the Final Award which rejects the claims of SESSB. The matter is now pending admission stage where it is to be listed for hearing upon filing of the Petition.

For the sums awarded to SESSB under the Final Award which are not being appealed against, a Letter of Demand was issued to ONGC on 7 May 2021 to demand for the sum of INR19,693,815 and USD146,904. Our solicitors advised that the Letter of Demand will not affect SESSB's position in respect of our action to challenge or set aside the award.

In relation to SESSB's letter of demand dated 7 May 2021, ONGC responded on 12 May 2021, acknowledging SESSB's demand and requested for information on SESSB's Withholding Tax Order and GST registration details. A response has been issued by SESSB to ONGC on 16 November 2021 appending the documents requested by ONGC i.e. the Withholding Tax Order and Invoices for the sums demand. ONGC then responded on 16 December 2021 by requesting for further information relating to SESSB's GST Registration and SESSB's account to which SESSB has reverted with the requested information. ONGC's latest response on 17 January 2022 is also seeking for further information in relation to the tax component of the awarded sum under the Final Award. SESSB has responded on 11 April 2022 with the requested information and a stern demand for the outstanding awarded sum.

As of 26 May 2022, with regards to the appeal in the Mumbai High Court filed by SESSB on 8 December 2020 against the Final Award, the matter has yet to be listed for hearing.

15. Material litigation (cont'd.)

(b) Sapura Fabrication Sdn. Bhd.

On 18 March 2011, Sapura Fabrication Sdn. Bhd. ("SFSB"), a wholly-owned subsidiary of the Company entered into a contract with Petrofac (Malaysia) Limited ("PML") to provide works for the engineering, procurement and construction of well head platforms for the Cendor Phase 2 Development Project and the Cendor field is located in Block PM 304 in the Malaysian sector of the South China Sea ("Contract").

On 26 March 2018, SFSB received a commencement request from PML to formally initiate a claim by way of arbitration proceedings at the Asian International Arbitration Centre for damages amounting to a sum of USD9,558,003 and RM16,785,227 vide its Re-amended Point of Claims in relation to disputes arising from the Contract. PML has alleged breach of riser height requirements and preservation obligations by SFSB. The claim by PML was made separately in two currencies as the claim is based on the rates and currencies prescribed in the Contract.

On 26 April 2018, SFSB responded to PML's claim and made a counter claim for a total amount of RM13,521,495.

The arbitrators have been appointed and parties had attended the first arbitration meeting on 21 July 2018. PML has filed their Points of Claim on 21 September 2018 and SFSB has filed its Defence and Counterclaim on 3 December 2018. Subsequently, PML submitted their Points of Reply and Defence to Counterclaim on 4 February 2019. PML has requested to amend their Point of Claim and the same was filed on 8 March 2019. SFSB's rejoinder is due on 18 March 2019 and the same was filed on the said date. The deadline for parties to exchange bundle of documents was on 5 April 2019 and any request for discovery/disclosure has been filed on 9 May 2019. The documents ordered to be produced by SFSB was produced on 12 September 2019. On the other hand, the documents ordered to be produced by PML were partially tendered on 23 September 2019. Witness Statements have been filed on 15 November 2019 and the rebuttal witness statements are to be filed by 15 December 2019.

The hearing proceeded on 26, 27 and 28 April 2021 as scheduled with 2 of PML's witnesses giving their evidences. The hearing will continue on the following dates:

- (i) 26, 27, 28 & 31 April 2021;
- (ii) 3, 4, 5, 6, 7 & 10 May 2021;
- (iii) 20 September 2021 to 24 September 2021;
- (iv) 27 September 2021 to 1 October 2021; and
- (v) 4 October 2021 to 6 October 2021.

During the case management fixed on 6 April 2021, the tribunal has vacated May 2021 dates as two of the PML's witnesses are unable to attend the upcoming April 2021 and May 2021 tranche of hearing dates due to their work arrangement.

The hearing proceeded on the following dates as scheduled:

- (i) 20 September 2021 to 24 September 2021;
- (ii) 27 September 2021 to 1 October 2021;
- (iii) 4, 6, 7 and 8 October 2021; and
- (iv) 13 November 2021.

15. Material litigation (cont'd.)

(b) Sapura Fabrication Sdn. Bhd. (cont'd.)

The hearing dates scheduled in January and February 2022 were vacated and the Tribunal has fixed the following dates for continued hearing:

- (i) 25 April 2022 to 29 April 2022;
- (ii) 17 May 2022 to 20 May 2022;
- (iii) 8 August 2022 to 12 August 2022; and
- (iv) 15 August 2022 to 19 August 2022.

The matter was scheduled for case management on 22 April 2022 and the Tribunal decided to vacate the following hearing dates fixed earlier with PML's agreement, which was due to the effect of the High Court Order (the Restraining Order).

- (i) 25 April 2022 to 29 April 2022;
- (ii) 17 May 2022 to 20 May 2022; and
- (iii) 8 August 2022.

