



SAPURA RESOURCES BERHAD

(Company No.: 3136-D)

(Incorporated in Malaysia)

To: All Shareholders of Sapura Resources Berhad ("**SRB**")

Dear Sir/Madam,

**RE: ADDENDUM TO THE NOTICE OF THE SIXTY-SECOND ANNUAL GENERAL MEETING
("62ND AGM") FOR INCLUSION OF ADDITIONAL ITEM AS ORDINARY BUSINESS**

Please be informed that subsequent to the dispatch of the Notice of the 62nd AGM on 21 May 2019, Mr. Andrew Heng has been appointed as an Independent Non-Executive Director of the Company with effect from 3 June 2019.

Hence, Mr. Andrew Heng is subject to retirement and eligible to seek for re-election as a Director of the Company at the forthcoming 62nd AGM pursuant to Article 91 of the Articles of Association of the Company.

In connection with the above, the following additional Ordinary Resolution shall be tabled at the 62nd AGM for consideration: -

Ordinary Resolution 3

To re-elect Mr. Andrew Heng who is retiring in accordance with Article 91 of the Company's Articles of Association.

The existing items 3 to 11 to the Notice of the 62nd AGM shall be renumbered to items 4 to 12 and the existing Ordinary Resolutions 3 to 9 shall be renumbered to Resolutions 4 to 10. The Special Resolution remains unchanged.

In this connection, please find enclosed herewith the following documents for your attention:-

- (a) Addendum to the Notice of the 62nd AGM;
- (b) Details of the new Director who was appointed subsequent to the issuance of Notice of the 62nd AGM on 21 May 2019 and the composition of the new Board of Directors and Board Audit and Risk Committee of SRB; and
- (c) Revised Proxy Form.

Yours sincerely,

For and on behalf of the Board of
SAPURA RESOURCES BERHAD

CHUA SIEW CHUAN (MAICSA 0777689)
YAU JYE YEE (MAICSA 7059233)
Company Secretaries

Date: 11 June 2019



SAPURA RESOURCES BERHAD

(Company No.: 3136-D)

(Incorporated in Malaysia)

ADDENDUM TO THE NOTICE OF THE SIXTY-SECOND ANNUAL GENERAL MEETING ("62ND AGM") DATED 21 MAY 2019

Pursuant to the appointment of a new Independent Non-Executive Director of the Company subsequent to the issuance of the 62nd AGM Notice on 21 May 2019, NOTICE IS HEREBY GIVEN by way of an addendum to the 62nd AGM Notice for the inclusion of the following additional Ordinary Resolution as Ordinary Business at the 62nd AGM to be held at Sapura@Mines, No. 7, Jalan Tasik, The Mines Resort City, 43300 Seri Kembangan, Selangor Darul Ehsan on Thursday, 20 June 2019 at 10:00 a.m. for consideration:-

AS ORDINARY BUSINESS

3. To re-elect Mr. Andrew Heng who is retiring in accordance with **Ordinary Resolution 3** Article 91 of the Company's Articles of Association.

The existing items 3 to 11 to the Notice of the 62nd AGM shall be renumbered to items 4 to 12 and the existing Ordinary Resolutions 3 to 9 shall be renumbered to Ordinary Resolutions 4 to 10. The Special Resolution remains unchanged.

BY ORDER OF THE BOARD

CHUA SIEW CHUAN (MAICSA 0777689)

YAU JYE YEE (MAICSA 7059233)

Company Secretaries

Selangor Darul Ehsan

11 June 2019

(A) NOTES ON APPOINTMENT OF PROXY:

1. Only a depositor whose name appears on the Record of Depositors as at 13 June 2019 shall be entitled to attend and vote at the Meeting or appoint proxy(ies) to attend and vote in his stead.
2. A member of the Company who is entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. Where a member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly appointed under a Power of Attorney or if such appointer is a corporation, either under its Common Seal or under the hand of an officer or an attorney duly appointed under a Power of Attorney.
3.
 - (a) Where a Member is an Authorised Nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
 - (b) Where a Member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds. The appointment of two (2) or more proxies in respect of any particular Omnibus Account shall be invalid unless the Exempt Authorised Nominee specifies the proportion of its shareholding to be represented by each proxy.
4. A proxy may but does not need to be a member of the Company and if not a member he need not be a qualified legal practitioner, an approved company auditor or a person approved by the Registrar.

Notwithstanding this, a member entitled to attend and vote at the Meeting is entitled to appoint any person as his proxy to attend and vote instead of the member at the Meeting. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to participate, speak and vote at the Meeting.

5. The instrument appointing the proxy must be deposited at the Company's Share Registrar, Boardroom Share Registrars Sdn. Bhd. (*formerly known as Symphony Share Registrars Sdn. Bhd.*), Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.

(B) REVISED PROXY FORM:

- (a) The Revised Proxy Form DOES NOT INVALIDATE the Proxy Form which was circulated together with the 62nd AGM Notice dated 21 May 2019 ("the Original Proxy Form").
- (b) If the Company receives both the Original Proxy Form and the Revised Proxy Form from a member, THE LATTER SHALL SUPERSEDE THE FORMER.
- (c) In the event that the Company does not receive the duly executed Revised Proxy Form within the required timeframe, THE MEMBER WHO HAS DEPOSITED THE ORIGINAL PROXY FORM AT THE COMPANY'S REGISTERED OFFICE WITHIN THE REQUIRED TIMEFRAME IS DEEMED TO HAVE APPOINTED AND AUTHORISED HIS PROXY UNDER THE ORIGINAL PROXY FORM TO VOTE OR ABSTAIN ON ADDITIONAL RESOLUTION AS THE PROXY DEEMS FIT.

(C) RE-ELECTION OF MR. ANDREW HENG

The Company had appointed Mr. Andrew Heng as an Independent Non-Executive Director of the Company with effect from 3 June 2019.

Pursuant to Article 91 of the Company's Articles of Association, the Directors shall have power at any time, and from time to time, to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors, but so that the total number is fixed in accordance with these Articles. Any Director so appointed shall hold office only until the next following annual general meeting and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that meeting.

Mr. Andrew Heng has consented to his re-election, and abstained from deliberation as well as decision on his own eligibility to stand for re-election via a Directors' Circular Resolution.

Upon review, the Board Nomination and Remuneration Committee and Board of Directors resolved that Mr. Andrew Heng who retires pursuant to Article 91 of the Company's Articles of Association, be recommended to the shareholders for approval at the forthcoming 62nd AGM.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.



SAPURA RESOURCES BERHAD

(Company No.: 3136-D)

(Incorporated in Malaysia)

DETAILS OF THE NEW DIRECTOR WHO IS STANDING FOR RE-ELECTION

Name	: Andrew Heng
Age	: 44
Gender	: Male
Nationality	: Malaysian
Date of appointment	: 3 June 2019
Position in the Company	: Independent Non-Executive Director
Board Committee	: Board Audit and Risk Committee - Member
Membership(s)	
Qualifications	: <ul style="list-style-type: none"> • Chartered Accountant – Malaysia Institute of Accountants • Fellow of CPA Australia (FCPA) – CPA Australia • Fellow Chartered Accountant (FCA) – Chartered Accountants Australia New Zealand • Chartered Valuer and Appraiser (CVA) – Institute of Valuers and Appraisers, Singapore • Certified Internal Auditor (CIA) – Institute of Internal Auditors of Malaysia • Certified Financial Planner (CFP) – Financial Planning Association of Malaysia • ASEAN Chartered Professional Accountant (CPA) – ASEAN Chartered Professional Accountants • Insolvency Practitioners Association of Malaysia • Chartered Public Accountant (CPA) - Kampuchea Institute of Certified Public Accountants and Auditors • Admitted as Advocate & Solicitor of the High Court of Malaya • Master of Business Administration, University of Manchester • Bachelor of Commerce, The University of Western Australia • Bachelor of Law, The University of Western Australia
Occupation	: Company Director
Experience	: Mr. Andrew is the Group Managing Partner of Baker Tilly Monteiro Heng PLT and Ferrier Hodgson MH. He has 20 years of experience in corporate restructuring, transaction advisory and corporate recovery.

Mr. Andrew is a Chartered Accountant with the Malaysia Institute of Accountants, a Member of CPA Australia, a Member of the Cambodian Institute of CPAs, a Certified Financial Planner with the Financial Planning Association of Malaysia and an Associate Member of the Institute of Auditors Malaysia.

Mr. Andrew is a Lead Partner in Malaysia for Corporate Advisory and experience in Mergers and Acquisitions, Reverse Take Over and Initial Public Offerings of companies, including being Independent Valuer's/Expert Report's Role in valuation of companies and financial due diligence for application for admission and listing on the Bursa Malaysia.

He is experienced in evaluating the numerous bids of various NPLSs on offer in Malaysia for Barclays and Morgan Stanley. He has also undertaken workout proposals, debt restructuring,

due diligence reviews and investigative audits and monitoring accountant roles and is also highly sought as an expert witness on various litigation support matters.

Mr. Andrew's exposure in industry includes property development, construction, restoration of abandoned housing schemes, scrap metal recycling, hotels, underwater aquarium and aquatic business, mining, timber, plantations, retail and manufacturing.

Directorships in other listed companies	:	Nil
Interest in securities of the Company	:	Nil
Family relationship with Directors and/or major shareholders	:	Nil
Conflict of interest with the Company	:	Nil
Conviction for offense within the past 5 years other than traffic offences	:	Nil



SAPURA RESOURCES BERHAD

(Company No.: 3136-D)

(Incorporated in Malaysia)

DETAILS OF THE NEW BOARD OF DIRECTORS AND BOARD AUDIT AND RISK COMMITTEE'S COMPOSITION OF THE COMPANY

BOARD OF DIRECTORS

Name	Designation
Tan Sri Datuk Amar (Dr.) Hamid bin Bugo	Chairman/Independent Non-Executive Director
Tan Sri Dato' Seri Shahril bin Shamsuddin	Non-Independent Non-Executive Director
Dato' Shahrman bin Shamsuddin	Managing Director
Dato' Fuziah @ Fauziah binti Dato' Ismail	Senior Independent Non-Executive Director
Dato' Muthanna bin Abdullah	Independent Non-Executive Director
Encik Ahmad Jauhari bin Yahya	Independent Non-Executive Director
Mr. Andrew Heng (<i>Appointed on 3 June 2019</i>)	Independent Non-Executive Director

BOARD AUDIT AND RISK COMMITTEE

Name	Designation
Dato' Muthanna bin Abdullah	Chairman
Dato' Fuziah @ Fauziah binti Dato' Ismail	Member
Mr. Andrew Heng (<i>Appointed on 3 June 2019</i>)	Member



Sapura Resources Berhad (3136-D)

Proxy Form

Total number of Proxy(ies) appointed		
Proportion of holdings to be represented by each proxy	Proxy 1 %	Proxy 2 %
Total of number of ordinary shares held		
CDS Account No.		

I/We _____ (NRIC/Passport/Company No.) _____
(FULL NAME IN CAPITAL LETTERS)

of _____
(FULL ADDRESS)

being a Member/Members of SAPURA RESOURCES BERHAD hereby appoint _____
(FULL NAME IN CAPITAL LETTERS)

(NRIC/Passport No.) _____ of _____
(FULL ADDRESS)

_____ and/or failing him/her, _____
(FULL NAME IN CAPITAL LETTERS)

(NRIC/Passport No.) _____ of _____
(FULL ADDRESS)

or failing him/her, the Chairman of the Meeting, as my/our proxy to vote for me/us on my/our behalf at the Sixty-Second (62nd) Annual General Meeting of the Company to be held at the Multi-Purpose Hall, Ground Floor, Sapura@Mines, No. 7, Jalan Tasik, The Mines Resort City, 43300 Seri Kembangan, Selangor Darul Ehsan on Thursday, 20 June 2019 at 10:00 a.m. or at any adjournment thereof and to vote as indicated below:

Resolution No.	Resolutions	For	Against
Ordinary Business:			
Ordinary Resolution 1	Re-election of Tan Sri Dato' Seri Shahril bin Shamsuddin		
Ordinary Resolution 2	Re-election of Dato' Muthanna bin Abdullah		
Ordinary Resolution 3	Re-election of Mr. Andrew Heng		
Ordinary Resolution 4	Re-appointment of Messrs. Ernst & Young as Auditors of the Company.		
Special Business:			
Ordinary Resolution 5	Payment of Directors' Fees of RM592,000.00		
Ordinary Resolution 6	Payment of Directors' Benefits Payable up to an amount of RM64,010.00		
Ordinary Resolution 7	Retention of Dato' Muthanna bin Abdullah as an Independent Non-Executive Director		
Ordinary Resolution 8	Retention of Tan Sri Datuk Amar (Dr.) Hamid bin Bugo as an Independent Non-Executive Director		
Ordinary Resolution 9	Retention of Dato' Fuziah @ Fauziah binti Dato' Ismail as an Independent Non-Executive Director		
Ordinary Resolution 10	Authority for Directors to Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016		
Special Resolution	Proposed Adoption of a new Constitution of the Company		

Please indicate with an "X" in the space above how you wish your vote to be cast. If no specific direction as to voting is given, the Proxy will vote or abstain from voting at his/her discretion.

Signature / Common Seal of Shareholder _____

Dated this _____ day of _____ 2019

Notes:

- Only a depositor whose name appears on the Record of Depositors as at 13 June 2019 shall be entitled to attend and vote at the Meeting or appoint proxy(ies) to attend and vote in his stead.
- A member of the Company who is entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. Where a member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly appointed under a Power of Attorney or if such appointer is a corporation, either under its Common Seal or under the hand of an officer or an attorney duly appointed under a Power of Attorney.
- Where a Member is an Authorised Nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
 - Where a Member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds. The appointment of two (2) or more proxies in respect of any particular Omnibus Account shall be invalid unless the Exempt Authorised Nominee specifies the proportion of its shareholding to be represented by each proxy.
- A proxy may but does not need to be a member of the Company and if not a member he need not be a qualified legal practitioner, an approved company auditor or a person approved by the Registrar. Notwithstanding this, a member entitled to attend and vote at the Meeting is entitled to appoint any person as his proxy to attend and vote instead of the member at the Meeting. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to participate, speak and vote at the Meeting.
- The instrument appointing the proxy must be deposited at the Company's Share Registrars, Boardroom Share Registrars Sdn. Bhd. (formerly known as Symphony Share Registrars Sdn. Bhd.), Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.

Additional Notes:

- The Revised Proxy Form DOES NOT INVALIDATE the Proxy Form which was circulated together with the AGM Notice dated 21 May 2019 ("the Original Proxy Form").
- If the Company receives both the Original Proxy Form and the Revised Proxy Form from a member, THE LATTER SHALL SUPERSEDE THE FORMER.
- In the event that the Company does not receive the duly executed Revised Proxy Form within the required timeframe, THE MEMBER WHO HAS DEPOSITED THE ORIGINAL PROXY FORM AT THE COMPANY'S REGISTERED OFFICE WITHIN THE REQUIRED TIMEFRAME IS DEEMED TO HAVE APPOINTED AND AUTHORISED HIS PROXY UNDER THE ORIGINAL PROXY FORM TO VOTE OR ABSTAIN ON ADDITIONAL RESOLUTION AS THE PROXY DEEMS FIT.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and /or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 21 May 2019 and Addendum to the Notice of the 62nd AGM dated 11 June 2019.

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The Share Registrar

Boardroom Share Registrars Sdn. Bhd. (378993-D)
(formerly known as Symphony Share Registrars Sdn. Bhd.)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan

annual report



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PROXY FORM

62nd ANNUAL GENERAL MEETING



Multi-Purpose Hall
Ground Floor, Sapura@Mines
No. 7, Jalan Tasik
The Mines Resort City
43300 Seri Kembangan
Selangor Darul Ehsan



Thursday
20 June 2019



10:00 A.M.



—
AGILE



We will constantly look for new business opportunities so that we remain an agile player that stays ahead of the forces of change and competition.



- 04 Notice of Sixty-Second (62nd) Annual General Meeting
- 07 Financial Highlights
- 08 Corporate Information
- 09 Corporate Structure

Notice of Sixty-Second (62nd) Annual General Meeting

NOTICE IS HEREBY GIVEN that the Sixty-Second (62nd) Annual General Meeting of the Company will be held at the Multi-Purpose Hall, Ground Floor, Sapura@Mines, No. 7, Jalan Tasik, The Mines Resort City, 43300 Seri Kembangan, Selangor Darul Ehsan on Thursday, 20 June 2019 at 10:00 a.m. to transact the following business:-

AGENDA

AS ORDINARY BUSINESS

- | | | |
|----|--|---------------------------------|
| 1. | To receive the Audited Financial Statements together with the Directors' and Auditors' reports for the financial year ended 31 January 2019. | <i>[Please refer to Note A]</i> |
| 2. | To re-elect the following Directors who retire by rotation in accordance with Article 88 of the Company's Articles of Association and being eligible, offer themselves for re-election:- | |
| | (i) Tan Sri Dato' Seri Shahril bin Shamsuddin | Ordinary Resolution 1 |
| | (ii) Dato' Muthanna bin Abdullah | Ordinary Resolution 2 |
| 3. | To re-appoint Messrs. Ernst & Young as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. | Ordinary Resolution 3 |

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Resolutions:-

- | | | |
|----|---|---|
| 4. | Directors' Fees
"THAT the Directors' fees of RM592,000.00 for the financial year ended 31 January 2019 be hereby approved for payment." | Ordinary Resolution 4
<i>[Please refer to Note B]</i> |
| 5. | Directors' Benefits Payable
"THAT the Directors' benefits payable up to an amount of RM64,010.00 from 21 June 2019 until the next Annual General Meeting of the Company be hereby approved for payment." | Ordinary Resolution 5
<i>[Please refer to Note C]</i> |
| 6. | Retention of Independent Non-Executive Director
"THAT Dato' Muthanna bin Abdullah who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years be and is hereby retained as an Independent Non-Executive Director in accordance with the Malaysian Code on Corporate Governance." | Ordinary Resolution 6
<i>[Please refer to Note D]</i> |
| 7. | Retention of Independent Non-Executive Director
"THAT Tan Sri Datuk Amar (Dr.) Hamid bin Bugo who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years be and is hereby retained as an Independent Non-Executive Director in accordance with the Malaysian Code on Corporate Governance." | Ordinary Resolution 7
<i>[Please refer to Note D]</i> |
| 8. | Retention of Independent Non-Executive Director
"THAT Dato' Fuziah @ Fauziah binti Dato' Ismail who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years be and is hereby retained as an Independent Non-Executive Director in accordance with the Malaysian Code on Corporate Governance." | Ordinary Resolution 8
<i>[Please refer to Note D]</i> |

Notice of Sixty-Second (62nd) Annual General Meeting

9. Authority for Directors to Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016

“THAT subject to the Companies Act 2016, the Constitution of the Company and the approvals of the relevant governmental and/or regulatory authorities, if applicable, the Directors be and are hereby empowered pursuant to Sections 75 and 76 of the Companies Act 2016, to allot and issue shares in the Company at any time, at such price, upon such terms and conditions, for such purposes and to such person or persons whomsoever as the Directors may in their absolute discretion deem fit, provided always that the aggregate number of shares to be issued pursuant to this resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company for the time being;

AND THAT such authority shall commence immediately upon the passing of this resolution and shall continue to be in force until:

- (i) the conclusion of the next Annual General Meeting (“AGM”) of the Company, at which time it shall lapse, unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
- (ii) the expiration of the period within which the next AGM of the Company is required by law to be held; or
- (iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting,

whichever occurs first;

AND THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad.”

Ordinary Resolution 9
[Please refer to Note E]

10. Proposed Adoption of a new Constitution of the Company

“THAT approval be and is hereby given to revoke the existing Memorandum and Articles of Association of the Company in its entirety with immediate effect and in place thereof, the proposed new Constitution of the Company as set out in Appendix A despatched together with the Company's Annual Report 2019, be and is hereby adopted as the Constitution of the Company;

AND THAT the Directors of the Company be and are hereby authorised to assent to any modifications, variations and/or amendments as may be required by the relevant authorities and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing.”

Special Resolution
[Please refer to Note F]

- 11. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016 and the Company's Articles of Association.

BY ORDER OF THE BOARD

CHUA SIEW CHUAN (MAICSA 0777689)

YAU JYE YEE (MAICSA 7059233)

Company Secretaries

Selangor Darul Ehsan

21 May 2019

Notice of Sixty-Second (62nd) Annual General Meeting

EXPLANATORY NOTES ON ORDINARY AND SPECIAL BUSINESSES:

A. Audited Financial Statements

This agenda item is meant for discussion only as under the provision of Section 340(1)(a) of the Companies Act 2016, formal approval by members is not required to be obtained. Hence, this agenda item will not be put forward for voting.

B. Directors' Fees

The proposed Ordinary Resolution 4, if approved, would authorise the payment of Directors' fees pursuant to Section 230(1)(b) of the Companies Act 2016.

C. Directors' Benefits Payable

The proposed Directors' benefits payable comprises meeting allowances.

The total estimated amount of Directors' benefits payable is calculated based on the number of scheduled Board and Board Committees' meetings for the period from 21 June 2019 to the next AGM of the Company.

In the event that the Directors' benefits payable proposed are insufficient due to enlarged Board size, approval will be sought at the next AGM for additional Directors' benefits to meet the shortfall.

D. Retention as Independent Non-Executive Directors of the Company pursuant to the Malaysian Code on Corporate Governance

The proposed adoption of Ordinary Resolutions 6 to 8 is to seek shareholders' approval to retain the following Directors as the Independent Non-Executive Directors of the Company:-

- (i) Dato' Muthanna bin Abdullah;
- (ii) Tan Sri Datuk Amar (Dr.) Hamid bin Bugo; and
- (iii) Dato' Fuziah @ Fauziah binti Dato' Ismail.

The Board of Directors has vide the Board Nomination and Remuneration Committee conducted an annual performance evaluation and assessment of the abovementioned Directors and recommended that they continue in office as an Independent Non-Executive Directors based on the following justifications:-

- (a) They have fulfilled the criteria under the definition of an Independent Director as stated in the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad, ("Bursa Securities") and thus, they would be able to function as check and balance, provide a broader view and bring with him/her an element of objectivity to the Board.
- (b) They have not been involved in any business or other relationship which could hinder the exercise of independent judgement, objectivity or his/her ability to act in the best interests of the Company.
- (c) They have no potential conflict of interest, whether business or non-business related with the Company.
- (d) They have not established or maintained any significant personal or social relationship, whether direct or indirect, with the Managing Director, major shareholders or management of the Company (including their family members) other than normal engagements and interactions on a professional level consistent with his/her duties and expected of him/her to carry out his/her duties as an Independent Director.

E. Authority for Directors to Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016

The proposed Ordinary Resolution 9, if approved, would, subject to the MMLR of Bursa Securities, enable the Directors to issue up to a maximum of ten per centum (10%) of the total number of issued shares of the Company at the date of such issuance for such purpose as the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied by the Company in a general meeting, will expire at the next AGM of the Company.

The mandate will enable the Directors to take swift action in case of a need for corporate exercises or fund-raising activities or in the event business opportunities arise which involve the issuance of new shares and to avoid delay and cost in convening general meetings to approve such issuance of shares. The proceeds raised from the corporate exercises or fund-raising activities will be utilised for funding future investment projects, working capital and/or acquisitions.

As at the date of this Notice, no new shares in the Company have been issued pursuant to the mandate granted to the Directors at the last AGM held on 24 July 2018 which will lapse at the conclusion of the forthcoming 62nd AGM.

F. Proposed Adoption of a new Constitution of the Company

The proposed Special Resolution, if approved, will streamline the Company's Constitution with the Companies Act 2016 and the recent amendments made to the MMLR of Bursa Securities as well as to enhance administrative efficiency.

The Proposed Adoption of a new Constitution of the Company shall take effect once it has been passed by a majority of not less than 75% of such members who are entitled to attend and vote and do vote in person or by proxy at the 62nd AGM of the Company.

The proposed new Constitution is set out in Appendix A circulated together with this Annual Report.

NOTES ON APPOINTMENT OF PROXY:

1. Only a depositor whose name appears on the Record of Depositors as at 13 June 2019 shall be entitled to attend and vote at the Meeting or appoint proxy(ies) to attend and vote in his stead.
2. A member of the Company who is entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. Where a member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly appointed under a Power of Attorney or if such appointer is a corporation, either under its Common Seal or under the hand of an officer or an attorney duly appointed under a Power of Attorney.
3. (a) Where a Member is an Authorised Nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- (b) Where a Member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds. The appointment of two (2) or more proxies in respect of any particular Omnibus Account shall be invalid unless the Exempt Authorised Nominee specifies the proportion of its shareholding to be represented by each proxy.
4. A proxy may but does not need to be a member of the Company and if not a member he need not be a qualified legal practitioner, an approved company auditor or a person approved by the Registrar. Notwithstanding this, a member entitled to attend and vote at the Meeting is entitled to appoint any person as his proxy to attend and vote instead of the member at the Meeting. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to participate, speak and vote at the Meeting.
5. The instrument appointing the proxy must be deposited at the Company's Share Registrar, Boardroom Share Registrars Sdn Bhd (formerly known as Symphony Share Registrars Sdn Bhd), Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.

Personal data privacy:

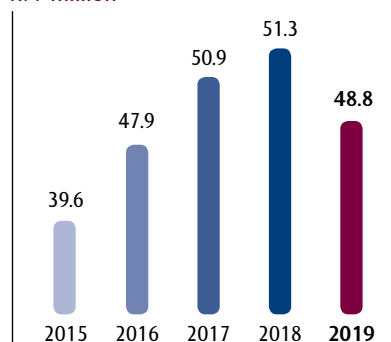
By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

Financial Highlights

		31 January				
		2015	2016	2017	2018	2019
Revenue	(RM'million)	39.6	47.9	50.9	51.3	48.8
Profit/(loss) attributable to equity holders of the Company	(RM'million)	23.6	2.7	100.3	13.5	(6.1)
Shareholders' fund	(RM'million)	369.6	368.8	448.9	462.4	456.3
Basic/diluted earnings/(loss) per share	(sen)	16.91	1.94	71.87	9.64	(4.35)
Net asset per share	(RM)	2.65	2.64	3.22	3.31	3.27

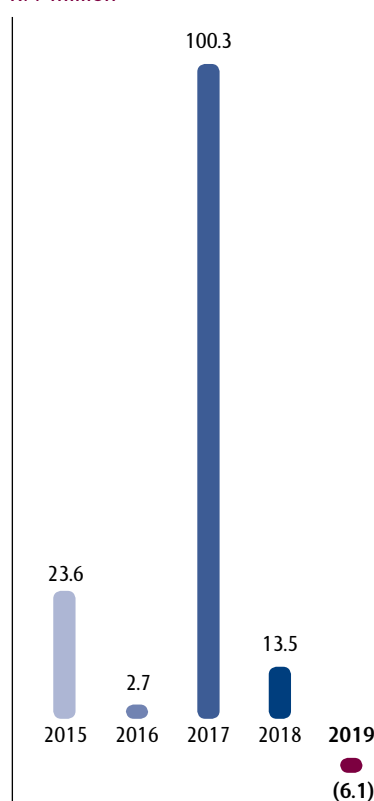
Revenue

RM' million



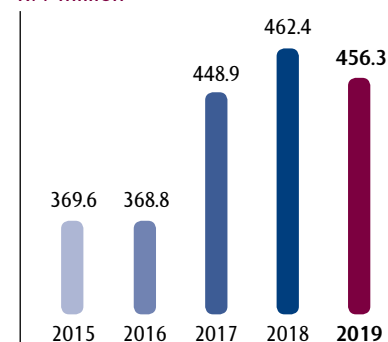
Profit/(loss) attributable to equity holders of the Company

RM' million



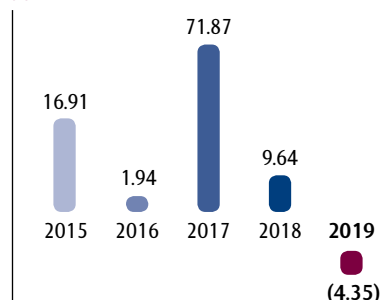
Shareholders' fund

RM' million



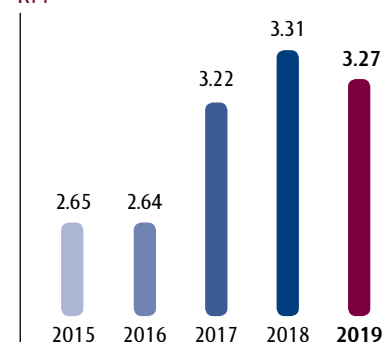
Basic/diluted earning/(loss) per share

Sen



Net asset per share

RM



Corporate Information

BOARD OF DIRECTORS

Tan Sri Datuk Amar (Dr.) Hamid bin Bugo
Chairman/Independent Non-Executive Director

Dato' Shahrman bin Shamsuddin
Managing Director

Tan Sri Dato' Seri Shahril bin Shamsuddin
Non-Independent Non-Executive Director

Dato' Fuziah @ Fauziah binti Dato' Ismail
Senior Independent Non-Executive Director

Dato' Muthanna bin Abdullah
Independent Non-Executive Director

Ahmad Jauhari bin Yahya
Independent Non-Executive Director

Peter Ho Kok Wai
Independent Non-Executive Director

BOARD AUDIT AND RISK COMMITTEE

Dato' Muthanna bin Abdullah
Chairman

Dato' Fuziah @ Fauziah binti Dato' Ismail
Member

Peter Ho Kok Wai
Member

BOARD NOMINATION AND REMUNERATION COMMITTEE

Tan Sri Datuk Amar (Dr.) Hamid bin Bugo
Chairman

Dato' Muthanna bin Abdullah
Member

Ahmad Jauhari bin Yahya
Member

DIRECTOR IN CHARGE OF SHAREHOLDERS' COMMUNICATIONS

Dato' Fuziah @ Fauziah binti Dato' Ismail
Senior Independent Non-Executive Director

Mail to:-
Sapura@Mines
No. 7 Jalan Tasik
The Mines Resort City
43300 Seri Kembangan
Selangor Darul Ehsan
Email : SeniorIndependentDirectorSRB@sapura.com.my

PRINCIPAL SOLICITOR

Skrine & Co.

REGISTERED OFFICE

Sapura@Mines
No. 7 Jalan Tasik
The Mines Resort City
43300 Seri Kembangan
Selangor Darul Ehsan
Tel : 603-8949 7000
Fax : 603-8949 7046

PRINCIPAL BANKER

Malayan Banking Berhad

AUDITORS

Ernst & Young
Chartered Accountants
Level 23A, Menara Milenium
Jalan Damansara
Pusat Bandar Damansara
50490 Kuala Lumpur
Tel : 603-7495 8000
Fax : 603-2095 9076/78

INTERNAL AUDITORS

KPMG Management & Risk Consulting Sdn Bhd
10th Floor, KPMG Tower
No. 8, First Avenue
Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan

SHARE REGISTRAR

Boardroom Share Registrars Sdn Bhd
(formerly known as Symphony Share Registrars Sdn Bhd)
Level 6, Symphony House,
Pusat Dagangan Dana 1, Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel : 603-7849 0777
Fax : 603-7841 8151/52

STOCK EXCHANGE LISTING

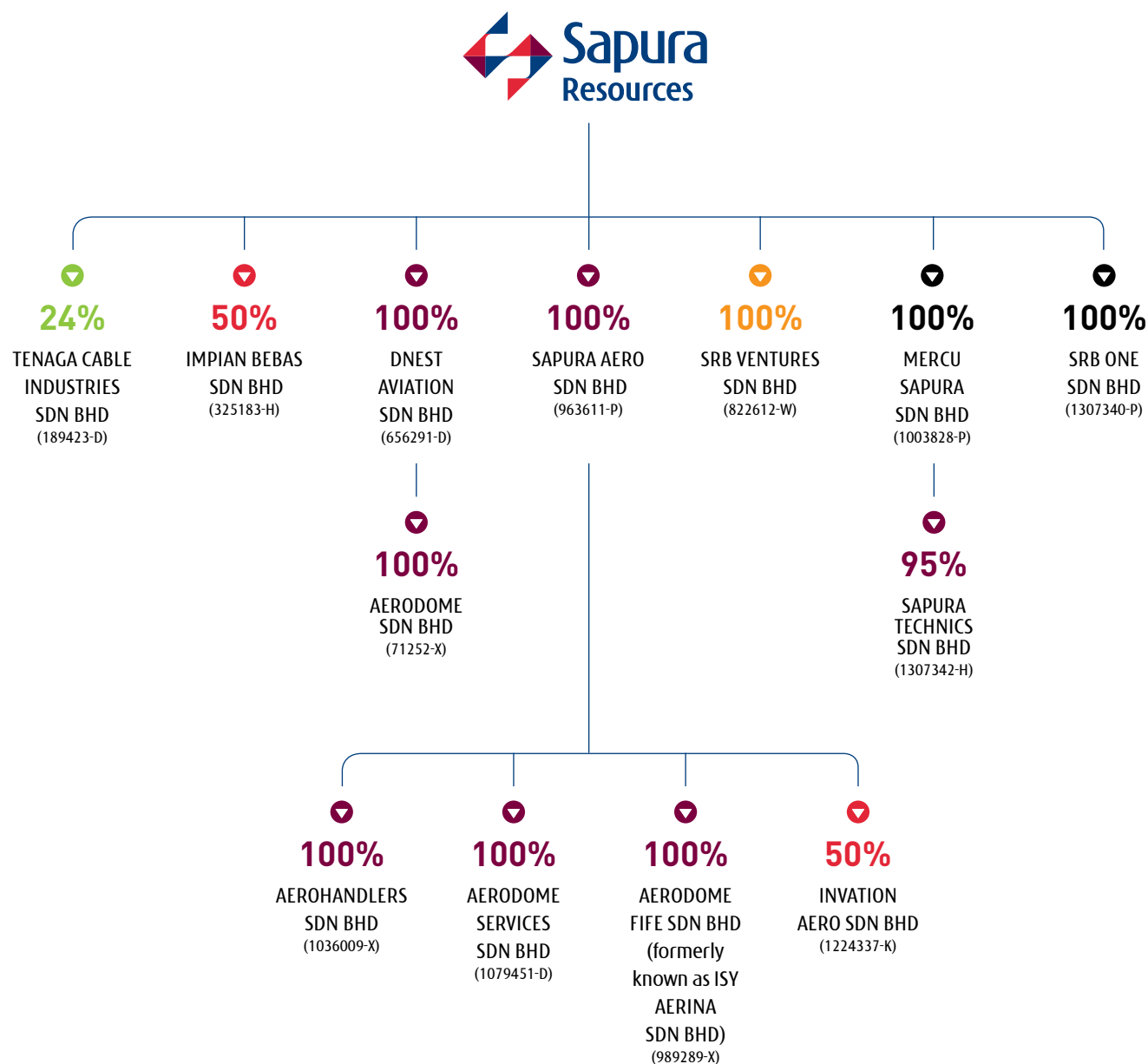
Main Market,
Bursa Malaysia Securities Berhad
Stock Name : SAPRES
Stock Code : 4596

COMPANY SECRETARIES

Chua Siew Chuan (MAICSA 0777689)
Yau Jye Yee (MAICSA 7059233)

Corporate Structure

As at 1 May 2019



▶ Aviation

▶ Jointly control entity

▶ Associate

▶ Food & Beverage

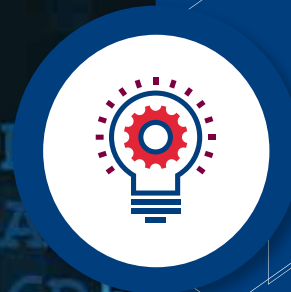
▶ Others

* Active companies only

—
RESOURCEFUL



We are resourceful in developing the best solutions for our customers by constantly learning, collaborating and sharing information to make full use of our Group's capabilities - both inside and outside of our businesses.



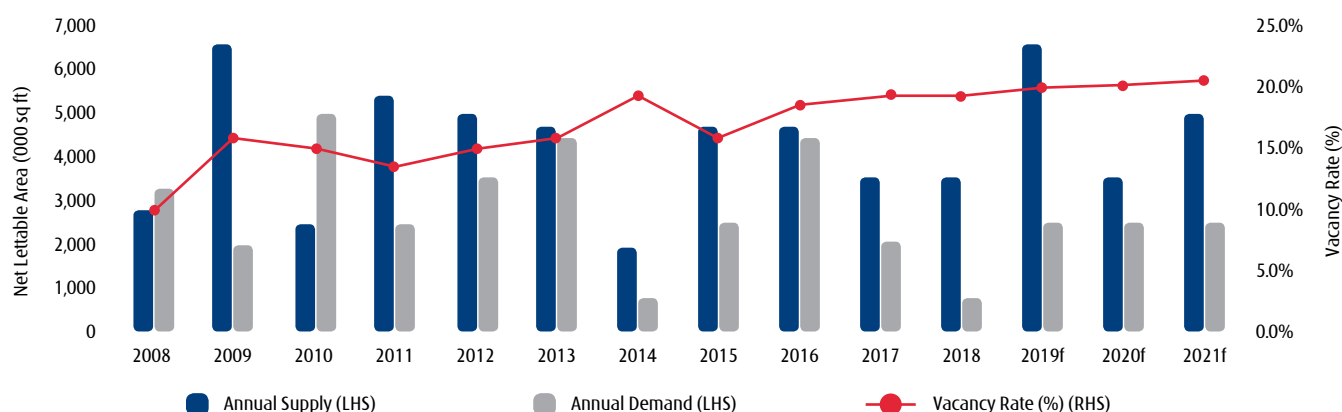
Management Discussion & Analysis (MD&A)

INTRODUCTION

Against the backdrop of a challenging macroeconomic environment and intensifying competition in the marketplace, Sapura Resources Berhad (“SRB” or the “Company”) and its subsidiaries (collectively referred to as the “Group”) was faced with a financial year that proved to be challenging yet filled with introspection and forward looking plans. Global economic headwinds emanating from trade tensions and tightening financial conditions amidst domestic fiscal rationalisation have resulted in market sentiments across the country to moderate from recent highs with a modest Gross Domestic Product (GDP) growth being recorded for Malaysia at 4.7% in 2018¹.

The impact of the broader economy certainly had its spillover effect to the Group which is involved in property investment and provision of private aviation service. In the commercial property space, Klang Valley’s purpose-built office market in 2018 remained soft, dampened by cautious economic market sentiment and impending over-supply in the pipeline. To illustrate this further, it is worth noting that the annual supply of purpose-built office space in the Klang Valley in 2018 was about 3.5 million square feet despite a declining demand trend (demand of approximately less than 1 million square feet - refer to chart below)². This unfavourable trajectory is expected to continue in the near term with the foray of sizeable prime purpose built office and co-working spaces, thus, putting pressure on occupancy and rental rates.