PML has indicated that they are currently awaiting to receive the applicable notice from Sapura to allow them to proceed with the filing of proof of debt exercise. Subject to the outcome of the proof of debt exercise, they will then consider whether or not to seek leave to proceed with the arbitration pursuant to the terms of the High Court Order.

A case management conference is scheduled to be conducted on 11 August 2022 for the parties to update the Tribunal vis-à-vis the status/outcome of the scheme and for the Tribunal to chart the course of the arbitration moving forward.

(c) Sapura Energy do Brasil Ltda.

On 5 January 2020, Sapura Energy Berhad's subsidiary, Sapura Energy do Brasil Ltda. ("SE Brasil"), commenced arbitration proceedings against Centrais Elétricas de Sergipe S.A. ("CELSE") of Brazil. The arbitration is to resolve disputes arising out of an Engineering, Procurement, Construction and Installation Contract ("Contract") dated 20 November 2017.

SE Brasil had completed the works under the Contract in November 2019.

15. Material litigation (cont'd.)

(c) Sapura Energy do Brasil Ltda. (cont'd.)

Due to unresolved disputes such as non-payment of milestone payments and non-payment of variation orders, SE Brasil commenced the arbitration proceedings against CELSE, which is conducted at the International Court of Arbitration in Sao Paulo, Brazil, under the International Chamber of Commerce (ICC) Arbitration Rules. The arbitration tribunal comprises of 3 arbitrators. Chairman for the arbitration proceeding has been appointed.

- (a) SE Brasil filed their Statement of Claims for the sum of USD84,606,035 on 29 March 2021.
- (b) Celse filed Respondent's Statement of Claims for the sum of USD89,799,186.10 on 29 March 2021.
- (c) SE Brasil filed Claimant's and Additional Party's Statement of Defense against Respondent's Statement of Claim on 28 May 2021.
- (d) Celse filed Respondent's Statement of Defense against Claimant's Statement of Claim on 28 May 2021.
- (e) SE Brasil filed Claimant's Reply on 28 June 2021.
- (f) Celse filed Respondent's Reply on 28 June 2021.
- (g) SE Brasil filed Claimant's and Additional Party's Rejoinder on 28 July 2021.
- (h) Celse filed Respondent's Rejoinder on 28 July 2021.

Issues to be determined by the Arbitral Tribunal, witness statements and request for additional evidence was submitted on 27 September 2021.

- (a) On 30 September 2021, Sapura requested for leave to file expert rebuttal.
- (b) On 10 November 2021, leave for Sapura to file expert rebuttal was granted.
- (c) Sapura filed rebuttal to Technomar report on 10 December 2021.

The arbitral tribunal is now fully constituted following the ICC's confirmation of CELSE's third nominee. Evidentiary hearing was conducted on 26 January 2022.

- (a) 28 March 2022, Parties submitted their application for document production by the counterparty in the form of a Redfern Schedule;
- (b) 12 April 2022 – SE Brasil and Sapura Energy Berhad ("Sapura Energy") informed they did not object against the production of the documents requested by CELSE;
- (c) 12 April 2022 – CELSE objected to the production of the documents requested by SE Brasil and Sapura Energy (Answer to the Redfern Schedule);
- (d) April 2022 – SE Brasil and Sapura Energy submitted their answer to the objections presented by CELSE to the production of the requested documents (Reply to the Redfern Schedule);
- (e) 27 April 2022 – CELSE submitted a motion to the Arbitral Tribunal requesting that SE Brasil and Sapura Energy produced the non-objected documents immediately;
- (f) 28 April 2022 – SE Brasil and Sapura Energy presented a submission to the Arbitral Tribunal in attention to CELSE's submission dated 27 April 2022;
- (g) 3 May 2022 – The Arbitral Tribunal determined, via email, that SE Brasil and Sapura Energy provide the non-objected documents to CELSE by 10 May 2022;
- (h) 10 May 2022 – SE Brasil and Sapura Energy produced the non-objected documents to CELSE.

Parties are waiting for the Arbitral Tribunal to rule on the latest production of the documents requested by SE Brasil and Sapura Energy and to decide on the next steps of the evidence production.

CELSE's counter claim against SE Brasil amounted to USD89,799,186 are in respect of delay penalties, damages and/or expenses due to failure to perform the contract, breach of warranty provision and claim for warranty extension items which CELSE had or will have to perform correction given SE Brasil's inaction.

15. Material litigation (cont'd.)

(d) Winding up petitions

The following are the list and status of the Winding Petitions served to the Group and its subsidiaries. On 10 March 2022, in view of the Restraining Orders obtained by the Group, the case management and hearing of the Petitions against Sapura Offshore Sdn. Bhd., Sapura Fabrication Sdn. Bhd., Sapura Pinewell Sdn. Bhd. and Sapura Subsea Services Sdn. Bhd. will be vacated as the winding up proceedings will be stayed for three months. By a court order dated 8 June 2022, the Restraining Orders are now extended for a further period of nine months until 10 March 2023.