Malaysia: Klang Valley Annual Supply, Demand and Vacancy Rate of Purpose-Built Office in Klang Valley 2018



Source: CBRE / WTW Research, January 2019

In order to weather the cyclical tepid market conditions, the Group continued its investments through Asset Enhancement Initiatives (“AEI”). The continued progress in enhancements to investment properties is expected to place the Group in a better stead to maintain its market share and remain viable in a competitive market. However, it is important to emphasise that these investments are not a “silver bullet” that would bring about immediate streams of higher revenue. Instead, the gestation period of these investments would result in the yields bearing fruition only at a later stage with the short term ramifications being higher cash outflow and heightened depreciation charges. Premised on the need to diversify revenue via high-value adding business activities and the opportunity to tap into the encouraging Maintenance, Repair and Overhaul (“MRO”) market demand within Southeast Asia and to expand the Group’s aviation services, SRB via Sapura Technics Sdn Bhd entered into the business of MRO for commercial aircrafts initially based in Senai, Johor. In addition, in order to augment the business development initiatives, plans are afoot to optimise operational efficiency and harness cost savings for the Group.

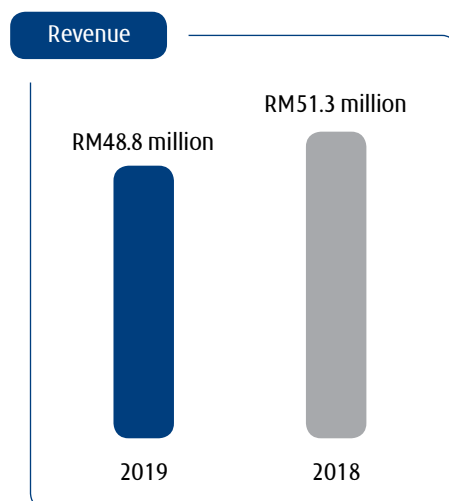
¹ Economic and Financial Developments in the Malaysian Economy 2018/2019, Bank Negara Malaysia

² Real Estate Market Outlook 2019, Williams Talhar Wong & Yeo (WTW Group)

Management Discussion & Analysis (MD&A)

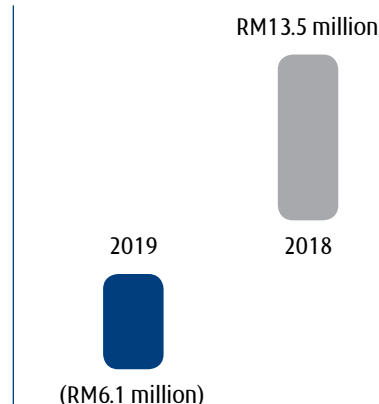
FINANCIAL REVIEW

The revenue of the Group stood at RM 48.8 million for the Financial Year Ended ("FYE") 31 January 2019 vis-à-vis RM51.3 million during the preceding year (equivalent to a decrease of RM2.5 million or 5%), primarily attributable to the lower revenue registered in the aviation segment, particularly in relation to ground handling and charter services. Looking further down the line, slightly more than half of the Group's total revenue can be attributed to the property investment sector whilst the remainder primarily stems from the aviation segment.



In terms of profit, the Group registered a loss of RM6.1 million in FYE 31 January 2019 compared to a profitable headline figure in the corresponding period of last financial year. To recapitulate, on the back of a one off reversal on the provision for indemnity amounting to RM22.0 million, profit after tax attributable to the Group was RM13.5 million in the comparative period of FYE 31 January 2018. The reversal of the provision for indemnity was made pursuant to changes in the laws of Sri Lanka. The extent of the difference in the profit figure between the said corresponding periods was partially offset by RM9.0 million of relatively lower operating expenses incurred in FYE 31 January 2019 as FYE 31 January 2018 saw a hangar impairment adjustment of RM7.5 million applied to the value of the hangars in Subang.

Profit after tax



As at the end of FYE 31 January 2019, net assets per share was RM3.27 versus RM3.31 as at end of FYE 31 January 2018, representing a slight decrease of 1.2%. The net asset per share is determined based on the quotient of the net tangible asset attributable to the Group against the number of ordinary shares in issue of 139,600,000. Notwithstanding the decrease in total equity by RM6.1 million, the Group remains on a healthy financial position, supported by a total equity amounting to RM456.2 million. To illustrate further, it is worth highlighting that the Group continues to remain debt-free for now (with the exception of those under the ambit of finance leases) and is therefore well positioned to leverage on capacity expansion and value added business initiatives.

In terms of earnings per share, there was a loss RM0.044 per share for FYE 31 January 2019 as opposed to a positive earnings of RM0.0964 per share for the immediate preceding period. Earnings per share is determined based on the the profit attributable to the Group divided by the number of ordinary shares in issue.

Based on the adoption of a long term view and anchored on the vision of delivering sustainable returns over a period of time, the Board of Directors did not recommend any dividend for FYE 31 January 2019 so as to free cash flow to materialise business plans and meet capital requirements. To reiterate, the Group is steadfast in its quest to generate value for its shareholders in a sustainable manner.

Management Discussion & Analysis (MD&A)

OPERATIONAL HIGHLIGHTS

Property investment segment

SRB has established a strong foothold in the Klang Valley with three wholly-owned investment properties comprising:

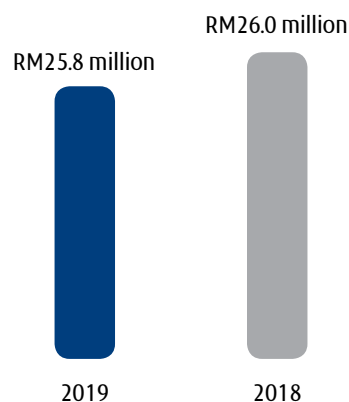
- 10-storey office building at Sapura@Mines with a Net Lettable Area ("NLA") of 269,000 square feet;
- Warehouses with a NLA of 165,000 square feet at Jalan Tandang; and
- Commercial showroom building with a NLA of 46,000 square feet at Jalan 219, Petaling Jaya.

As part of the Group's continuous effort to unlock value for its stakeholders, the Group had undertaken proactive measures to hold up against fierce competition from newer developments by undertaking a suite of AEI initiatives. The asset enhancement work was primarily carried out to upgrade and refurbish the facilities and fixtures of Sapura@Mines, which is SRB's main property revenue contributor. In order to attract new tenants and maintain existing ones, the AEIs will continue to be carried out in phases, mainly to replace or enhance building security systems and lifts to ensure that the Group's properties remain competitive, current and relevant to market needs. The planned AEIs are progressing as scheduled, having attained 80% completion status during the year under review.

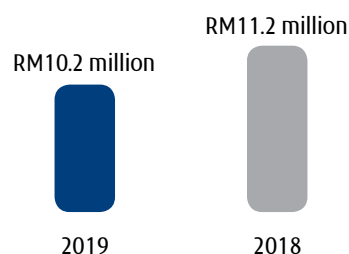
Operationally, despite the supply glut as well as challenging global and domestic economy, the Group maintained a high occupancy rate of 90% for all three investment properties. The Group achieved a revenue of RM25.8 million for the property segment in 2019 (2018: RM26.0 million), representing a slight drop by 1%.

In addition, during the year under review, the Group registered a full-year profit for the property investment segment with a recorded profit before taxation (PBT) of RM10.2 million, marking a 10% decrease from financial year 2018 (2018: RM11.2 million) mainly due to the higher depreciation charges on the newly completed AEI projects.

Revenue (property investment)



Profit before tax (property investment)



The Group is cognisant of the fact that the supply excesses alongside the existence of office alternatives may continue to threaten the Group's property segment results as the rentals offered by these alternatives tend to be lower. Nonetheless, the fact that Kuala Lumpur will still remain as Malaysia's prime business hub could well serve as the hedging factor for Klang Valley's property office market³ and the Group remains optimistic that its investments for the property segment vide AEI projects will improve competitiveness of the Group's properties. Strong tenant management and high tenant retention will continue to be the key focus of the Group in the forthcoming year.

³ Real Estate Market Outlook 2019, Williams Talhar Wong & Yeo (WTW Group)

Management Discussion & Analysis (MD&A)

Private aviation services segment



CONTRIBUTES

47%
OF TOTAL GROUP
REVENUE

RM23.1
million

The Group provides a suite of private aviation services including hangarage, ground handling, aircraft management, engineering services and charter broker services. The hangars and office floor space form an NLA of approximately 237,000 square feet.

The aviation services segment continued to drive growth in revenue and remains an attractive sector for the Group, contributing 47% of total Group revenue at RM23.1 million during the year under review (2018: RM25.4 million). The drop by 9% in the revenue registered is primarily due to lower revenue in charter services and ground handling. The revenue of the charter services subsegment declined by RM1.3 million due to a suspension of the charter services at the end of financial year 2018 as a result of the unavailability of an aircraft required under the Air Operator Certificate ("AOC"). In relation to the ground handling and engineering services, the decline of revenue by RM11.1 million is primarily attributable to lower number of movements and lower number of aircraft under management during the year under review as compared to FYE 31 January 2018.

Notwithstanding the decline in revenue, the aviation services segment still demonstrated resilience, with Sapura Aero Sdn Bhd leading the business aviation player in Subang through the Group's key services in providing hangarage and ground handling. During the year under review, the Group swiftly positioned itself to diversify its revenue streams in the aviation services segment through a foray in high value added business activities and had entered into commercial MRO segment. Towards this end, in order to streamline the Group's aviation services, the hangar facilities in Senai International Airport, Johor Bahru are being primed to be certified MRO hangars for narrow-bodied commercial aircraft. The hangars are slated to open doors to the first aircraft in mid-2019, upon receipt of approval from the Civil Aviation Authority of Malaysia. In addition, to aid recovery and maximise operational efficiency in the aviation services segment,

the Group remains committed in enhancing customer experience through improvements in safety and security. The Group believes that it is well positioned to provide positive growth in the aviation segment.

Investment holding segment

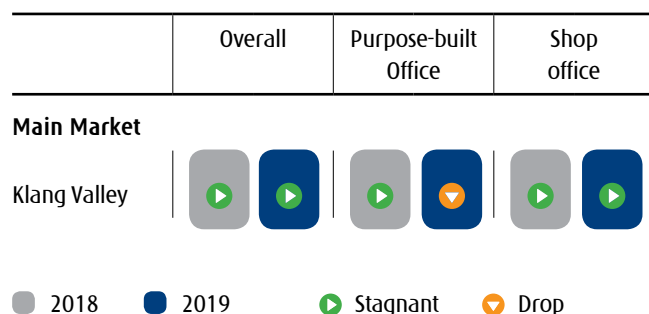
The investment holding operating segment comprises equity investment and group-level corporate services and business development functions. The Group's 24% owned associate Tenaga Cable Industries Sdn Bhd ("TCI") continued to generate stable results, contributing RM2.7 million of the Group's share of profit during the year under review (2018: RM3.0 million).

Amidst the moderating economic growth, the Group strives to keep up with the demands and changes in the industry in which it operates in. In regard to the Group's current investment in Impian Bebas Sdn Bhd, an equally joint collaboration with KLCC Holdings Sdn Bhd on commercial space, the project has achieved 46% completion rate towards the end of the financial year. The commercial space on Lot 91 KLCC comprises approximately 930,000 square feet NLA and is expected to be completed in financial year 2020. In view of the Property market and economic conditions, we are in the process of reviewing the impact on the investment.

Management Discussion & Analysis (MD&A)

TRENDS AND FORWARD LOOKING PROSPECTS

Property investment segment



The diagram above shows the trend of the property market in Malaysia for year 2018 vs 2019⁴. As illustrated, the overall property and purpose-built office market shows stagnation, thus, resulting in a clarion call for older commercial properties to be proactive to hold up to the growing competition from newer developments.

Delving into the geographical market of relevance to the Group, it is worth noting that Klang Valley's office market is still awaiting an influx of supply from several skyscraper office towers primarily in the Tun Razak Exchange. The pipeline supply in Klang Valley's office market is estimated to be well over 15 million square feet up until year 2020. The supply glut is expected to exert downward pressure on the overall occupancy rate in the near term horizon. The higher technology content has also decreased office space requirement whilst rising costs of doing business is driving business owners to optimise their space use. This trend shall persist as traditional tenants are turning to mobile working arrangements.

Against this setting, the upgrading of properties is important to improve the conditions of such buildings and make the best use of these existing structures. This would uplift the properties to remain competitive by fulfilling the modern standards in terms of quality, comfort and efficiency. Anchored on this proposition, the Group has embarked on AEI including by leveraging on technology to enhance the façade of the properties and security systems. The Group is also keen in improving efficiency in tenant management to optimise rental returns. Investing in efficiency would also go a long way in strengthening operations whilst lowering risks and reducing maintenance costs.

Aviation sector

Despite the uncertainty surrounding oil prices and regulatory issues, the global aviation sector is expected to weather the storm in 2019, particularly in the Asia Pacific region whereby there is a diverse market with strong growth from new low cost carriers entrants and outbound cargo from key manufacturing centres⁵.

In the face of dynamism in the aviation segment coupled with expansion of business in the commercial aviation industry, the MRO market that supports it is simultaneously expected to grow. Total MRO expenditure is expected to rise to US \$116 billion by 2029, up from US \$81.9 billion in 2019. The annual average growth rate for the MRO market will be 3.5% over the decade. More of this growth will take place between 2024 and 2029, when MRO expenditure will grow US \$19 billion versus US \$15 billion between 2019 and the start of 2024⁶. Looking further down the line, Asia and the Middle East are expected to be the biggest beneficiaries of the growth in MRO segment given that there is demand for a burgeoning population to travel and the attendant growth in airline fleet within this geographical stratification.

The prospects highlighted above alongside the growing reduction of competition in the MRO market augmented with shortages in capacity and labour have created a lucrative proposition for the Group to tap. Premised on this, the Group has opened a new revenue channel in 2019 with the aim of expanding its business through Sapura Technics which will spearhead the Group's business in the commercial aviation MRO segment.

On the whole, notwithstanding the intense competition, stringent regulations and constant process changes in the aviation segment, the Group is confident that it will reap growth from its hangarage business, ground handling and MRO in the long term.

Key risks and mitigation

A proactive approach to risk management is firmly embedded in the heart of the Group's long-term growth strategy. The Group seeks to align its risk appetite with the overarching business strategies, whilst incorporating the risk processes within its business operations. Risks management is governed in a top down and bottom up manner with the Board setting the business strategies and appetite to manage risk, whilst Management is responsible to manage risk within set business

⁴ Real Estate Market Outlook 2019, Williams Talhar Wong & Yeo (WTW Group)

⁵ Annual Review 2018, International Air Transport Association

⁶ Global Fleet & MRO Market Forecast Commentary 2019-2029, Oliver Wyman

Management Discussion & Analysis (MD&A)

strategy, risk framework and appetite. To this end, the Group has put in place a robust risk management framework underpinned by a rigorous internal control system and an independent review and audit process.

Amongst the key risks faced by the Group include market risk particularly in relation to the softening demand for property occupancy. The commercial property market is projected to remain tepid, driven by dwindling purchasing power and oversupply in this segment. As mentioned in the Introduction section, there are cogent indicators of an overhang in the commercial property market, especially at the higher end market. In order to counter the resultant risk, the Group invested in the properties via AELs to incorporate value added features, thus, making them more market competitive and strategically favourable to customers. As a by-product of AELs, the Group is faced with propensity of incurring higher depreciation charges at the initial juncture, thus, in turn leading to higher operational costs. Premised on the need to optimise operational cost, the Group will intensify its efforts to improve operational efficiency.

The aviation sector is meanwhile faced with risks of safety and security given the magnitude of the potential impact in instances of any untoward events. To this end, the Group will continue its investment and deploy initiatives on safety and security and such efforts can also go a long way in retaining existing customers and attracting new ones.

The Group's risk management approach is provided in detail, as encapsulated in the Statement of Risk Management and Internal Control on pages 70 to 73 of the Annual Report. The material economic, environment and social matters that impact the Group's business operations and stakeholders can be found on the Sustainability Statement on pages 34 to 53 of the Annual Report.

A man in a dark suit stands with his back to the camera, looking out over a vast, futuristic landscape. The ground is a smooth, light blue surface that reflects the ambient light. In the distance, a series of glowing white lines and vertical bars, resembling a data visualization or a stylized cityscape, stretch across the horizon. The sky is a deep, dark blue with a curved, metallic-looking ceiling above. The overall atmosphere is one of modernity and professional ambition.

PROFESSIONAL

We set high standards of professional conduct in all our interactions. As a group, we strive to exceed expectations through our commitment to quality and constant improvement.



- 20 Board of Directors
- 22 Board of Directors' Profile
- 29 Senior Management Profiles

Board of Directors



1

**Tan Sri Datuk Amar (Dr.)
Hamid bin Bugo**
Chairman/Independent
Non-Executive Director

2

**Dato' Shahrizan
Bin Shamsuddin**
Managing Director

3

**Tan Sri Dato' Seri
Shahril Bin Shamsuddin**
Non-Independent
Non-Executive Director

Board of Directors



4

**Dato' Fuziah @
Fauziah Binti Dato' Ismail**
Senior Independent
Non-Executive Director

5

**Dato' Muthanna
Bin Abdullah**
Independent
Non-Executive Director

6

**Encik Ahmad Jauhari
Bin Yahya**
Independent
Non-Executive Director

7

Mr. Peter Ho Kok Wai
Independent
Non-Executive Director

Board of Directors' Profile



TAN SRI DATUK AMAR (DR.) HAMID BIN BUGO

Chairman/Independent Non-Executive Director

Age : 73

Gender : Male

Nationality : Malaysian

Date of Appointment

25 August 2009

Length of service (as at 30 April 2019)

9 years 8 months

Board Meeting attendance in financial year

8/8

Board Committees Membership(s)

Board Nomination and Remuneration Committee

- Chairman

Other Directorships in public companies and listed issuers

- Petroleum Sarawak Berhad
 - Chairman
- Sapura Energy Berhad
 - Senior Independent Non-Executive Director
- Sarawak Consolidated Industries Berhad
 - Non-Independent Non-Executive Chairman

Tan Sri Hamid was appointed to the Board of Sapura Resources Berhad as an Independent

Non-Executive Director on 25 August 2009 and was later re-designated as a Senior Independent Non-Executive Director on 26 March 2015. Tan Sri Hamid was then re-designated as the Chairman/Senior Independent Non-Executive Director of the Company on 4 March 2016 and shortly later, he was re-designated as the Chairman/Independent Non-Executive Director on 26 April 2016.

Tan Sri Hamid graduated from Canterbury University, New Zealand with a Bachelor and a Master of Art in Economics. He also holds a Postgraduate Diploma in Teaching (New Zealand) and a Postgraduate Certificate in Business Studies from Harvard Institute of Development Studies, United States of America. He was honoured with a PhD. (in Commerce) by Lincoln University, New Zealand. Tan Sri Hamid is a recipient of an Excellent Award from the American Association of Conservation Biology.

His working experience includes Administration Manager, Malaysia LNG Sdn Bhd (a joint venture of Petronas, Shell and Mitsubishi); the first General Manager of Land Custody and Development Authority,

Sarawak; Permanent Secretary, Ministry of Resources Planning, Sarawak; and State Secretary of Sarawak. He previously sat on the Boards of various companies and statutory bodies including Sime Darby Berhad Group, Malaysian Airline System Berhad, Malaysia LNG, Employees Provident Fund Board, Universiti Malaysia Sarawak and Universiti Pertanian Malaysia (now known as Universiti Putra Malaysia). He was a member of The MACC Advisory Council.

Tan Sri Hamid was also the Founding Chairman of the Sarawak Biodiversity Centre. He was actively involved in the listing of Mulu National Park as a World Heritage Site. He was also the first Managing Director of Sarawak Information Systems Sdn Bhd (SAINS).

Tan Sri Hamid is a Council Member of the Institute of Integrity Malaysia. Tan Sri Hamid is also active in charitable activities as the Chairman of Yayasan Kemajuan Insan Sarawak and Chairman of the State Library of Sarawak.