(i) Sun Hardware Enterprise Sdn Bhd vs Sapura Fabrication Sdn. Bhd. - Shah Alam High Court (BA-28NCC-634-12/2021)

- a) Winding up petition date - 15 December 2021
- b) Case management and hearing dates - 17 January 2022 and 10 March 2022

Sapura Fabrication Sdn. Bhd. did not attend the case management on 17 January 2022 as the Winding Up Petition was only served to Sapura Fabrication Sdn. Bhd. on 15 February 2022.

The hearing for the Winding Up Petition on 10 March was vacated as the matter already settled on 4 March 2022 .

Notice of discontinuance has been filed on 4 March 2022 and the winding up petition has been withdrawn.

(ii) Hycotech Sdn Bhd vs Sapura Offshore Sdn. Bhd. - Shah Alam High Court (BA-28NCC-638-12/2021)

- a) Winding up petition date - 17 December 2021
- b) Case management and hearing dates - 17 February 2022 and 9 March 2022

On 17 February 2022 Sapura Offshore Sdn. Bhd.'s solicitors informed the court that Sapura Offshore Sdn. Bhd. has entered into a settlement agreement with Hycotech Sdn Bhd, and that full payment has been made to Hycotech Sdn Bhd, subject to deductions on withholding tax.

Hycotech Sdn Bhd refused to withdraw the winding up petition as they claimed that they are entitled to receive full outstanding sum including the withholding tax.

Following the dispute, on 1 March 2022 Sapura Offshore Sdn. Bhd. filed an application under Order 14A Rules of Court 2012 and to Strike Out the Petition.

On 9 March 2022, the Court fixed 22 April 2022 for the hearing of the Order 14A Rules of Court 2012 and Striking Out Application, and for the hearing of the Petition itself.

The hearing on 22 April 2022 was vacated as the Restraining Order was obtained on 10 March 2022.

- c) Next case management is fixed on 13 March 2023.

15. Material litigation (cont'd.)

(d) Winding up petitions (cont'd.)

The following are the list and status of the Winding Petitions served to the Group and its subsidiaries. On 10 March 2022, in view of the Restraining Orders obtained by the Group, the case management and hearing of the Petitions against Sapura Offshore Sdn. Bhd., Sapura Fabrication Sdn. Bhd., Sapura Pinewell Sdn. Bhd. and Sapura Subsea Services Sdn. Bhd. will be vacated as the winding up proceedings will be stayed for three months. By a court order dated 8 June 2022, the Restraining Orders are now extended for a further period of nine months until 10 March 2023 (cont'd.).

(iii) Perdana Nautika Sdn Bhd vs Sapura Offshore Sdn. Bhd. - Kuala Lumpur High Court (WA-28NCC-920-12/2021)

- a) Winding up petition date - 20 December 2021
- b) Case management and hearing dates - 22 February 2022 and 27 April 2022

On 22 February 2022 Notices of Intention to Appear on Petition has been filed by two creditors, namely:

- i. Tumpuan Megah Development Sdn Bhd; and
- ii. Vallianz Offshore Marine Pte Ltd.

The hearing on 27 April 2022 was vacated as the Restraining Order was obtained on 10 March 2022.

- c) Next case management is fixed on 13 March 2023.

(iv) Perdana Nautika Sdn Bhd vs Sapura Pinewell Sdn. Bhd. - Kuala Lumpur High Court (WA-28NCC-921-12/2021)

- a) Winding up petition date - 20 December 2021
- b) Case management and hearing dates - 23 February 2022 and 26 April 2022

On 23 February 2022 the solicitors for Perdana Nautika informed the Court that they were just instructed to advertise and gazette the Petition. Sapura Pinewell Sdn. Bhd. solicitors informed the Court that Sapura Pinewell Sdn. Bhd. will file an affidavit to oppose the Petition if they are required to do so.

The hearing on 26 April 2022 was vacated as the Restraining Order was obtained on 10 March 2022.

- c) Next case management is fixed on 14 March 2023.

(v) Hycotech Sdn Bhd vs Sapura Pinewell Sdn. Bhd. - Shah Alam High Court (BA-28NCC-639-12/2021)

- a) Winding up petition date - 20 December 2021
- b) Case management and hearing dates - 28 February 2022 and 9 March 2022

On 28 February 2022 Petitioner informed the Court that the Petitioner wishes to withdraw the petition during the hearing on 9 March 2022.

However, another creditor has appeared as a supporting creditor to the Petition during the Hearing on 9 March 2022, and the Court directed the supporting creditor to file its formal application to be substituted as the petitioner within 14 days.

Next case management is fixed on 13 March 2023.

15. Material litigation (cont'd.)

(d) Winding up petitions (cont'd.)

The following are the list and status of the Winding Petitions served to the Group and its subsidiaries. On 10 March 2022, in view of the Restraining Orders obtained by the Group, the case management and hearing of the Petitions against Sapura Offshore Sdn. Bhd., Sapura Fabrication Sdn. Bhd., Sapura Pinewell Sdn. Bhd. and Sapura Subsea Services Sdn. Bhd. will be vacated as the winding up proceedings will be stayed for three months. By a court order dated 8 June 2022, the Restraining Orders are now extended for a further period of nine months until 10 March 2023 (cont'd.).

(vi) **Fast Global Link Services vs Sapura Subsea Services Sdn. Bhd. - Shah Alam High Court (BA-28NCC-27-01/2022)**

- a) Winding up petition date - 13 January 2022
- b) Case management and hearing dates - 14 February 2022 and 12 April 2022

On 14 February 2022 Sapura Subsea Sdn. Bhd. sought for a further case management date to be fixed on 15 March 2022 to determine whether Sapura Subsea will be contesting the winding-up petition or otherwise.

The case management date on 15 March 2022 and hearing date on 12 April 2022 were vacated as the Restraining Order obtained on 10 March 2022.

- c) Next case management is fixed on 13 March 2023.

(vii) **Mectra Synergy (M) Sdn Bhd vs Sapura Subsea Services Sdn. Bhd. - Shah Alam High Court (BA-28NCC-31-01/2022)**

- a) Winding up petition date - 25 January 2022
- b) Case management and hearing dates - 17 February 2022 and 20 April 2022

On 17 February 2022 Sapura Subsea Sdn. Bhd.'s solicitors sought further case management date to be fixed by the Court and the Court has fixed the next case management on 15 March 2022.

The case management date on 15 March 2022 and hearing date on 20 April 2022 were vacated as the Restraining Order obtained on 10 March 2022.

- c) Next case management is fixed on 13 March 2023.

15. Material litigation (cont'd.)

(d) Winding up petitions (cont'd.)

The following are the list and status of the Winding Petitions served to the Group and its subsidiaries. On 10 March 2022, in view of the Restraining Orders obtained by the Group, the case management and hearing of the Petitions against Sapura Offshore Sdn. Bhd., Sapura Fabrication Sdn. Bhd., Sapura Pinewell Sdn. Bhd. and Sapura Subsea Services Sdn. Bhd. will be vacated as the winding up proceedings will be stayed for three months. By a court order dated 8 June 2022, the Restraining Orders are now extended for a further period of nine months until 10 March 2023 (cont'd.).

(viii) Equatorial Marine Fuel Management vs Sapura Offshore Sdn. Bhd - Shah Alam High Court (BA-28NCC-68-01/2022)

- a) Winding up petition date - 25 January 2022
- b) Case management and hearing dates - 28 February 2022 and 25 April 2022

On 28 February 2022 Petitioner informed the Court that a further date is required for compliance of winding up procedures.

Sapura Offshore Sdn. Bhd.'s solicitors informed the Court that a further date is required to confirm whether the debt under the winding up petition may be disputed.

Hearing date on 25 April 2022 were vacated as the Restraining Order obtained on 10 March 2022.

- c) Next case management is fixed on 13 March 2023.

(ix) DTEC Engineering and Construction Sdn Bhd vs Sapura Project Services Sdn. Bhd. - Shah Alam High Court (BA-28NCC-72-01/2022)

- a) Winding up petition date - 27 January 2022
- b) Case management and hearing dates - 28 February 2022 and 25 April 2022

On 28 February 2022 Sapura Project Services Sdn. Bhd.'s solicitors informed the Court that a further date is required to confirm whether the debt under the winding up petition may be disputed.

On 21 April 2022 Sapura Energy Berhad, Sapura Digital Solutions Sdn. Bhd., Sapura Diving Services Sdn. Bhd., Sapura Maintenance Services Sdn. Bhd., Sapura Fabrication Sdn. Bhd., Sapura Pinewell Sdn. Bhd., Sapura Onshore Sdn. Bhd., Sapura Subsea Services Sdn. Bhd., Sapura Services Sdn. Bhd., Sapura Management Services Sdn. Bhd., Sapura Marine Sdn. Bhd., Sapura Drilling Services Sdn. Bhd., Sapura Power Services Sdn. Bhd., Sapura Offshore Sdn. Bhd., and Sapura 3000 Pte Ltd as Creditors to Sapura Project Services Sdn. Bhd. filed an application to appoint Liquidator for the Respondent (Sapura Project Services Sdn. Bhd.).

Hearing date on 25 April 2022 were adjourned as DTEC has informed the Court that they intend to file an affidavit in reply to our application, and also file their own application for appointment of liquidator.

On 17 May 2022 DTEC Engineering and Construction Sdn Bhd filed an application to appoint two liquidators.

The court fixed another case management date on 29 June 2022.

15. Material litigation (cont'd.)

(d) Winding up petitions (cont'd.)