Tan Sri Hamid does not have any family relationship with the other Directors and/or major shareholders of the Company.

Board of Directors' Profile



Tan Sri Dato' Seri Shahril bin Shamsuddin

Non-Independent Non-Executive
Director

Age : 58

Gender : Male

Nationality : Malaysian

Date of Appointment

19 February 1990

Length of service (as at 30 April 2019)

29 years 2 months

Board Meeting attendance in financial year

7/8

Board Committees Membership(s)

Nil

Other Directorships in public companies and listed issuers

- Sapura Energy Berhad
 - President and Group Chief Executive Officer
 - Non-Independent Executive Director
- Sapura Industrial Berhad
 - Deputy Chairman and Non-Independent Non-Executive Director

Tan Sri Dato' Seri Shahril was appointed as Managing Director of Sapura Resources Berhad on 19 February 1990, and was later re-designated as a Non-Independent Non-Executive Director of the Company on 1 March 2007.

Tan Sri Dato' Seri Shahril holds a Master of Science in Management of Technology from the Massachusetts Institute of Technology's ("MIT") Sloan School of Management and a Bachelor of Science in Industrial Technology from California Polytechnic State University, United States of America.

Tan Sri Dato' Seri Shahril is also the President and Group Executive Officer of Sapura Group, which manages a diversified portfolio of businesses that include secured communications technologies, aviation, automotive manufacturing and property development.

Tan Sri Dato' Seri Shahril is a member of the World Economic Forum's ASEAN Regional Strategy Group, the Asian Executive Board of MIT Sloan and the Board of Governors of the Asia School of Business, a collaboration between MIT Sloan and Bank Negara Malaysia.

Tan Sri Dato' Seri Shahril was the recipient of the Legion d'Honneur by the Republic of France in 2007, Malaysia's Entrepreneur of the Year award by Ernst & Young in 2009 and Man of the Year award by The Oil & Gas Year in 2014. He was conferred an Honorary Doctorate in Technology Management by the Universiti Teknologi Malaysia ("UTM") in May 2013. He is also a member of the Boards of Trustees of the UTM Endowment Fund and the Perdana Leadership Foundation.

Tan Sri Dato' Seri Shahril is a major shareholder of the Company and is also the brother of Dato' Shahrman bin Shamsuddin, the Managing Director and major shareholder of the Company.

Board of Directors' Profile



DATO' SHAHRIMAN BIN SHAMSUDDIN

Managing Director

Age : 50

Gender : Male

Nationality : Malaysian

Date of Appointment

28 July 2005

Length of service (as at 30 April 2019)

13 years 9 months

Board Meeting attendance in financial year

8/8

Board Committees Membership(s)

Nil

Other Directorships in public companies and listed issuers

- Sapura Industrial Berhad
 - Executive Director
- Sapura Energy Berhad
 - Non-Independent Non-Executive Director

Dato' Shahrman was appointed to the Board of Sapura Resources Berhad as a Non-Independent Non-Executive Director on 28 July 2005. He was later appointed as the Managing Director of Sapura Resources Berhad on 1 March 2007.

Dato' Shahrman holds a Master of Science in Engineering Business Management from Warwick University, United Kingdom and a Bachelor of Science in Industrial Technology from Purdue University, United States of America.

Dato' Shahrman began his career with Sapura Group in 1991 and has held a number of key senior positions within the Group. As the Managing Director of Sapura Resources Berhad, he manages a diversified portfolio which includes property investment and aviation.

Dato' Shahrman is a major shareholder of the Company and is also the brother of Tan Sri Dato' Seri Shahril bin Shamsuddin, the Non-Independent Non-Executive Director and major shareholder of the Company.

Board of Directors' Profile



Dato' Fauziah @ Fauziah binti Dato' Ismail

Senior Independent Non-Executive
Director

Age : 76

Gender : Female

Nationality : Malaysian

Date of Appointment

25 August 2009

Length of service (as at 30 April 2019)

9 years 8 months

Board Meeting attendance in financial year

8/8

Board Committees Membership(s)

Board Audit and Risk Committee

- Member

Other Directorships in public companies and listed issuers

Nil

Dato' Fauziah was appointed to the Board of Sapura Resources Berhad as an Independent Non-Executive Director on 25 August 2009. She was re-designated as the Senior Independent Non-Executive Director on 26 April 2016.

Dato' Fauziah holds a Bachelor of Arts (Honours) from Universiti Malaya, a postgraduate Diploma in Development Administration from London School of Economics and Political Sciences and a Master Degree in Public Administration from University of Houston, United States of America ("USA"). She also attended a certificate course at Harvard Institute of International Development (HIID) of Harvard University, USA in Public Enterprise Management and Privatisation.

Dato' Fauziah began her career in the Malaysian Administration and Diplomatic Services from 1966 to her retirement in 1997 during which she served numerous departments within the Government, amongst others, the Public Services Department and the Implementation and Coordination Unit of the Prime Minister's Department.

Dato' Fauziah does not have any family relationship with the other Directors and/or major shareholders of the Company.

Board of Directors' Profile



Dato' Muthanna bin Abdullah

Independent Non-Executive Director

Age : 59

Gender : Male

Nationality : Malaysian

Date of Appointment

18 December 2008

Length of service (as at 30 April 2019)

10 years 4 months

Board Meeting attendance in financial year

8/8

Board Committees Membership(s)

Board Audit and Risk Committee

- Chairman

Board Nomination and Remuneration Committee

- Member

Other Directorships in public companies and listed issuers

- Malaysian Rating Corporation Berhad
 - Independent Non-Executive Director
- Malaysian Life Reinsurance Group Berhad
 - Independent Non-Executive Director

- MSIG Insurance (Malaysia) Berhad
 - Independent Non-Executive Director

- KPJ Healthcare Berhad
 - Independent Non-Executive Director

Dato' Muthanna was appointed to the Board of Sapura Resources Berhad as an Independent Non-Executive Director on 18 December 2008.

Dato' Muthanna is a lawyer by profession and was previously the Partner of the law firm of Abdullah Chan & Co. He is currently a Consultant in Abdullah Chan & Co. He graduated from the University of Buckingham with Degree in Law in 1981 and was admitted as a Barrister-at-Law of the Middle Temple, London in 1982. He was admitted as an advocate and solicitor of the High Court of Malaya in 1983.

Dato' Muthanna is a Trustee of Yayasan Siti Sapura. He was appointed as Honorary Consul of the Republic of San Marino in Kuala Lumpur on 30 March 2017.

Dato' Muthanna does not have any family relationship with the other Directors and/or major shareholders of the Company.

Board of Directors' Profile



Encik Ahmad Jauhari bin Yahya

Independent Non-Executive Director

Age : 65

Gender : Male

Nationality : Malaysian

Date of Appointment

19 January 2016

Length of service (as at 30 April 2019)

3 years 3 months

Board Meeting attendance in financial year

8/8

Board Committees Membership(s)

Board Nomination and Remuneration Committee

- Member

Other Directorships in public companies and listed issuers

- Taliworks Corporation Berhad
 - Independent Non-Executive Director

Encik Ahmad Jauhari was appointed to the Board of Sapura Resources Berhad as an Independent Non-Executive Director on 19 January 2016.

He holds a Bachelor of Science (Hons) Degree in Electrical and Electronics Engineering from University of Nottingham, United Kingdom and has vast and diverse

working experience in various industries which includes oil and gas, publications, engineering, power and energy.

He started his career with ESSO Malaysia Berhad in 1977 before joining The New Straits Times Press (M) Berhad in 1979 where he rose to the rank of Senior Group General Manager, Production and Circulation. He then joined Time Engineering Berhad as the Deputy Managing Director in 1992 and subsequently became Managing Director within the same year. He then served as the Managing Director of Malaysian Resources Corporation Berhad before taking the role of Managing Director of Malakoff Berhad from 1994 till 2010.

He retired from Malakoff in 2010 and became a Director at Malaysia Airport Holdings Berhad and the Chairman of Destination Resorts and Hotel Sdn Bhd prior to his appointment at Malaysia Airlines Berhad.

Encik Ahmad Jauhari was appointed as the Group Chief Executive Officer of Malaysia Airlines Berhad on 19 September 2011. He was a member of the Board Tender Committee and sat on the Boards of several

subsidiaries within the Malaysia Airlines Berhad Group of Companies.

He stepped down from the role of Group Chief Executive Officer of Malaysia Airlines Berhad on 30 April 2015 but remained on the Board as a Non-Executive Director till December 2015.

Encik Ahmad Jauhari also has vast experience in managing organisations on the international front as he had served as a Director and Chairman of Executive Committee of Central Electricity Generating Company Limited (Jordan), a Director of Shuaibah Expansion Project Company Limited (Saudi Arabia) and a Director of Souk Tieta Independent Water Project (IWP) in Algeria.

He is also the founder member and the former President of Penjanabebas (Association of Independent Power Producer of Malaysia).

Encik Ahmad Jauhari does not have any family relationship with the other Directors and/or major shareholders of the Company.

Board of Directors' Profile



MR. PETER HO KOK WAI

Independent Non-Executive Director

Age : 59

Gender : Male

Nationality : Malaysian

Date of Appointment

19 January 2016

Length of service (as at 30 April 2019)

3 years 3 months

Board Meeting attendance in financial year

8/8

Board Committees Membership(s)

Board Audit and Risk Committee

- Member

Other Directorships in public companies and listed issuers

- Hong Leong Industries Berhad
 - Independent Non-Executive Director
- GuocoLand (Malaysia) Berhad
 - Independent Non-Executive Director
- Hong Leong Capital Berhad
 - Independent Non-Executive Director
- HPMT Holdings Berhad
 - Independent Non-Executive Director
- Allianz General Insurance Company (Malaysia) Berhad

- Independent Non-Executive Director
- Allianz Life Insurance Malaysia Berhad
 - Independent Non-Executive Director

Mr. Peter Ho was appointed to the Board of Sapura Resources Berhad as an Independent Non-Executive Director on 19 January 2016.

Mr. Peter Ho is a Member of the Malaysian Institute of Accountants (MIA), Fellow of The Institute of Chartered Accountants in England and Wales (ICAEW) and Member of the Malaysian Institute of Certified Public Accountants (MICPA).

Mr. Peter Ho forged his early career with Everett Pinto & Co., a central London Firm of Chartered Accountants, and qualified as a Chartered Accountant in 1984. Subsequently, in 1987, Mr. Peter Ho joined KPMG, Kuala Lumpur ("KPMG, KL") where he progressed to Head of Department in 1992.

He was transferred to KPMG, Ipoh in 1993 to head the branch and was admitted as Partner in 1995. He was transferred back to KPMG, KL in 2005 where he had, at various times, headed the Audit Technical Committee, Audit Function and Marketing Department. He has more than 30 years of auditing experience

in a wide range of companies including public listed companies and multinationals, with particular emphasis in manufacturing, distribution and financial services. Mr. Peter Ho retired from KPMG in December 2014.

Mr. Peter Ho does not have any family relationship with the other Directors and/or major shareholders of the Company.

ADDITIONAL INFORMATION ON BOARD OF DIRECTORS

1. Conflict of Interests

None of the other Directors of the Company has any conflict of interest with the Company other than those disclosed in the financial statements of the Company.

2. Convictions for Offences

None of the Directors of the Company has any conviction for offences within the past five (5) years other than traffic offences (if any) or any public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 January 2019.

Senior Management Profiles

Shamsul Anuar Bin Musa

Chief Corporate Planning & Business Development Officer (SM 1)

Malaysian, Aged 43, Male

Date of Appointment

1 March 2007

Length of service (as at 30 April 2019)

12 years and 2 months

Shamsul Anuar Bin Musa is currently the Chief Corporate Planning & Business Development Officer, reporting to the Managing Director. His main responsibility areas include Corporate Planning, Business Development, Investment Management and Corporate Finance.

He graduated from London School of Economics and Political Science, United Kingdom with Bachelor of Science in Accounting and Finance in 1998.

His career started as Management Executive in Sime Darby Group. His working experience during his 8 years stint within Sime Darby Group include responsibility areas in Internal Audit, Group Finance, Management Accounting, Corporate Finance, Corporate Planning as well as Accounts Department particularly in Motor, Oil & Gas, Healthcare, Property and Industrial Divisions. His last position in Sime Darby was as a Corporate Planning Manager for Sime Darby Motor Group Division.

He then joined Sapura Resources Berhad in March 2007 as Chief Financial Controller and had been transferred across Sapura Group of companies during the 2010 – 2012 period before re-joining Sapura Resources Berhad on October 2012 as its Chief

Financial Officer. While in Sapura Group, he was directly involved in the corporate finance team for more than RM11 billion merger exercise in between SapuraCrest Petroleum Berhad and Kencana Petroleum Berhad back in 2012. His working experiences within Sapura Group are mainly in the areas of accounting & financial management, corporate finance, business development and strategic planning at senior management level. In addition, Cost, Contract and Procurement department is also reporting to him effective 1st April 2019.

He has no directorships in other public companies and listed issuers. He does not have any family relationship with any other director and/or major shareholder of the Company. He does not have any conflict of interest with the Company and has no convictions for any offences within the past five (5) years.

Ilyas Alex Chan Abdullah

Chief Executive Officer (SM2)

Malaysian, Aged 50, Male

Date of Appointment

15 November 2016

Length of service (as at 30 April 2019)

2 years 5 months

Ilyas Alex Chan Abdullah was appointed as Commercial Director, Sapura Aero Sdn Bhd on 15th November 2016. On 15th September 2017, he was promoted to Chief Operating Officer. Thereafter, he was promoted as Chief Executive Officer, Sapura Aero Sdn Bhd on 1st February 2018.

Ilyas Alex Chan Abdullah graduated from Swansea Institute, University of Wales, United Kingdom with a Post-Graduate Diploma in Business Administration. He also holds Advanced Diploma in Business and Management (United Kingdom) and Diploma in Business and Management from Swansea Institute, University of Wales, United Kingdom. He is currently pursuing Master of Business Administration (MBA) in University of Wales, United Kingdom pending dissertation.

His working experience includes Senior Manager, Marketing, Business Development & Operations at Techno Marine SB & Makmur Maritime SB, Kuala Lumpur; Manager, Product Development at Southern Finance Berhad SBB Group; Regional Manager, EUROPE International Business Division at PROTON, Shah Alam; and Business Development Manager at Lotus Cars Asia Pacific, PROTON Shah Alam. He

Senior Management Profiles

Khairil Anuar Bin Muhamad

Head, Project Management (SM3)

Malaysian, Aged 50, Male

has also worked as Head of Global Market Development at PROTON Shah Alam, Senior Manager, Passenger Car Sales at DaimlerChrysler Malaysia Sdn Bhd, Kuala Lumpur; Director of Sales & Marketing at Volkswagen Group Malaysia Sdn Bhd, Kuala Lumpur; Chief Executive Officer at Cartrade Group Sdn Bhd, Petaling Jaya and Operator and Minor Shareholder at Private Venture for Mineral Commodities – Mining, Trading and Investments in Indonesia.

He has no directorships in other public companies and listed issuers. He does not have any family relationship with any other director and/or major shareholder of the Company. He does not have any conflict of interest with the Company and has no convictions for any offences within the past five (5) years.

Date of Appointment

3 October 2011

Length of service (as at 30 April 2019)

7 years and 7 months

Khairil Anuar Bin Muhamad joined Sapura Resources Berhad as Head of Project Management on 3rd October 2011.

Khairil Anuar is a graduate from the University of Huddersfield, England, United Kingdom with Bachelor of Arts (Honours) Architectural Studies. He also holds a Postgraduate Diploma in Architecture, University of Huddersfield, United Kingdom. On top of that, he has attained Royal Institute of British Architects (RIBA) part II level.

Khairil Anuar is a Registered Professional Architect (A.r) with Malaysian Board of Architects (LAM) and Project Management Professional, PMP. He is a corporate member for Malaysian Institute of Architects and Project Management Institute (PMI).

Khairul Anuar has more than sixteen (16) years of accumulated working experience in Architectural consultancy and development in the construction industry; undertaking various categories of job functions starting from the technical Architectural design works right up to the overall management of a project.

His working experience includes being an Assistant Architect and Project Architect for Omarsham Akitek and Project Architect

or Resident Architect, Hasbullah Chan & Associates Architects. He held various positions while attached to KLCC Projek Sdn Bhd (A Project Management Company wholly owned by PETRONAS) including Assistant Project Manager, Senior Architect for Business Development Unit, Project Architect or Project Manager; Project Manager, Ranhill Bersekutu Sdn Bhd (Seconded to ARAMCO, the Saudi Oil Company for the Construction of King Abdullah University of Science & Technology, Saudi Arabia). And, he was the Vice President/Project Manager for Educity Development in Iskandar Development & Management Services Sdn Bhd.

He has no directorships in other public companies and listed issuers. He does not have any family relationship with any other director and/or major shareholder of the Company. He does not have any conflict of interest with the Company and has no convictions for any offences within the past five (5) years.

Senior Management Profiles

Ahmad Kamal Bin Sharifuddin

Head, Property Business (SM3)

Malaysian, Aged 56, Male

Date of Appointment

1 November 2017

Length of service (as at 30 April 2019)

1 year 6 months

Ahmad Kamal bin Sharifuddin joined Sapura Resources Berhad as Head of Property Business on 1st November 2017.

Ahmad Kamal is a member of the Chartered Institute of Management Accountants, United Kingdom and a Chartered Accountant registered with the Malaysian Institute of Accountants. He has 30 years' experience in general management, financial, corporate and operational management.

Prior to joining the Company, he was the Senior Vice President, Asset Management at Iskandar Investment Berhad where he was responsible for investment portfolio management, asset as well as property management.

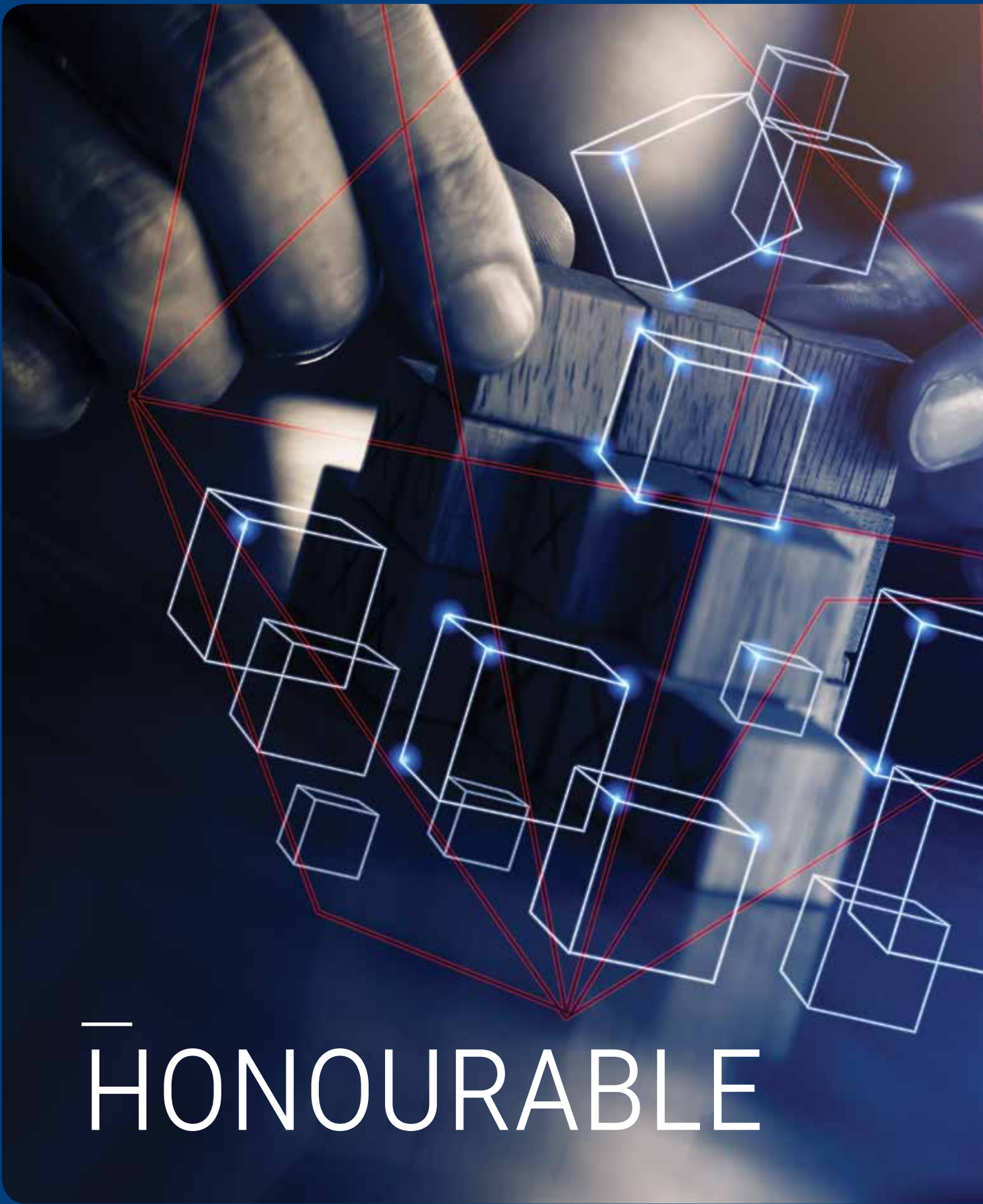
From 2011 to early 2014, he served as Head and General Manager of Glenmarie Asset Management Sdn Bhd, a subsidiary company of DRB-HICOM Berhad that managed various assets and facilities covering hospitality and education sectors, retail mall, office buildings as well as automotive service centres.