The following are the list and status of the Winding Petitions served to the Group and its subsidiaries. On 10 March 2022, in view of the Restraining Orders obtained by the Group, the case management and hearing of the Petitions against Sapura Offshore Sdn. Bhd., Sapura Fabrication Sdn. Bhd., Sapura Pinewell Sdn. Bhd. and Sapura Subsea Services Sdn. Bhd. will be vacated as the winding up proceedings will be stayed for three months. By a court order dated 8 June 2022, the Restraining Orders are now extended for a further period of nine months until 10 March 2023 (cont'd.).

(x) **Dura International Sdn Bhd vs Sapura Fabrication Sdn. Bhd. - Shah Alam High Court (BA-28NCC-83-02/2022)**

- a) Winding up petition date - 7 February 2022
- b) Case management and hearing dates - 10 March 2022 and 18 May 2022

The case management on 10 March 2022 and hearing date on 18 May 2022 were vacated as the Restraining Order obtained on 10 March 2022.

- c) Next case management is fixed on 13 March 2023.

(xi) **Astro Offshore Pte Ltd vs Sapura Fabrication Sdn. Bhd. - Shah Alam High Court (BA-28NCC-87-02/2022)**

- a) Winding up petition date - 7 February 2022
- b) Case management and hearing dates - 14 March 2022 and 19 May 2022

The case management on 14 March 2022 and hearing date on 19 May 2022 were vacated as the Restraining Order obtained on 10 March 2022.

- c) Next case management is fixed on 13 March 2023.

(xii) **Public Crane Heavy Equipment Sdn Bhd vs Sapura Fabrication Sdn. Bhd. - Shah Alam High Court (BA-28NCC-92-02/2022)**

- a) Winding up petition date - 9 February 2022
- b) Case management and hearing dates - 14 March 2022 and 19 May 2022

The case management on 14 March 2022 and hearing date on 19 May 2022 were vacated as the Restraining Order obtained on 10 March 2022.

- c) Next case management is fixed on 13 March 2023.

15. Material litigation (cont'd.)

(d) Winding up petitions (cont'd.)

The following are the list and status of the Winding Petitions served to the Group and its subsidiaries. On 10 March 2022, in view of the Restraining Orders obtained by the Group, the case management and hearing of the Petitions against Sapura Offshore Sdn. Bhd., Sapura Fabrication Sdn. Bhd., Sapura Pinewell Sdn. Bhd. and Sapura Subsea Services Sdn. Bhd. will be vacated as the winding up proceedings will be stayed for three months. By a court order dated 8 June 2022, the Restraining Orders are now extended for a further period of nine months until 10 March 2023 (cont'd.).

(xiii) MMA Offshore Malaysia Sdn Bhd vs Sapura Pinewell Sdn. Bhd. - Kuala Lumpur High Court (WA-28NCC-111-02/2022)

- a) Winding up petition date - 14 February 2022
- b) Case management and hearing dates - 15 March 2022 and 8 June 2022

The case management on 15 March 2022 and hearing date on 8 June 2022 were vacated as the Restraining Order obtained on 10 March 2022.

- c) During case management on 23 June 2022 Sapura Pinewell Sdn. Bhd. updated status of the Restraining Order is extended for 9 months.
- d) Next case management is fixed on 13 March 2023.

(xiv) Icon Offshore Group Sdn Bhd vs Sapura Offshore Sdn. Bhd. - Shah Alam High Court (BA-28NCC-119-02/2022)

- a) Winding up petition date - 25 February 2022
- b) Case management and hearing dates - 17 March 2022 and 24 May 2022

The case management on 17 March 2022 and hearing date on 24 May 2022 were vacated as the Restraining Order obtained on 10 March 2022.

- c) Next case management is fixed on 13 March 2023.

(xv) Posh Subsea Pte Ltd vs Sapura Fabrication Sdn. Bhd. - Shah Alam High Court (BA28NCC-145-03/2022)

- a) Winding up petition date - 3 March 2022
- b) Case management and hearing dates - 6 April 2022 and 7 June 2022

The case management on 6 April 2022 and hearing date on 7 June 2022 were vacated as the Restraining Order obtained on 10 March 2022.

- c) Next case management is fixed on 13 March 2023.

(xvi) Lincoln Energy Sdn Bhd vs Sapura Offshore Sdn. Bhd. - Shah Alam High Court (BA-28NCC-146-03/2022)

- a) Winding up petition date - 4 March 2022
- b) Case management and hearing dates - 6 April 2022 and 7 June 2022

The case management on 6 April 2022 and hearing date on 7 June 2022 were vacated as the Restraining Order obtained on 10 March 2022.

- c) Next case management is fixed on 13 March 2023.

15. Material litigation (cont'd.)

(d) Winding up petitions (cont'd.)

The following are the list and status of the Winding Petitions served to the Group and its subsidiaries. On 10 March 2022, in view of the Restraining Orders obtained by the Group, the case management and hearing of the Petitions against Sapura Offshore Sdn. Bhd., Sapura Fabrication Sdn. Bhd., Sapura Pinewell Sdn. Bhd. and Sapura Subsea Services Sdn. Bhd. will be vacated as the winding up proceedings will be stayed for three months. By a court order dated 8 June 2022, the Restraining Orders are now extended for a further period of nine months until 10 March 2023 (cont'd.).

(xvii) Semco Salvage (V) Pte Ltd vs Sapura Offshore Sdn. Bhd. - Shah Alam High Court (BA28NCC-144-03/2022)

- a) Winding up petition date - 3 March 2022
- b) Case management and hearing dates - 6 April 2022 and 7 June 2022

The case management on 6 April 2022 and hearing date on 7 June 2022 were vacated as the Restraining Order obtained on 10 March 2022.

- c) Next case management is fixed on 13 March 2023.

(xviii) Danamin (M) Sdn Bhd vs Sapura Project Services Sdn. Bhd. - Shah Alam High Court (BA-28NCC-139-02/2022)

- a) Winding up petition date - 28 February 2022
- b) Case management and hearing dates - 31 March 2022 and 30 May 2022

On 31 March 2022 Sapura Project Services Sdn. Bhd.'s solicitors informed the Court that a further date is required to confirm whether the debt under the winding up petition may be disputed.

On 13 May 2022 Sapura Energy Berhad, Sapura Digital Solutions Sdn. Bhd., Sapura Diving Services Sdn. Bhd., Sapura Maintenance Services Sdn. Bhd., Sapura Fabrication Sdn. Bhd., Sapura Pinewell Sdn. Bhd., Sapura Onshore Sdn. Bhd., Sapura Subsea Services Sdn. Bhd., Sapura Services Sdn. Bhd., Sapura Management Services Sdn. Bhd., Sapura Marine Sdn. Bhd., Sapura Drilling Services Sdn. Bhd., Sapura Power Services Sdn. Bhd., Sapura Offshore Sdn. Bhd., and Sapura 3000 Pte Ltd as Creditors to Sapura Project Services Sdn. Bhd. filed applications.

- (i) to appoint Liquidator for the Respondent (Sapura Project Services Sdn. Bhd.).
- (ii) to appoint Interim Liquidator for the Respondent (Sapura Project Services Sdn. Bhd.). This is pending the hearing for appointment of Liquidator.

The matter was fixed for case management on 30 May 2022. The Court has directed for a further case management to be fixed on 5 July 2022 to allow the parties to file their respective affidavit in replies for the applications to appoint the interim liquidator and liquidator of Sapura Project Services Sdn. Bhd..

The court fixed another case management date on 5 July 2022.

15. Material litigation (cont'd.)

(d) Winding up petitions (cont'd.)

The following are the list and status of the Winding Petitions served to the Group and its subsidiaries. On 10 March 2022, in view of the Restraining Orders obtained by the Group, the case management and hearing of the Petitions against Sapura Offshore Sdn. Bhd., Sapura Fabrication Sdn. Bhd., Sapura Pinewell Sdn. Bhd. and Sapura Subsea Services Sdn. Bhd. will be vacated as the winding up proceedings will be stayed for three months. By a court order dated 8 June 2022, the Restraining Orders are now extended for a further period of nine months until 10 March 2023 (cont'd.).

(xix) VKI Marketing Sdn Bhd vs Sapura Offshore Sdn. Bhd. - Shah Alam High Court (BA-28NCC-159-03/2022)

- a) Winding up petition date - 22 February 2022
- b) Case management and hearing dates - 11 April 2022 and 13 June 2022

The case management on 11 April 2022 and hearing on 13 June 2022 were vacated due to the Restraining Order obtained on 10 March 2022.

- c) Next case management is fixed on 29 June 2022.

(xx) Tumpuan Megah Development Sdn Bhd vs Sapura Geosciences Sdn. Bhd. - Shah Alam High Court (BA-28NCC-181-03/2022)

- a) Winding up petition date - 17 March 2022
- b) Case management and hearing dates - 14 April 2022 and 20 June 2022

The case on 14 April 2022 and hearing on 20 June 2022 were vacated due to the Restraining Order obtained on 10 March 2022.

- c) Next case management is fixed on 29 June 2022.

16. Review of Group Performance

16.1 Current quarter vs. corresponding quarter of the preceding year

	Individual Quarter Three months to		Changes %
	30/04/2022 RM'000	30/04/2021 RM'000	
Revenue	886,081	1,470,594	(39.7)
Operating profit	73,767	194,211	(62.0)
Profit/(loss) before taxation	96,802	(64,010)	>100.0
Profit/(loss) after taxation	87,392	(102,202)	>100.0
Profit/(loss) attributable to owners of the Parent	91,934	(97,074)	>100.0

The Group's revenue of RM886.1 million was RM584.5 million lower than RM1,470.6 million primarily due to lower project activities from Engineering and Construction ("E&C") segment in the current quarter.