From 2007 to 2010, he was the Head of Company and Director of Kesan Suci Sdn

Bhd, a subsidiary company of Faber Group Berhad that managed outsourced food and nutritional services to government and private hospitals.

His other experience includes various stints as Head of Finance for companies in hotels, properties, petroleum products and manufacturing sectors.

He has no directorships in other public companies and listed issuers. He does not have any family relationship with any other director and/or major shareholder of the Company. He does not have any conflict of interest with the Company and has no convictions for any offences within the past five (5) years.



HONOURABLE



We win the trust of our stakeholders and customers by acting with honour, conducting ourselves with principle, focusing on delivering value and ensuring that we manage the resources entrusted to us efficiently.



Sustainability Statement

INTRODUCTION

This is Sapura Resources Berhad's (SRB) inaugural Sustainability Statement (the Statement) for SRB and our active subsidiaries (the Group). The Statement focuses on SRB's material sustainability risks and opportunities, prepared in accordance with Bursa Malaysia Securities Berhad's (Bursa Malaysia) Main Market Listing Requirements on Sustainability Reporting (Listing Requirements).

We provide insight into our commitment and continuous efforts to operate sustainably in Economic, Environmental and Social (EES) aspects through our sustainability initiatives, progress and performance.

Reporting Period

1 February 2018 to 31 January 2019 (FYE2019), unless otherwise stated – financial year ended: 31 January 2019

Reporting Framework and Guidelines

- Sustainability Reporting Guidelines & Toolkits by Bursa Malaysia
- United Nations Sustainable Development Goals (SDGs)
- Eleventh Malaysia Plan (11MP)

Reporting Boundaries

The Statement covers our active subsidiaries of the following business segments:



Aviation



Property Investments and Investment Holding

SUSTAINABILITY APPROACH

The Group continues to prioritise our sustainability efforts in both aviation and property segments to achieve our sustainability goals. A heightened awareness within the organisation is reflected in the importance we have placed on the sustainable development of our business and long-term value creation of our stakeholders.

SUSTAINABILITY GOVERNANCE

Our efforts towards a sustainable business is supported by our corporate governance structure with clear lines of accountability. This sustainability commitment is communicated throughout the Group and carried out as shown in the sustainability governance structure on the next page.

Sustainability Statement

SUSTAINABILITY GOVERNANCE STRUCTURE

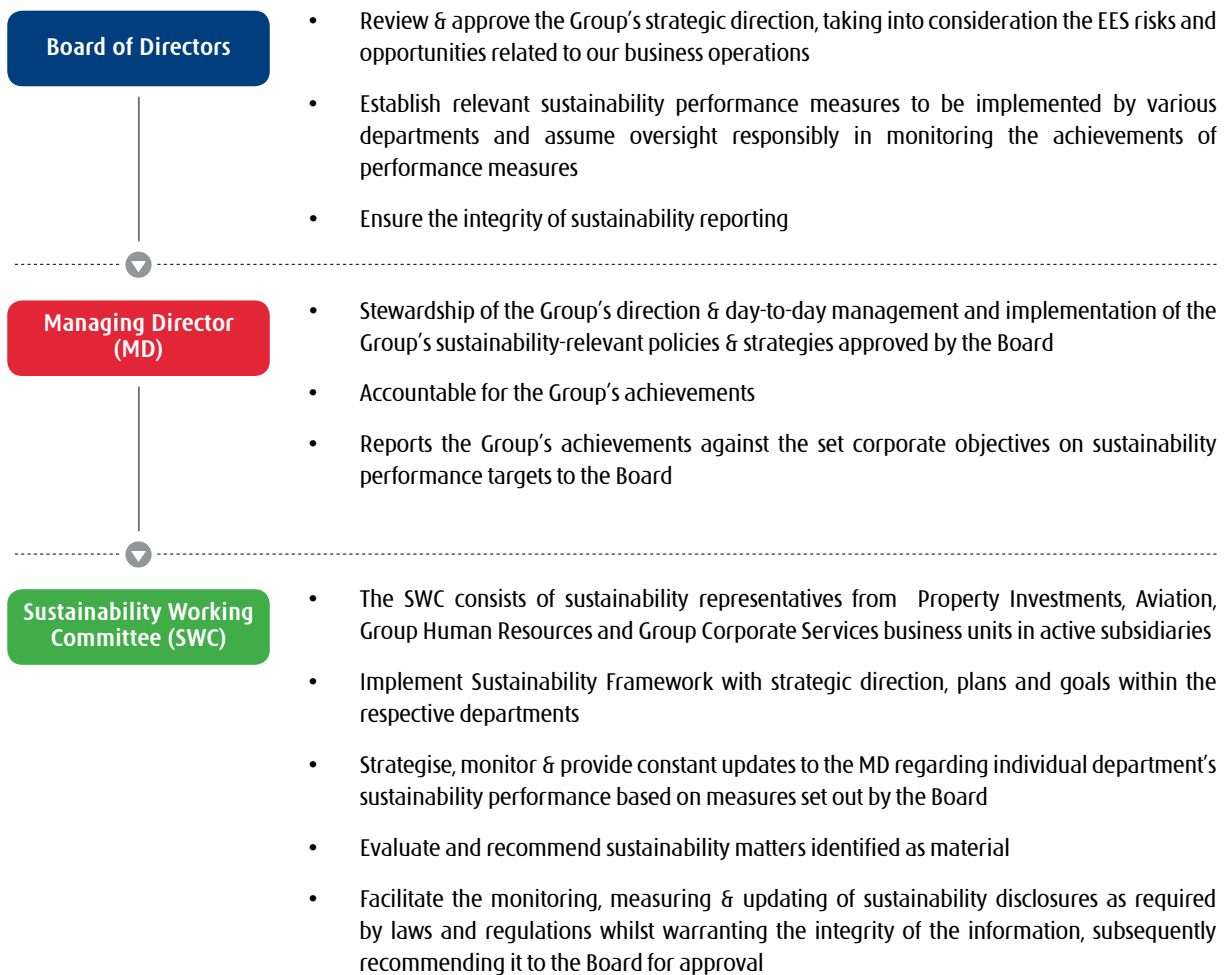


Diagram 1 – Sustainability Governance Structure

STAKEHOLDER ENGAGEMENT & MATERIALITY ASSESSMENT

We put great emphasis on stakeholder values and engage them through various communication platforms for continual feedback and improvement. Our stakeholders have influence and are also influenced by our business decisions and operations.

We have prioritised our key internal and external stakeholder groups. For the reporting year, we focused on and engaged with our internal stakeholders who were our Board of Directors, Management and Employees. As depicted in the Stakeholder Prioritisation Matrix, these internal stakeholders have high stakeholder's dependence and influence on the Group.

Sustainability Statement

Prior to engaging our stakeholders, we identified a list of sustainability risks and opportunities (sustainability matters) by analysing both internal and external factors including global subjects associated with the industry. Through surveys conducted with our internal stakeholders, we were able to determine the level of importance for each of our identified sustainability matters. A sustainability impact assessment was then carried out with the SWC to determine the business impact of sustainability matters to the Group. We have considered our existing risk evaluation criteria to identify the likelihood and impact of occurrence of events.

The outcome of the Sustainability Impact Assessment was then analysed and this represents the business perspective (x-axis) while the survey responses represents the stakeholders' perspective (y-axis). Hence, our Materiality Matrix depicts the sustainability matters significant to our business and stakeholders. These sustainability matters are categorised into three themes as seen below.

Theme 1: Delivering Sustainability through Responsible Operations

- Business Development and Strategic Partnerships/ Collaborations
- Quality Management
 - > Property Investments
 - > Aviation Services
- Customer Satisfaction
- Corporate Governance, Ethics and Integrity
- Sustainable Supply Chain Management

Theme 2: Improving Social Wellbeing

- Fair and Inclusive Workplace
- Development of Human Capital
- Occupational Safety & Health
- Community Development

Theme 3: Improving Social Wellbeing

- Carbon Emissions and Energy Management
- Water Management
- Waste Management

STAKEHOLDER PRIORITISATION MATRIX

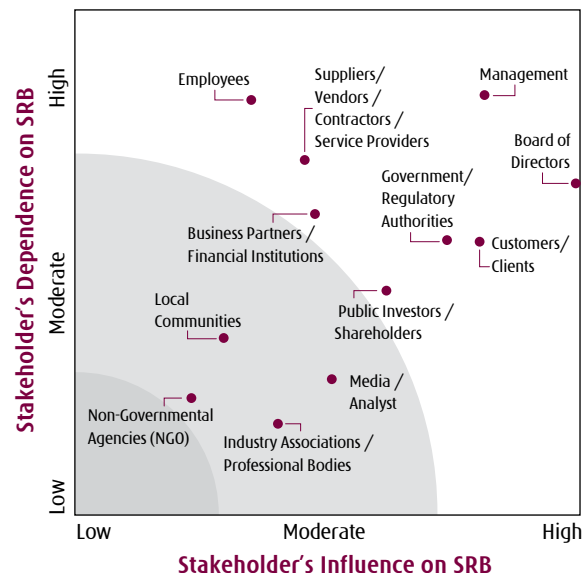


Diagram 2 – Stakeholder Prioritisation Matrix

MATERIALITY MATRIX

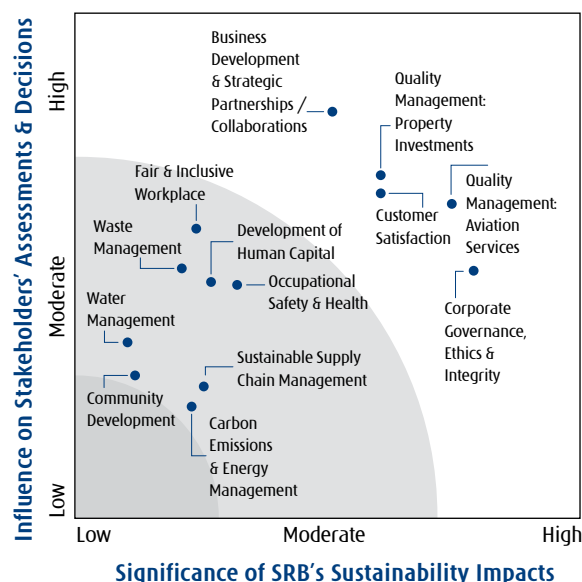
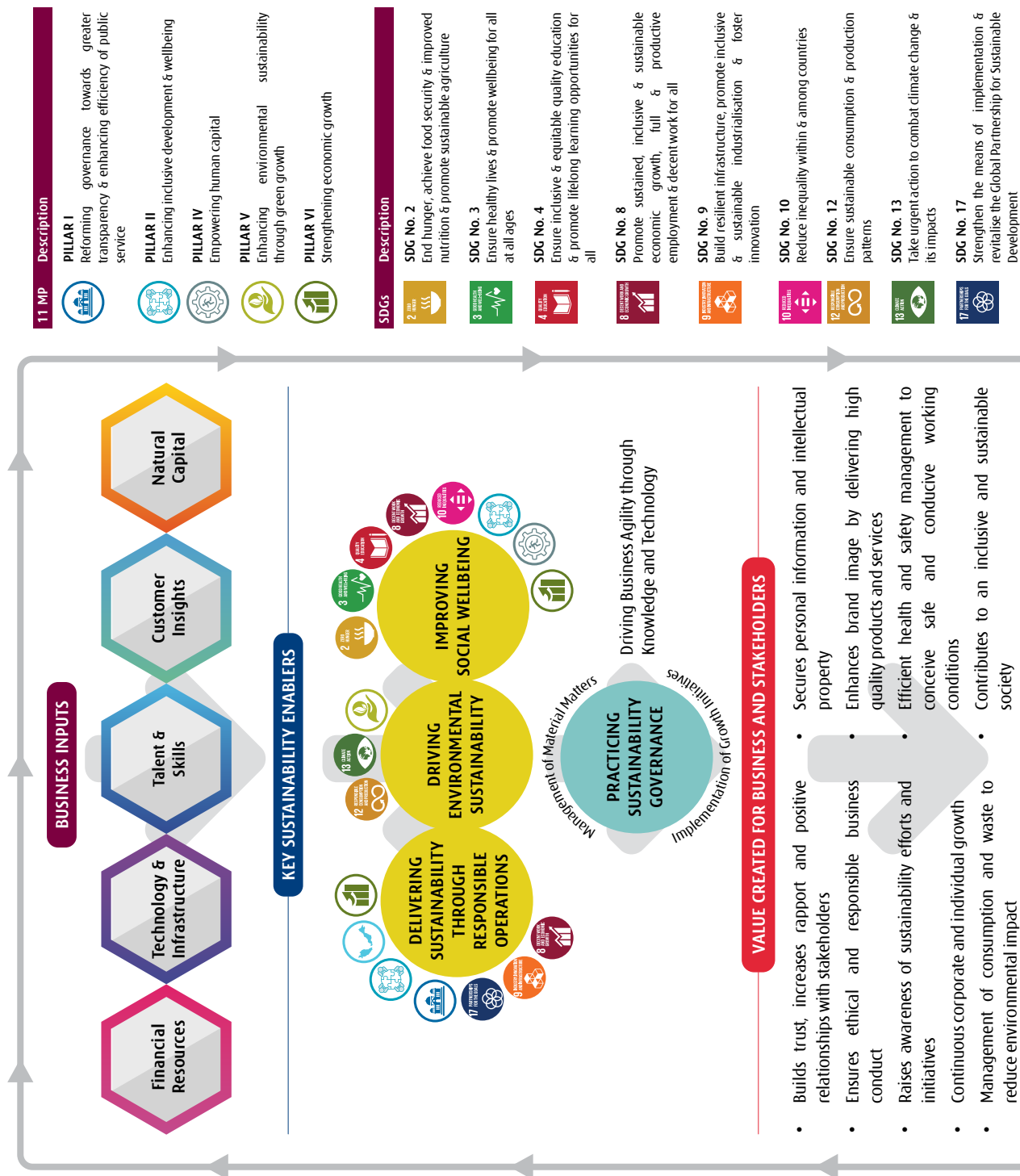


Diagram 3 – List of Sustainability Matters with the Corresponding Themes and Materiality Matrix

Sustainability Statement



11 MP	Description
	PILLAR I Reforming governance towards greater transparency & enhancing efficiency of public service
	PILLAR II Enhancing inclusive development & wellbeing
	PILLAR IV Empowering human capital
	PILLAR V Enhancing environmental sustainability through green growth
	PILLAR VI Strengthening economic growth

SDGs	Description
	SDG No. 2 End hunger, achieve food security & improved nutrition & promote sustainable agriculture
	SDG No. 3 Ensure healthy lives & promote wellbeing for all at all ages
	SDG No. 4 Ensure inclusive & equitable quality education & promote lifelong learning opportunities for all
	SDG No. 8 Promote sustained, inclusive & sustainable economic growth, full & productive employment & decent work for all
	SDG No. 9 Build resilient infrastructure, promote inclusive & sustainable industrialisation & foster innovation
	SDG No. 10 Reduce inequality within & among countries
	SDG No. 12 Ensure sustainable consumption & production patterns
	SDG No. 13 Take urgent action to combat climate change & its impacts
	SDG No. 17 Strengthen the means of implementation & revitalise the Global Partnership for Sustainable Development

Sustainability Statement

CREATING VALUE

Our sustainability matters guide our decision-making process and journey to achieving the Group's objectives. With our key business inputs, and prospects from the sustainable use of these input, we are able to create long-term value for the Group and our stakeholders. The value or business outputs we create lends itself to a greater cause advocated globally within the United Nations Sustainable Development Goals (SDGs) and nationally through the Eleventh Malaysia Plan (11MP). Selected key SDGs and 11MP that corresponds to our current sustainability initiatives are mapped throughout the Statement against the corresponding themes. As we are progressing from providing a narrative statement to one that is comprehensive with measurable sustainability performance disclosures, we will continue to monitor and leverage on better sustainability practices bring value to our stakeholders. Our disclosures will be progressively enhanced in the coming years.

THEME 1

DELIVERING SUSTAINABILITY THROUGH RESPONSIBLE OPERATIONS

SRB works closely with our stakeholders in sustaining our business and enabling continuous contribution to the overall Group's economic performance. Our corporate planning involves a zero-based approach for all assets with each business operation having to justify their relevance and requirements.

BUSINESS DEVELOPMENT & STRATEGIC PARTNERSHIPS/ COLLABORATIONS

SRB continually seek business opportunities through strategic business investments and expands into new markets, such as the acquisition of new business portfolios. This allows for a greater positive direct and indirect economic impact. We value partnerships and collaborations for the development and growth of our property and aviation industries.



Business Development

The Group is tasked with developing business within existing core operations and completely new areas. Recent initiatives include setting up Sapura Technics as our Aviation maintenance, repair and overhaul (MRO) arm that is expected to begin contributing positively to profit after tax (PAT) in the coming years



Investment Management

We review the relevance & attractiveness of existing investments to ensure capital employed are invested in assets that can generate better returns to our shareholders

Diagram 5 – Strategic Initiatives for Business Growth

Sustainability Statement

Business Operation/ Collaboration/ Participation	Description
Sapura Technics (joint venture with Dilog Training and Services Sdn Bhd)	<ul style="list-style-type: none"> Aircraft maintenance, repair & overhaul (MRO) services company for narrow body commercial aircraft located in Senai International Airport, Johor and is set to support the growing needs of the commercial aircraft MRO demand, at the same time creating new high-income job opportunities Engage in commercial MRO services providing line & heavy maintenance services for Boeing 737 series & Airbus 320 family aircraft types Commercial MRO market remains strongly driven by rapidly growing fleet size to meet the resilient air travel demand & increasing middle class population

Table 1 – Business Investment and Collaboration Activities for the Aviation segment

QUALITY ASSETS & SERVICES: PROPERTY INVESTMENTS

At SRB, we prioritise the quality of our assets and services, including EES aspects across our business operations. Through Asset Enhancement initiatives, we are able to maintain the quality of our property assets and facilities (commercial buildings, e.g. Sapura@Mines), ensuring our tenants' (i.e. customers) wellbeing, and safeguarding their health and safety.

Initiatives	Description	Outcome
Asset Enhancement Initiatives (AEI)	<ul style="list-style-type: none"> Upgrade and refurbish facilities & fixtures Replacement or enhancement of the building's security & surveillance system, access system, public facilities, firefighting system & building exteriors 	Ensure assets remain current through improved safety and efficiency
Provision of Facilities	Additional cafes, in-house clinic, upgraded Boardroom and meeting rooms with the latest media system, gymnasium, event hall, parking and shuttle service	Create better and conducive working environment for tenants

Table 2 – Efforts to Improve Assets and Facilities

Sustainability Statement

We also seek opportunities to incorporate green technology within our assets, and are vigilant about the welfare, privacy and security of our tenants.



Diagram 6 – Sustainability Initiatives for Property Investments segment

Initiatives	Description	Outcome
Provision of <i>Surau</i>	Friday prayers are organised within our Sapura@Mines building which eliminates the need for employees to travel for prayers	Offer convenience and improve productivity
Health & Safety – conduct of fire and emergency drills	Annual Fire Drills and quarterly Health, Safety and Environment (HSE) meetings with tenants	Create better and conducive working environment for tenants
Establishment of Security Management and Command Control Centre	Provide 24 hour manned security services and surveillance, and tenant assistance	Added assurance to tenants, visitors and landlord, employees & preventive measures
Provision of Technical Services Management	Provide technical support services to tenants	Ensure preventive and corrective maintenance are in place
Provision of Shuttle Services to KTM and LRT Station	Provide assistance for employees	Promotes public transportation

Table 3 – Initiatives to improve Property Assets and Services

Sustainability Statement

QUALITY ASSETS & SERVICES: AVIATION SERVICES

We apply the same level of emphasis on our aviation services. Several initiatives have been implemented to maintain the quality of our assets, such as hangars and office spaces, as well as greening existing portfolios through the usage of sustainable materials, innovative technology and designs.

In ensuring effective management of our assets and services, we abide by our Ground Handling Manual which outlines the ground operation regulations and procedure for AeroHandlers, covering flight support, ground support, ground service equipment, and quality and safety. Our Quality and Safety Survey (QSSR) Form allows us to address complaints raised by our customers on operational aspects regarding services rendered and safety issues. To monitor the state of our assets and services, we deployed a Quality Manager who is guided by the Quality Management System (QMS). We are certified by Civil Aviation Authority Malaysia (CAAM) with a technical approval and license from the Malaysian Aviation Commission (MAVCOM) on ground handling. We are also awarded with the Certification International Standard for Business Aircraft Handling (IS-BAH) by International Business Aviation Council (IBAC).

Our investments allow us to enhance the quality and management of our assets, including on the safety and security features such as fitting lightning arresters at our hangars. Further details of our initiatives are highlighted in Table 4 below:

Initiatives	Description	Outcome
Upgrading Aviation Fire Fighting System	<ul style="list-style-type: none"> Compliance with Certificate of Completion & Compliance (CCC) requirements Fire suppression system compliant with United States National Fire Protection Association (NFPA) 409 Standards Upgrade at hangars in Subang, in line with regulations by the Fire and Rescue Department of Malaysia 	<ul style="list-style-type: none"> Improves ventilation in the event of a fire Reduces the risk for loss of life & property
All Round Security Protection	Hangars equipped with CCTV monitoring and recording	<ul style="list-style-type: none"> Assists security personnel in monitoring the whole facility Reduce manpower/ employment of security personnel & operating costs Assists investigations if a security breach occurs
Utilisation of Innovative Technology/ System for Enhanced Efficiency	Upgraded CCTV coverage, WiFi and security access to the premises	Improve security and safety
Security Management	<ul style="list-style-type: none"> Upgrade security personnel – trained on aviation security by the authority Provision of security personnel 	Improve security and safety
Technical Services Management	Obtained certification from MAVCOM and international bodies such as IS-BAH for ground-handling services	Provide quality and standard services

Table 4 – Initiatives to Enhance Quality & Management of Assets & Services

Sustainability Statement

CUSTOMER SATISFACTION

Customers demand for the best and most convenient services. In meeting customer expectations, we have procedures and guidelines to assist our employees in managing customer relationships, including guiding them in providing prompt responses when addressing issues raised by customers. These allow us to improve our services, hence increasing customer satisfaction. Examples of procedures and guidelines are Standard Operating Procedures (SOP) and Procedure for Contract & Customer Relationship Management (CCRM), as well as Customer Relations Management via Business Tracking. Efficient customer engagement through various platforms is important to manage and improve interactions, and better address their needs.



	Initiatives & Engagement Platforms	Description & Outcome
	<ul style="list-style-type: none"> Notice boards with departmental information and emergency telephone numbers Facility Team contact details 	<ul style="list-style-type: none"> Cater to queries, requests and complaints from customers, so that they may receive the necessary response within an acceptable length of time Contact details are located in strategic places at the Hangar, in case of electricity disruption or technical problems
	<ul style="list-style-type: none"> Customer Satisfaction Survey Quality and Safety Survey Report (OSSR) 	<ul style="list-style-type: none"> Understand customers' needs as they use our services so we can help them have a better overall experience Determine and ascertain customer satisfaction on the services and facilities rendered Quality and safety issues based on services provided by Aerohandlers in their performance and to ensure efficiency Improve services via customers satisfaction reports
	24-hour Rapid Response hotline for Sapura@Mines	<ul style="list-style-type: none"> Work Orders are opened immediately and help deployed Work Orders are closed only upon requester/ complainant sign-off as closed
	Regular "Tenant Landlord" meetings to address arising matters, announcements etc.	<ul style="list-style-type: none"> Formal and informal meetings with tenants and customers to interact and build a strong and conducive relationship Promote a culture of open communication, trust and reliability, hence promoting long-term tenancy
	Quarterly Customer Satisfaction Survey (CSS)	Gauge our service standards against customers' satisfaction survey

Table 5 – Initiatives and Engagement Platforms to meet Customer Expectations

Our performance trends are largely effected by offering our customers good service. We plan to organise our communication channels and ensure issues regarding facilities be conversed through CCRM as the liaison officer. The decrease in overall tenant satisfaction rating in Diagram 8 was due to a major renovation at Sapura@Mines.

As a means of communicating with our customers, we conduct regular Customer/ Tenant Satisfaction surveys with the following criteria; accuracy of information, professionalism, response time and communication. During the reporting year, we have taken the initiative to enhance our facilities and services to address customer concerns such as providing dedicated parking spaces at an open space within Sapura Aero Hangars, and displaying contact details of the Facility Team for efficient and quick responses. Our aircraft customer complaints have been very isolated and usually pertains to delays in fuel uplift. Measures have been taken to book fuel as early as possible.

Sustainability Statement

CORPORATE GOVERNANCE, ETHICS & INTEGRITY

We conduct our business dealings with integrity and transparency to maintain Group reputation and protect the long-term interest of our stakeholders. Compliance with regulatory requirements and internal policies are essential and is a culture communicated to all in SRB. More information regarding the following policies, procedures and guidelines can be found in the Statement of Corporate Governance of this Annual Report on page 56 to 65.

Code of Ethics and Conduct*	<ul style="list-style-type: none"> Enhance ethical and professional standards of corporate and individual behavior
Whistleblowing Policy*	<ul style="list-style-type: none"> Ensure stakeholders can raise concerns without fear of reprisals and safeguard confidentiality Protect the whistleblower from reprisal as consequence of making a disclosure Provide a transparent and confidential process for dealing with concerns Protect the long-term reputation of SRB and support SRB's values
Risk Management Policy and Control	<ul style="list-style-type: none"> Safeguard shareholders' investments and SRB's assets Mitigate primary risks that could inhibit the accomplishment of SRB's goals and objectives
Receiving and Giving of Gifts and Contributions	<ul style="list-style-type: none"> All employees are to comply to the following when dealing with any person or party who has any form of business or other dealings with the Group, including potential future dealings: <ul style="list-style-type: none"> » Not accept any payments or gifts the value of which is likely to be in excess, or any favours that might be regarded as placing the employee under some obligation to such person or party » Not allowed to request for gifts, service or bribe from suppliers or clients, regardless of its worth » An Employee shall not use his position to his private advantage or conduct himself in such a manner as to bring his private interest into conflict with his duties in or obligations
Anti-Money Laundering	<ul style="list-style-type: none"> Money laundering includes money used to fund terrorism, regardless of how it was obtained Adopted a zero tolerance to all forms of fraud, bribery and corruption, including money laundering Employees are responsible to disclose knowledge or suspicion of money laundering to Legal Department

Table 6 – Policies, Procedures and Guidelines towards practicing good Corporate Governance, Ethics and Integrity

* available on SRB's corporate website

Sustainability Statement

SUSTAINABLE SUPPLY CHAIN MANAGEMENT

We strive to incorporate EES considerations within our supply chain, such as sourcing of raw materials, goods and services from licensed suppliers who comply with our assessment criteria such as human rights and environmental performance. Our initiatives to ensure our supply chain is sustainable include conducting training programmes, SAP system to streamline procurement management processes, and SOPs that are annually reviewed. We have dedicated departments, namely Supply Chain Department and Cost, Contracts & Procurement Department that are responsible for maintaining and managing a sustainable supply chain. Their roles include conducting fair tender exercise, as well as ensuring procurement of contractors, consultants and goods are implemented in accordance with Procurement Guidelines and Procedures.




Policy/ Procedure	Description
 SOP and Procedure of Procurement	<ul style="list-style-type: none"> Consistency and efficiency through the process and operating procedures laid out to govern procurement activities Transparency and visibility of all procurement activities within the company Fulfil quality goods/ services request with best value for money
 Procurement Policy	<ul style="list-style-type: none"> Procedures in appointing and monitoring of suppliers/ vendors/ service providers SRB's commitment in local sourcing, green procurement, fair and transparent procurement dealings
 Procurement Procedure (Letter of Award and Letter of Appointment)	<ul style="list-style-type: none"> Purchase contract/ agreement which outlines specific requirements set out for the suppliers in areas such as material/ product specification

Table 7 – Policies and Procedures to maintain and manage a Sustainable Supply Chain

In FY2019, 98.7% of suppliers evaluated have met the necessary requirements/ criteria

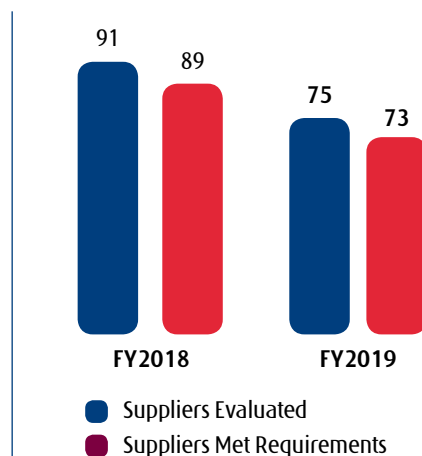
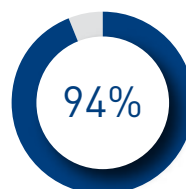
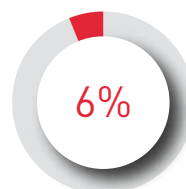


Diagram 7 – Supplier Evaluation from Property Investments Sector

In FY2018

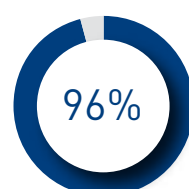


Local Suppliers

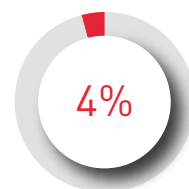


Foreign Suppliers

In FY2019



Local Suppliers



Foreign Suppliers

Diagram 8 – Group Local & Foreign Supplier Statistics

Sustainability Statement

Our vendors will go through evaluation and monitoring processes to ensure fair evaluation of suppliers, contractors, work environment and performance safety. For our Aviation sector, vendors are evaluated through the following criteria;

- punctuality of delivering good and services;
- quality of delivered goods and services;
- vendor completeness of documenting the transaction;
- cooperation with vendor to provide goods and services beyond Purchase Order (PO) or contract requirements; and attitude towards protecting our value or trademark

Generally, more than 90% of our suppliers are procured locally. By sourcing goods and materials from local suppliers, we support the local economy and utilise local labour.

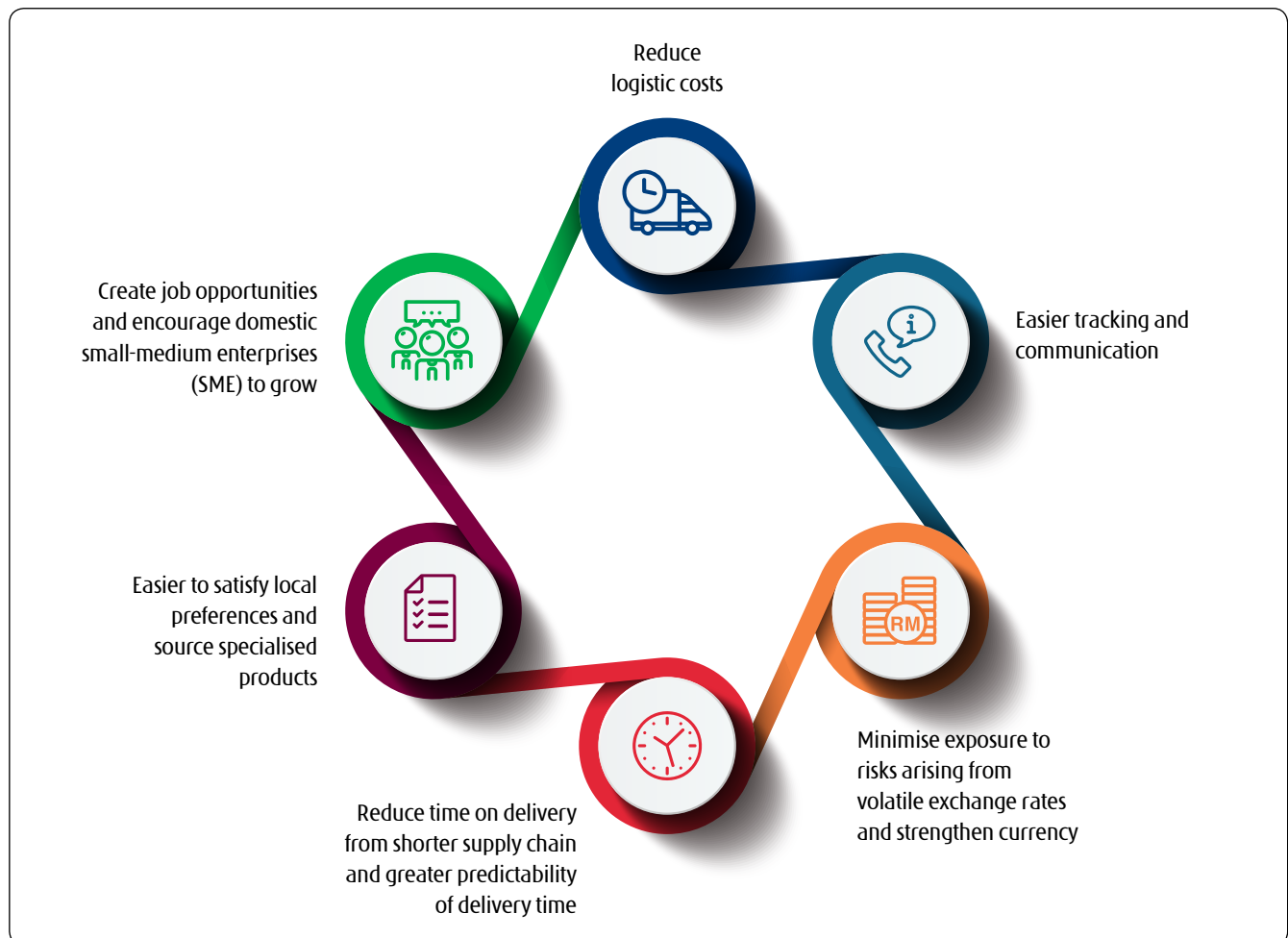


Diagram 9 – Positive Impact from Local Sourcing

Sustainability Statement

THEME 2

IMPROVING SOCIAL WELLBEING

FAIR AND INCLUSIVE WORKPLACE

We embrace diversity and inclusion in our workforce by promoting fair recruitment practices, and are guided by our policies and procedures stipulated in our Employee Handbook.



Diagram 10 – Examples of Policies and Procedures related to maintaining a Fair and Inclusive Workplace

SRB does not condone acts of child labour nor the hiring of illegal workers. All positions are filled based on requirements set by Management and is not discriminated. We prioritise the local grooming of talent. Our succession plan was recently developed and we are still in the midst of devising better job mapping. Internal growth is encouraged by selecting candidates internally when there are any new position openings within the Group. These candidates are selected based on their level of professionalism and experience. In addition, we place an emphasis on the integration of local talent in our recruitment practices.

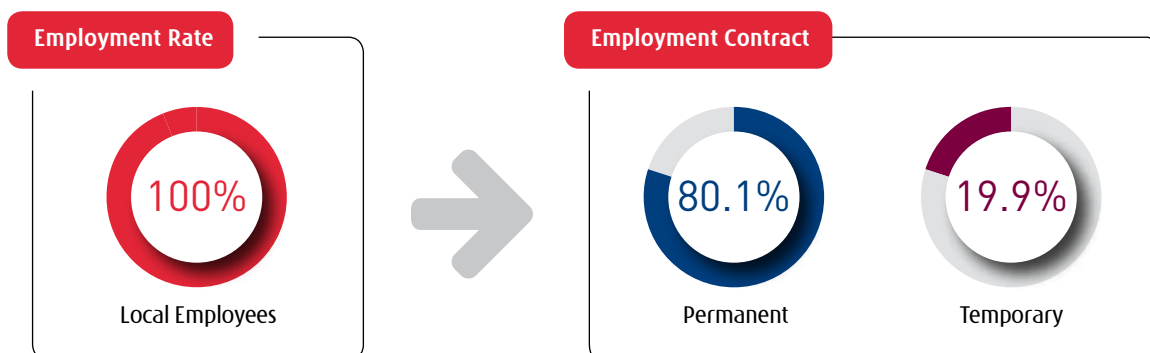


Diagram 11 – Group Employee Employment Contract and Rate Statistics

The Group abides by regulatory requirements and our remuneration packages are as enforced. Our Human Resource (HR) Department bases their analysis on the Group's agreed salary structure in determining an employee's pay and benefits.

A periodical evaluation system is established via a Performance Management System (PMS) to ensure all employees are in check with the Group's objectives, followed by reward system that is conducted annually. Management will take into account the results of the PMS if an increment and bonus occurs that year.