The Group recorded a profit before taxation of RM96.8 million in the current quarter, compared to a loss before taxation of RM64.0 million in the corresponding quarter of the preceding year ("Q1 FY2022"), mainly due to foreign exchange gain arising from appreciation of US Dollar ("USD") against Ringgit Malaysia.

16. Review of Group Performance

16.2 Current quarter vs. immediate preceding quarter

	Individual Quarter Three months to		Changes %
	30/04/2022 RM'000	31/01/2022 RM'000	
Revenue	886,081	426,600	>100.0
Operating profit/(loss)	73,767	(995,754)	>100.0
Profit/(loss) before taxation	96,802	(6,748,644)	>100.0
Profit/(loss) after taxation	87,392	(6,778,585)	>100.0
Profit/(loss) attributable to owners of the Parent	91,934	(6,767,327)	>100.0

The Group's revenue of RM886.1 million was RM459.5 million higher than the immediate preceding quarter ("Q4 FY2022") of RM426.6 million, primarily due to the higher project activities in the current quarter ("Q1 FY2023") from E&C segment.

In Q1 FY2023, the Group recorded a profit before taxation of RM96.8 million which was RM6,845.4 million higher than a loss before taxation of RM6,748.6 million. In the immediate preceding quarter, the Group made provision for impairment on goodwill on consolidation of RM3,289.9 million and provision for impairment on property, plant and equipment of RM2,315.8 million.

17. Segment information

The Group organises its business activities into five major segments as follows:

- (i) Engineering and Construction ("E&C")
- (ii) Operations and Maintenance ("O&M")
- (iii) Drilling
- (iv) Exploration and Production ("E&P"); and
- (v) Corporate

	<u>Three months to 30/04/2022</u>	
	Revenue RM'000	Profit/(loss) before tax RM'000
E&C	587,844	47,942
O&M	120,870	26,550
Drilling	231,761	(49,338)
E&P	-	41,907
	940,475	67,061
Corporate expenses and eliminations	(54,394)	29,741
Group revenue / profit before taxation	886,081	96,802

17. Segment information (cont'd.)

17.1 Current quarter vs. corresponding quarter of the preceding year

	Revenue			Profit/(loss) before taxation		
	Three months to		Changes	Three months to		Changes
	30/04/2022	30/04/2021		30/04/2022	30/04/2021	
	RM'000	RM'000	%	RM'000	RM'000	%
Business Segments:						
E&C	587,844	1,133,670	(48.1)	47,942	51,085	(6.2)
O&M	120,870	114,829	5.3	26,550	3,156	>100.0
Drilling	231,761	251,784	(8.0)	(49,338)	22,095	(>100.0)
E&P	-	-	-	41,907	51,976	(19.4)
	<u>940,475</u>	<u>1,500,283</u>		<u>67,061</u>	<u>128,312</u>	
Corporate expenses and eliminations	<u>(54,394)</u>	<u>(29,689)</u>	(83.2)	<u>29,741</u>	<u>(192,322)</u>	>100.0
Group revenue/ profit/(loss) before taxation	<u>886,081</u>	<u>1,470,594</u>	(39.7)	<u>96,802</u>	<u>(64,010)</u>	>100.0

Business Segments:

Engineering and Construction

The segment recorded revenue of RM587.8 million, which was 48.1% lower than the revenue of RM1,133.7 million in Q1 FY2022, primarily due to lower activities in line with the progress of projects being executed.

The segment recorded a profit before taxation of RM47.9 million which was lower by RM3.2 million compared to a profit before tax of RM51.1 million in Q1 FY2022, primarily due to lower activities in the corresponding quarter offset by higher share of profit from joint ventures.

Operations and Maintenance

The segment recorded revenue of RM120.9 million, which was 5.3% higher than the revenue of RM114.8 million in Q1 FY2022, primarily due to higher project activities in the current quarter.

The segment recorded a profit before taxation of RM26.6 million which was higher by RM23.4 million compared to a profit before taxation of RM3.2 million in Q1 FY2022, mainly due to lower operating cost during the current quarter.

Drilling

The segment's revenue for the current quarter of RM231.8 million was lower by RM20.0 million compared to the revenue of RM251.8 million in Q1 FY2022 mainly due to lower number of rig days and average day rates, partly offset with revenue from integrated drilling services.

The segment recorded a loss before taxation of RM49.3 million, which was lower by RM71.4 million compared to profit before taxation of RM22.1 million in Q1 FY2022 mainly due to lower revenue and ramping up activities for new upcoming drilling campaigns.

Exploration and Production

The segment recorded a profit before taxation of RM41.9 million, which was lower by 19.4% compared to a RM52.0 million profit in Q1 FY2022 mainly contributed by impairment charges, offset by higher lifting price in the current quarter.

18. Additional disclosure information

18.1 Foreign exchange exposure and hedging policy

Foreign currency (a currency which is other than the functional currency of the Group entities) risk is the risk that the fair value or future cash flows of the Group's financial instrument will fluctuate because of the changes in foreign exchange rates.