Sustainability Statement

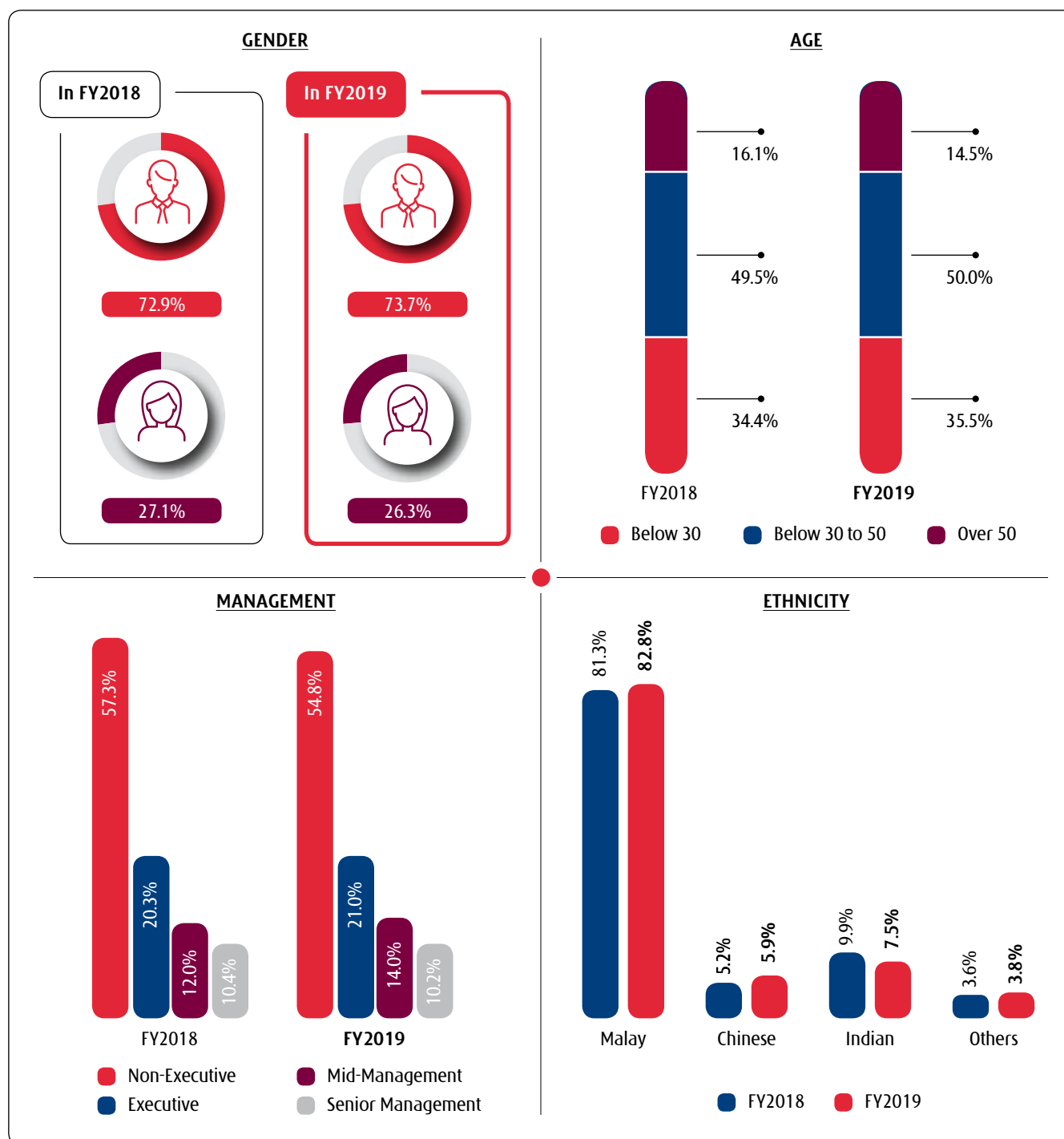


Diagram 12 – Group Employee Statistics

Sustainability Statement

Several initiatives have been put in place to ensure employees' welfare is well managed to provide a conducive working environment. For example, we practice flexible working hours and shift rotation. Our employees participate annually in festive celebrations and other initiatives conducted by the Group to foster unity and allow knowledge-sharing between employees. These include *Yassin* reciting, potlucks and *Majlis Berbuka Puasa*.

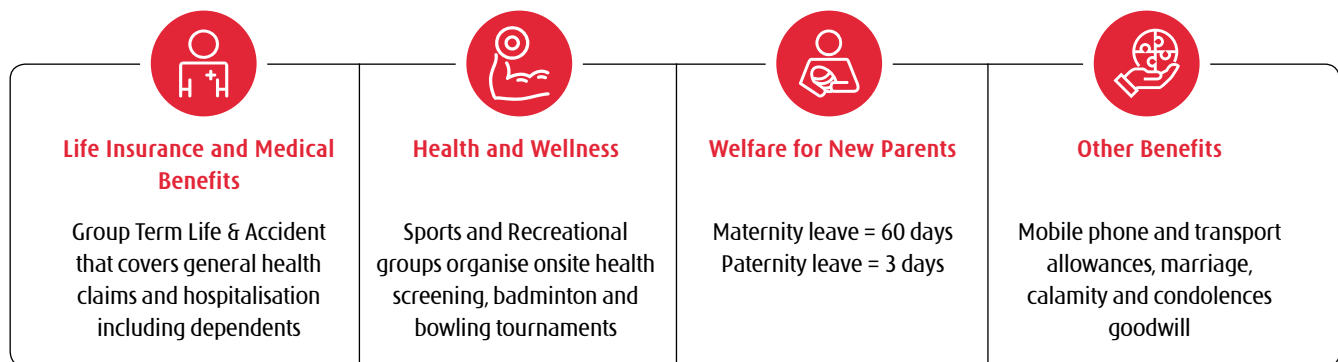


Diagram 13 – Examples of Group Employee Benefits

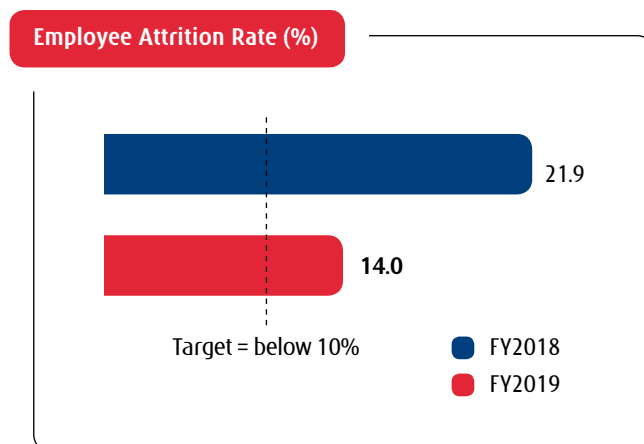


Diagram 14 – Group Employee Attrition Rate (%)

Employee engagement is essential to ensuring smooth business operations as their feedback is important. We encourage employee engagement through various platforms and channels to manage their concerns and this contributes to the reduction of our attrition rate from FY2018.

SRB will not tolerate harassment or discrimination of any kind including race, colour, religion, gender, sexual inclination, age, citizenship, disability & marital status.

An employee grievance can be defined as any discontent or dissatisfaction, whether expressed and whether valid or not, arising out of anything connected with the Group an employee believes or even feels is unfair, unjust and inequitable. No cases of grievance were reported in the reporting year. Diagram 15 below highlights the SRB's Grievance mechanism.



Diagram 15 – Process for Managing Grievances

Sustainability Statement

OCCUPATIONAL SAFETY & HEALTH

We strive to maintain a safe and healthy working environment across our operations by having key measures to prevent injuries, fatalities and occupational illness. Our Occupational Safety and Health Management System assists employers to understand general health and safety measures along with associated risks in the workplace. It also outlines the policies and procedures in compliance with the national Occupational Safety & Health Act 1994 and Safety & Health Committee Regulation 1996. Other policies we abide to are the Factory & Machinery Act 1967, Uniform Building by Law 1984, and the Fire Service Act 1988. SRB also established the Occupational Safety and Health Committee that oversees matters to ensure a safe and healthy working environment for SRB's employees.

OCCUPATIONAL SAFETY AND HEALTH COMMITTEE

- Consists of safety officers and personnel across our operations to carry out programmes related to health and safety
- Reviews the effectiveness of Environmental Health and Safety (EHS) programmes by conducting safety inspections/ audits and carrying out investigations on accidents/ incidents that occurred at the workplace
- Identify and resolve health and safety issues
- Develop and monitor safe systems and procedures
- Promote employees' interests in health and safety awareness and issues
- Provides progress updates on initiatives and submits regular EHS reports to Management monthly
- Conduct quarterly Safety and Health Committee meetings

SAFETY OFFICERS



- Tasked with enhancing general safety awareness amongst employees by providing daily briefings before commencement of work
- Monitors and assesses hazardous and unsafe situations
- Develop measures to assure personnel safety
- Safety Officer maintains awareness of active and developing situations



- Appointment of Safety Officer to advise on matters related to EHS
- Conduct regular safety inspections

Safety Officers undergo a certified training programme (green card) to be ready during emergencies and be familiar with the types of Personal Protective Equipment (PPE) required for varying incidents.

Diagram 16 – Roles and Responsibilities of Group Occupational Safety and Health Committee & Safety Officers

Sustainability Statement

During reporting year, we have implemented initiatives to ensure the safety and health of the assets and operations are maintained, as per Table 8 below. We also conduct annual health days to provide our employees with free health checks and spread awareness on Group health issues. No major incidents occurred during the reporting year.



	Sapura Aero Hangar	<ul style="list-style-type: none"> Upgrade of ground handling equipment for enhanced safety
	Sapura@Mines	<ul style="list-style-type: none"> Onsite medical clinics for treatments of work-related injuries (qualified medical officer) Safety Officer conducts a monthly Safety awareness talk to staff Initiated programme for Scheduled Waste disposal Revisit and comply with DOSH (Department of Occupational Safety and Health) Implemented Risk Assessment Matrix for all high-risk tasks Established a station with RPE (Respiratory Protective Equipment) and PPE (Personal Protective Equipment) for staff Imposed Chemical Handling SOP inclusive CHRA (Chemical Hazard Risk Assessment) with our in-house cleaners Provided a Janitor's station at the washroom on each floor for chemical transfer

Table 8 – Initiatives to ensure Occupational Safety and Health is maintained

DEVELOPMENT OF HUMAN CAPITAL

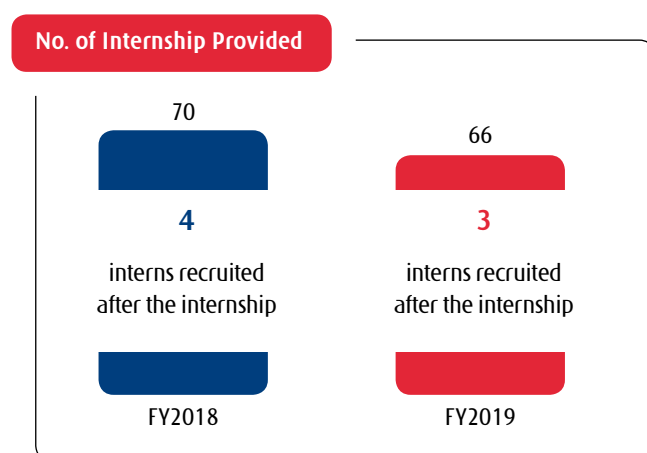


Diagram 17 – Internship Placement Statistics

SRB understands the importance of managing our human capital, and take measures to ensure talent retention. We invest in nurturing talent by providing technical and non-technical development and training programmes monitored and facilitated by our HR Department. This ensures the career and individual improvement of our employees. The employees' training needs are identified during the annual performance appraisal, based on evaluation and feedback provided by employees' respective Head of Departments and Supervisors. The annual performance appraisal also acts as an engagement platform between employees and Management to discuss their career aspirations and development goals. Table 9 below highlighted summary of training programme attended by our employees for FY2019. During the reporting year, our employees have attended a total of 4,462 hours of training. In addition to the development of our internal employees, we also offer placement opportunities to selected students to kick start their careers.

Sustainability Statement

TECHNICAL TRAINING

Airframe & Powerplant (A&P) Course & Exam and various conferences	Involved around 5 employees consisting of Aircraft Maintenance personnel from various Departments
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REGULATORY TRAINING

Trainings related to maintaining the ethics & integrity of business operations, safety and health, security management & compliance with regulatory requirements	Involved most Group employees consisting of Management and Aircraft, Aerodome Security, Operation and Maintenance personnel from various Departments
--	--

NON-TECHNICAL TRAINING

Handling Misconduct, Conducting Domestic Inquiry (DI), Manufacturing and Services Sectors Training, Taxation Training Programmes, Soft Skills	Involved around 57 employees consisting of Senior Management, Managers and Senior Executives, relevant HR and IT personnel from various Departments
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Table 9 - Examples of Group Employee Training Programmes and Number of Attendees for FY2019

COMMUNITY DEVELOPMENT

SRB contributes to local communities to express the importance of active involvement by organisations in sustainable societal building. This may lead to indirect positive outcome that leans towards the social development and welfare of the community we operate in.

To support motivation, growth and improvement of the community, a new *surau* was constructed at Sapura@Mines that can accommodate 400 people. It is open to the general public for Friday congregations which aims to develop the community through knowledge-sharing and spiritual growth.

We host annual Ramadhan Fast-Breaking (*Iftar*) treats for employees and underprivileged children. The Group's yearly tradition aims to spread the Ramadhan spirit of sharing and giving for the less-privileged members of society. In addition to hosting the dinner and supper, SRB contributed to this event by providing logistics support and event venue.

Our *Hari Raya* Open House is an annual event to instill the *muhibbah* spirit and it is a good time for all employees, Management, clients, and children from underprivileged homes to join in the festivities. The event also fostered harmony and better understanding amongst society. It represents an epitome of good resolutions for a new beginning and a better year ahead. Management prepared goodie bags and gave *duit raya* to all the children who attended.

THEME 3

DRIVING ENVIRONMENTAL SUSTAINABILITY



SRB has implemented several processes in compliance with regulatory requirements (i.e. Waste Management System & Scheduled Waste Regulation 2005 and Environmental Quality Act 1974) to ensure the continuous monitoring of water and energy consumption and waste management. These consist of our Facilities Management Standard Operating Procedure and Environmental Management System Manual as well as building automation and internal management systems. This enables the Group to minimise our environmental footprint. We also abide with specific manuals & systems to efficiently and responsibly manage our waste disposal and carbon emissions. Our EHS Committee is responsible for monitoring environmental matters as well as promote employee activities that encourage and support environmental management programmes.

Our efforts to reduce impact is apparent by investing in various training programmes and through collaborations with external organisations to gradually transform our offices and buildings into more environment-friendly premises.

Sustainability Statement

WASTE MANAGEMENT

Amount of Waste Generated & Recycled (pcs)

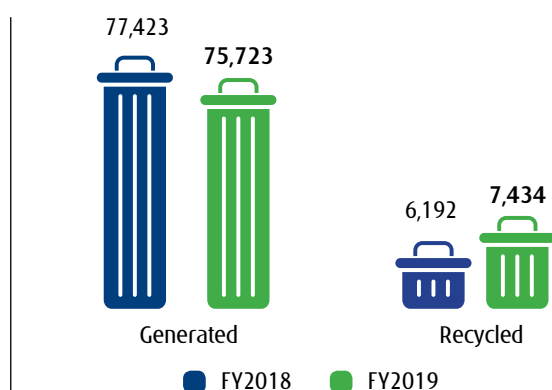
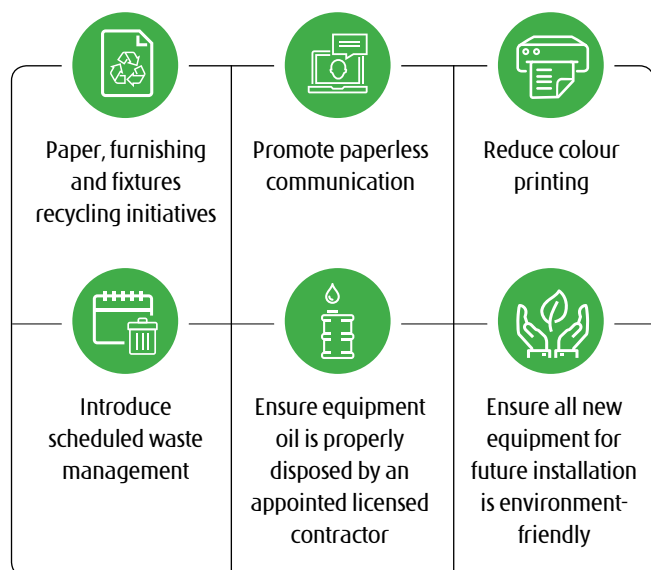


Diagram 18 – Total Paper Waste Generated and Recycled at Sapura@Mines

Bulk waste, such as furnishing and fixtures, are recycled and reused when possible. Our recycling initiative includes the implementation of internal controls to manage hazardous and non-hazardous wastes. Our Hazardous Waste Disposal training, conducted by the Department of Environment (DOE), allowed 20 employees from our Aviation segment to understand proper measures taken in managing hazardous waste, particularly chemicals and excess fuels.

GROUP INITIATIVES FOR EFFECTIVE WASTE MANAGEMENT



WATER MANAGEMENT

Group Water Consumption (m³)

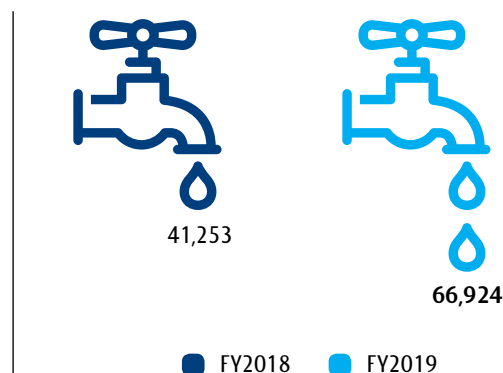
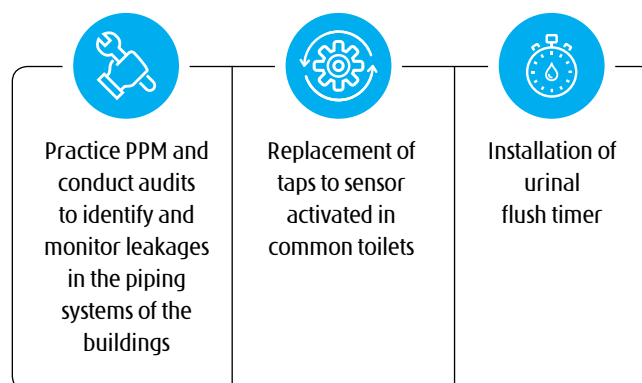


Diagram 19 – Total Water Consumption of Sapura@Mines

Our water management includes planning, developing and ensuring optimal use of water while complying with regulatory requirements. Our water management initiatives include the establishment of a systematic schedule to continually monitor and manage water consumption and leakages by our Aviation Facilities Operation Team. A technical training for Planned Preventive Maintenance (PPM) was also carried out to provide the Aviation PPM team with the necessary skills required to conduct scheduled tasks.

GROUP INITIATIVES FOR EFFECTIVE WATER MANAGEMENT



Sustainability Statement

CARBON EMISSIONS & ENERGY MANAGEMENT

The Group is constantly finding ways to reduce our carbon footprint to leave minimal negative impacts on the environment. This is also a cooperative effort with the Malaysian Government to reduce the nation's carbon footprint by 40% by 2020. For our Property business segment, our Group Certified Energy Manager is responsible for monitoring and analysing the rate of electricity consumption at Sapura@Mines, and updating the Management on our monthly performance.

During the reporting year, we have worked closely with DOE to organise a training for 50 participants from various departments of our Aviation segment to better understand measures necessary for reducing energy consumption. Likewise, representatives from our Property Investment segment were introduced to latest building technology through the Smart Building Conference organised by IK Academy. This included examples of building automation, security enhancements and solar panels.