The Group has transactional currency exposures arising mainly from revenue or costs and advances that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily RM and US Dollar ("USD"). The foreign currencies in which these transactions are denominated are mainly USD and RM.

The Group maintains a natural hedge, whenever possible, by borrowing in the currency of the country in which the assets or investment is located or by borrowing in the currencies that match the future revenue stream to be generated from its investments. Where possible, the strategy is to match the payments for foreign currency payables against receivables denominated in the same foreign currency.

The Group has entered into ICRCs contracts with various banks to hedge part of the Group's borrowings. Further details on derivative financial instruments are disclosed in Note 14.

18.2 Trade and other receivables and contract assets

	As at 30/04/2022	As at 31/01/2022
	RM'000	RM'000
Non-current		
Trade receivables	32,462	45,618
Less: Provision for expected credit loss	(10,360)	(10,360)
	<u>22,102</u>	<u>35,258</u>
Other receivables	<u>65,226</u>	<u>192,302</u>
Total non-current trade and other receivables	<u>87,328</u>	<u>227,560</u>
Current		
Trade receivables	616,810	623,975
Less: Provision for expected credit loss	(78,478)	(78,478)
	<u>538,332</u>	<u>545,497</u>
Other receivables	876,554	633,696
Less: Provision for expected credit loss	(40,007)	(40,007)
	<u>836,547</u>	<u>593,689</u>
Total current trade and other receivables	<u>1,374,879</u>	<u>1,139,186</u>
Contract assets	970,907	776,863
Less: Provision for expected credit loss	(49,819)	(49,819)
	<u>921,088</u>	<u>727,044</u>
Total trade and other receivables and contract assets	<u>2,383,295</u>	<u>2,093,790</u>

Trade receivables are non-interest bearing. The Group's normal trade credit term ranges from 30 to 90 days (as at 31 January 2022: 30 to 90 days). Other credit terms are assessed and approved on a case-by-case basis. Overdue balances are reviewed regularly by the management. Trade receivables are recognised at original invoice amounts which represent their fair values on initial recognition.

19. (a) Commentary on prospects

The Group is continuing to improve its project execution with greater discipline and continue to be selective in its bids by focusing on our preferred regions, namely Asia Pacific and the Atlantic; and shifting the balance of our projects' portfolio towards transportation and installation. We are improving our project execution with greater discipline, underpinned by stronger contract and cost management to protect profitability.

To-date, the Group has secured RM2.5 billion contract wins, bringing its latest outstanding order book to RM8.3 billion. In addition, our joint venture company secured a contract of almost RM0.2 billion. The contract wins were mainly contributed by the Drilling and Engineering and Construction ("E&C") segments. The contracts were awarded in Malaysia, as well as the Asia-Pacific and Atlantic regions. The current bid book is currently at RM22.8 billion.

With the recent contract wins, the Group expects its Drilling segment to have eleven rigs in operation by the end of FY2023 from the current eight rigs. The segment strengthened its presence in Thailand with the recent award of three new long-term contracts by PTT Exploration and Production Public Company Limited.

As part of the Reset Plan, the Group has been granted an extension of time for the Restraining Orders for a period of 9 months from 10 June 2022 to 10 March 2023, which will give the Group more time to address its unsustainable debt and the outstanding amounts owed to its trade creditors. The Group had commenced the proof of debt ("POD") exercise with its trade creditors and the Group is also in a close engagement with its lenders to restructure its outstanding borrowings.

The Group is currently classified as a PN17 company and a regularization plan, which form part of the Company's current restructuring plan is currently being put in place and will be announced to Bursa Malaysia Securities Berhad in due course.

(b) Revenue or profit estimate, forecast, projection or internal targets

The Company has not provided any revenue or profit estimate, forecast, projection or internal targets in any previous announcement or public document.

20. Dividend

The Board of Directors does not recommend any payment of dividend for the current quarter under review.

21. Profit/(loss) per share

	Individual Quarter		Cumulative Quarter	
	Three months to 30/04/2022	Three months to 30/04/2021	Three months to 30/04/2022	Three months to 30/04/2021
Basic/Diluted				
Profit/(loss) attributable to owners of the Parent (RM'000)	91,934	(97,074)	91,934	(97,074)
Weighted average number of ordinary shares in issue excluding shares held under trust ('000): - Basic/Diluted *	15,971,804	15,971,804	15,971,804	15,971,804
Profit/(loss) per shares (sen) - Basic/Diluted *	0.58	(0.61)	0.58	(0.61)

* Rights issue of RCPS-i and warrants of 2,396,862,035 units and 998,692,020 units respectively, as well as 691,938,153 and 586,388,264 options under the ESOS granted have not been included in the calculation of diluted earnings per share because they are anti-dilutive.

By Order of the Board

Tai Yit Chan
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(MAICSA 7009143)

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Seri Kembangan, Selangor Darul Ehsan
27 June 2022