Group Electricity Consumption (mWh)

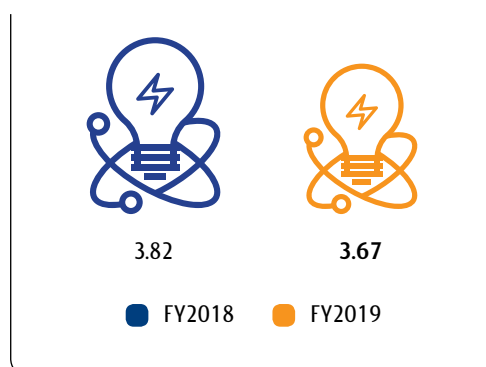
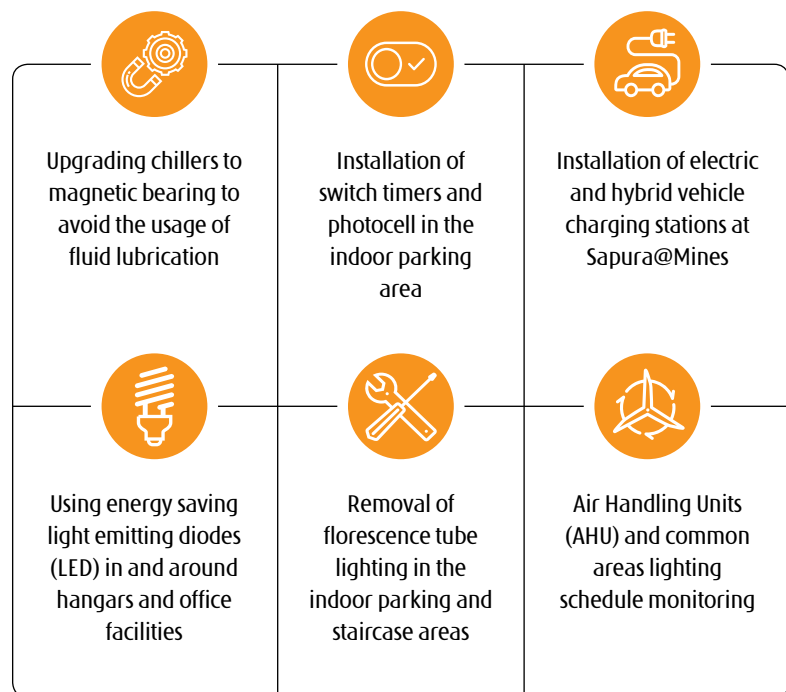


Diagram 20 – Total Electricity Consumption at Sapura@Mines

GROUP INITIATIVES FOR EFFECTIVE CARBON & ENERGY MANAGEMENT



A small green seedling with several leaves is growing out of a crack in a piece of dark, weathered wood. The background is a blurred, dark blue-grey gradient.

—
RESILIENT

We will continually build up our knowledge and skills, exercise good judgement and keep abreast with industry developments so that we can become a resilient and competitive player.



56	Corporate Governance Overview Statement
66	Board Audit and Risk Committee Report
70	Statement on Risk Management and Internal Control
74	Statement of Directors' Responsibility in Respect of the Audited Financial Statements
75	Additional Compliance Information

Corporate Governance Overview Statement

The Board of Directors (“**the Board**”) of Sapura Resources Berhad (“**SRB**” or “**the Company**”) is committed to ensure that good corporate governance is practised throughout the Company and its subsidiaries (“**the Group**”) in discharging its responsibilities with integrity, transparency and professionalism to protect and enhance shareholders' value and the financial position of the Group. The Board in discharging its responsibilities has always been vigilant of the fiduciary duties entrusted upon the Board.

The Board is pleased to present this Corporate Governance Overview Statement (“**Statement**”) to provide investors with an overview of the extent of compliance with three (3) Principles as set out in the Malaysian Code on Corporate Governance (“**MCCG**”) under the stewardship of the Board. This Statement also serves as a compliance with Paragraph 15.25 of the Main Market Listing Requirements (“**Listing Requirements**”) of Bursa Malaysia Securities (“**Bursa Securities**”). In addition, the Corporate Governance Report which sets out the application of each Practice is available for viewing in the Company's corporate website at www.sapura-resources.com.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

The Board is primarily responsible for the proper stewardship of the Group. The Board provides overall strategic direction and effective control of the Group and has established clear functions reserved for the Board and those delegated to the Management.

The Board plays an important role in reviewing and guiding strategy and to approve any of the Management's proposal on a strategic plan. The Board also sets the values and standards to be achieved by the Group and in doing so the Board ensures the protection and enhancement of shareholders' value.

There are key matters which are reserved for the Board for its deliberation and decision to ensure the direction and control of the Group's business are in its hands, while a capable and experienced Management team headed by the Managing Director is put in charge to oversee the day-to-day operations of the Group.

The Board understands the principal risks of all aspects of the business that the Group is operating in and recognised that business decisions require the consideration of risk. In order to achieve a proper balance between risks incurred and potential returns to shareholders, the Board ensures that there are systems in place that effectively monitor and manage these risks with a view to the long-term viability of the Group.

The Board has delegated certain responsibilities to two (2)

Board Committees, namely the Board Audit and Risk Committee (“**BARC**”) and the Board Nomination and Remuneration Committee (“**BNRC**”) to assist the Board in the deliberation of issues within their respective functions and terms of reference (“**TOR**”). These Committees, as entrusted by the Board, will discuss relevant issues and report to the Board with their recommendations. However, this does not absolve the Board's ultimate responsibility of decision-making.

Apart from the above, the Management is also delegated with certain authority to enable them to effectively discharge their responsibilities, as set out in the Company's Limits of Authority.

The Chairman and the Managing Director (“**MD**”)

The roles of the Chairman of the Board and the MD of the Company are exercised by separate individuals and each has a clear accepted division of responsibilities to ensure that there is a balance of power and authority to promote accountability. The Chairman is responsible for ensuring Board effectiveness and conduct, leading the Board in the oversight of management, whilst the MD of the Company has overall responsibilities over the Company's operating units, organisational effectiveness and implementation of Board policies and decisions on a day-to-day basis.

The Board is chaired by Tan Sri Datuk Amar (Dr.) Hamid bin Bugo, an Independent Non-Executive Director who has a strong presence as the Chairman of the Company and is able to provide effective leadership, strategic direction and necessary governance to the Group.

Corporate Governance Overview Statement

Dato' Shahrman bin Shamsuddin has been the MD of the Group since 1 March 2007. He is responsible for the stewardship of the Group's direction and the day-to-day management of the Group. The Board together with the MD develop the corporate objectives, which include performance targets and long-term goals of the business, to be met by the MD. The MD reports to the Board and is primarily responsible for running the business and implementing the policies and strategies adopted by the Board.

Company Secretaries

The Board is supported by suitably qualified, experienced and competent Company Secretaries. The Company Secretaries advise the Board and Board Committees on issues relating to compliance with laws, rules, procedures and regulations affecting the Group. The Board members have unlimited access to the professional advice and services of the Company Secretaries. The Company Secretaries ensure that all Board and Board Committee Meetings are properly convened and that accurate and proper records of the proceedings and resolutions passed are recorded and maintained in the statutory register of the Company. During the financial year ended 31 January 2019 ("FYE 2019"), the Company Secretaries have updated the Board on material changes in law and tabled the regulatory development at the Board Meetings for the Board to keep abreast with new regulatory developments.

Access to information and advice

The Board has unrestricted access to all information within the Company, whether as a full Board or in their individual capacity, as supplied by the Management in a timely manner in order for the Board to discharge its responsibilities efficiently and effectively. The agenda for the Board meetings, together with the appropriate reports and information on the Company's business operations, and proposal papers for the Board's consideration are circulated to all the Directors at least five (5) business days prior to the Board meetings. Sufficient time have been provided to the Board to review the information provided, to make enquiries and to obtain further information and clarification, if necessary. During the meetings, the Management provides further detailed information and clarification on issues raised by Board members.

During the FYE 2019, Senior Management as well as professional advisers were invited to attend the relevant Board and Board Committee meetings to provide additional insights

and professional views, advice and explanation on specific items on the meeting agenda.

Apart from Board meetings, the Directors are also provided with updates via emails as and when there are any new developments on the Group's business.

The Board may also obtain independent professional advice at the Company's expense in furtherance of its duties. Whenever necessary, consultants and experts are invited to brief the Board on their areas of expertise or their reports.

Nevertheless, the Board members also have unlimited access to the advice of the Group's Head of Legal.

Board Charter

The Company has adopted a Board Charter which governs how the Company conducts its affairs.

In discharging its duties, the Board is guided by its Board Charter which outlines the authority, responsibilities, membership and operation of the Board of the Company, adopting principles of good corporate governance and practice, in accordance with applicable laws in Malaysia.

The Board will review the Board Charter from time to time and make any necessary amendments to ensure it remains consistent with the Board's objectives, current law and practices.

The Board Charter is available on SRB's corporate website at www.sapura-resources.com.

Code of Ethics and Conduct

The Board has adopted a Code of Conduct and Ethics of the Company which provides guidance to all directors and employees of the Group as to the ethical conduct to be complied to uphold the principles of honesty and integrity, to ensure a high standard of ethical and professional conduct is upheld in the performance of their duties and responsibilities. The Code of Conduct and Ethics for Directors is available on SRB's corporate website at www.sapura-resources.com.

The Board is committed in maintaining a corporate culture which engenders trustworthiness, acceptable values, spirit of social responsibility and accountability that permeate throughout the Group.

Corporate Governance Overview Statement

Whistleblowing Policy

The Board has adopted a Whistleblowing Policy to encourage all Company's stakeholders including but not limited to the employees, vendors and customers to raise genuine concerns about possible improprieties involving the Group in matters relating to financial reporting, accounting controls, compliance, improper conduct and other wrongdoings and malpractices on a confidential basis without fear of intimidation or reprisal.

The Whistleblowing Policy will be reviewed by the Board from time to time to assess its relevance and effectiveness.

A copy of the Whistleblowing Policy is available for viewing at the Company's corporate website at www.sapura-resources.com.

Any employee of the Company or member of the public who has knowledge or is aware about any improper conduct has been, or is being, or is likely to be committed within the Group, may pose his/her concerns to the designated email address: ChairmanBARCSRB@sapura.com.my.

II. Composition of the Board

The Board's composition currently comprises of seven (7) members as set out below:

Name	Designation	Length of service (as at 30 April 2019)
Tan Sri Datuk Amar (Dr.) Hamid bin Bugo	Chairman/Independent Non-Executive Director	9 years 8 months
Tan Sri Dato' Seri Shahril bin Shamsuddin	Non-Independent Non-Executive Director	29 years 2 months
Dato' Shahrman bin Shamsuddin	Managing Director	13 years 9 months
Dato' Fuziah @ Fauziah binti Dato' Ismail	Senior Independent Non-Executive Director	9 years 8 months
Dato' Muthanna bin Abdullah	Independent Non-Executive Director	10 years 4 months
Mr. Peter Ho Kok Wai	Independent Non-Executive Director	3 years 3 months
Encik Ahmad Jauhari bin Yahya	Independent Non-Executive Director	3 years 3 months

The Board comprises a majority of Independent Directors which represents more than 71% of the Board.

Re-election of Directors

Any Director appointed during the year is required under the Company's Articles of Association to retire and may seek for re-election by the shareholders at the following Annual General Meeting ("AGM") immediately after their appointment. The Company's Articles of Association ("Articles") also require that one-third of the Directors including the Managing Director to retire by rotation and seek re-election at each AGM and that each Director shall submit himself/herself for re-election at least once in every three (3) years.

The Directors who are subject to re-election at the AGM had been assessed by the BNRC whereupon their recommendation had been considered by the Board for recommendation to shareholders for approval at the upcoming AGM.

The Directors who are standing for re-election and re-appointment at the forthcoming 62nd AGM of the Company are as set forth in the Notice of the AGM contained in this Annual Report.

Corporate Governance Overview Statement

Tenure of Independent Director

Practice 4.2 of the MCCG recommended that the tenure of an Independent Director does not exceed a cumulative term limit of nine (9) years. Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board as a Non-Independent Director.

If the Board intends to retain an Independent Director beyond a cumulative term limit of nine (9) years, it should justify and seek annual shareholders' approval. If the Board continues to retain the Independent Director after twelfth (12th) year, the Board should seek annual shareholders' approval through a two-tier voting process.

The Board subscribes to an open policy on the tenure of Independent Director whereby there should not be an arbitrary tenure imposed on the Independent Directors. The Board believes that the length of tenure of Independent Directors on the Board does not interfere with their objective and independent business judgement with a view to the best interest of the Company.

In view thereof, the Board shall provide justifications and seek shareholders' approval in the event it proposes to retain an independent director who has served the Board in that capacity for more than nine (9) years, upon the prior review and relevant recommendation from the BNRC.

The Company will be seeking shareholders' approval at the forthcoming AGM for the retention of three (3) Independent Non-Executive Directors ("INEDs") of the Company as follows: -

- (i) Dato' Muthanna Bin Abdullah who has served the Board for more than nine (9) years as an INED since 18 December 2008;
- (ii) Tan Sri Datuk Amar (Dr.) Hamid Bin Bugo who has served the Board for more than nine (9) years as an INED since 25 August 2009; and
- (iii) Dato' Fuziah @ Fauziah Binti Dato' Ismail who has served the Board for more than nine (9) years as an INED since 25 August 2009.

The Board through the BNRC has undertaken relevant assessments and recommended for the three (3) INEDs to continue to serve as INEDs based on the following justifications:

- (1) They have met the criteria set in the annual assessment of their independence in line with the Listing Requirements of Bursa Securities;
- (2) All of them have vast experience, knowledge and skills in a diverse range of businesses and therefore provide constructive opinion, counsel, oversight and guidance as Directors;
- (3) Their financial management, accounting and legal background have provided valuable insights and advice to enable the Board to discharge its duties effectively and in a competent manner;
- (4) All of them actively participate and contribute to the discussion and deliberation at the Board and Board Committees meetings. They have diligently attended all of the Meetings held for the Board and Board Committees for FYE 2019; and
- (5) They have exercised due care and diligence and acted in the best interest of the Company by providing independent view to the deliberations and decision making of the Board and Board's Committee Meetings.

Board Nomination and Remuneration Committee ("BNRC")

The BNRC is currently chaired by Tan Sri Datuk Amar (Dr.) Hamid bin Bugo, an Independent Non-Executive Director.

The BNRC was established with a clearly defined TOR and comprised exclusively of three (3) non-executive directors, all of whom are independent.

Corporate Governance Overview Statement

The BNRC meets as and when required and at least once in every financial year. During the financial year under review, the BNRC met two (2) times for FYE 2019 and the meeting attendances are as follows: -

Members	Membership/Designation	No. of meetings attended	%
Tan Sri Datuk Amar (Dr.) Hamid bin Bugo	Chairman Independent Non- Executive Director	2/2	100
Dato' Muthanna bin Abdullah	Member Independent Non- Executive Director	2/2	100
Encik Ahmad Jauhari bin Yahya	Member Independent Non- Executive Director	2/2	100

For FYE 2019, the BNRC has undertaken the following activities:-

- (1) Reviewed and recommended to the Board the proposed Directors' fees in respect of the financial year ended 31 January 2018 ("FYE 2018");
- (2) Reviewed and recommended the re-election of Directors to the Board for recommendation of the same to the shareholders for approval at the 61st AGM; and
- (3) Reviewed and recommended the retention of the Independent Directors to the Board for recommendation of the same to the shareholders for approval at the 61st AGM;
- (4) Reviewed the proposed Directors' benefits payable for the period from 25 July 2018 until the next AGM of the Company and to recommend the same to the Board for recommendation to the shareholders for approval at the 61st AGM;
- (5) Reviewed and recommended the revised Board Charter to the Board for approval and adoption;
- (6) Reviewed the Key Results Areas/Key Performance Indicators of the MD of the Company;
- (7) Reviewed and assessed the effectiveness of the Board of Directors as a whole and contribution of the BARC and BNRC; and each individual Director of the Company;
- (8) Assessed the independence of the Independent Directors;
- (9) Reviewed and recommended the following code/policies of the Company to the Board of Directors for approval and adoption:-
 - Whistleblowing Policy;
 - Board Diversity Policy; and
 - Board Remuneration Policy.
- (10) Discussed and reassessed the organisation chart of the Company and the Aviation Division;
- (11) Reviewed and recommended the revised Job Description of the MD of the Company;
- (12) Considered, reviewed and recommended to the Board of Directors for approval, the bonus payment to the MD for the FYE 2018;
- (13) Reviewed and recommended the new Human Resource Policies of the Company to the Board of Directors for approval;
- (14) Reviewed and recommended the employees' remuneration packages and benefits for the joint venture company to be set up for the maintenance, repair and overhaul ("MRO") business; and
- (15) Reviewed, assessed and recommended the recruitment of the Accountable Manager of the joint venture company to be set up for the MRO business.

The TOR of the BNRC is available for viewing at the Company's corporate website at www.sapura-resources.com.

Corporate Governance Overview Statement

Annual Evaluation

The Board has conducted self-assessment and peer review and the results have been tabled to the BNRC for review and discussion. The Board evaluation is to evaluate the Board in terms of their capability, character, integrity and commitment towards the Company.

During the FYE 2019, the Board had convened a total of eight (8) Board of Directors' Meetings for the purposes of deliberating on the Company's quarterly financial results and discussing important matters which demanded immediate attention and decision of the Board. During the Board of Directors' Meetings, the Board reviewed the operation and performance of the Company and other strategic issues that may affect the Company's business. Relevant Senior Management were invited to attend some of the Board of Directors' Meetings to provide the Board with their views and clarifications on issues raised by the Directors.

The BNRC has been tasked to review the attendance of Directors at Board and/or Board Committee Meetings. Upon review, the BNRC noted the Board members have devoted sufficient time and effort to attend the Board and/or Board Committee meetings for FYE 2019.

For FYE 2019, all of the Board members achieved a 100% attendance at the Board and Board Committees Meetings held except for Tan Sri Dato' Seri Shahril bin Shamsuddin. The attendance record of each Director at the Board Meetings held for the financial year under review is as follows: -

Name of Directors	Designation	No. of meetings attended	%
Tan Sri Datuk Amar (Dr.) Hamid bin Bugo	Chairman/Independent Non-Executive Director	8/8	100.0
Dato' Shahril bin Shamsuddin	Managing Director	8/8	100.0
Tan Sri Dato' Seri Shahril bin Shamsuddin	Non-Independent Non- Executive Director	7/8	87.5
Dato' Fuziah @ Fauziah binti Dato' Ismail	Senior Independent Non-Executive Director	8/8	100.0
Dato' Muthanna bin Abdullah	Independent Non- Executive Director	8/8	100.0
Mr. Peter Ho Kok Wai	Independent Non- Executive Director	8/8	100.0
Encik Ahmad Jauhari bin Yahya	Independent Non- Executive Director	8/8	100.0

The Board also met on an ad-hoc basis to deliberate urgent issues and matters that required expeditious Board direction or approval. There were three (3) Special Board of Directors' Meeting convened during FYE2019 out of the eight (8) meetings. In the intervals between Board meetings, any matters requiring urgent Board decisions and/or approval were sought via circular resolutions which were supported with all the relevant information and explanations required for an informed decision to be made.

The Board is pleased with the time and commitment rendered by the Directors to the Group. None of the Directors have more than five (5) directorships in listed issuers listed on Bursa Securities. The members of the Board are required to notify the Independent Non-Executive Chairman in writing prior to accepting any new directorship. Such notification also includes an indication of time that will be spent on the new appointment.

Corporate Governance Overview Statement

In order for the Group to remain competitive, the Board ensures that the Directors continuously enhance their skills and expand their knowledge to meet the challenges of the Board.

After assessing the training needs of the Directors, the Board recognised that continuing education would be the way forward in ensuring its members are continually equipped with the necessary skills and knowledge to meet the challenges ahead.

As at the date of this Statement, the Board has participated in various continuing education programmes as indicated in the Corporate Governance Report.

Upon review of the training needs of the Directors for the FYE 2019 and recognising the need to keep abreast with the fast-changing business and regulatory environment, the Board has encouraged its members to attend at least two (2) continuing education programmes, if possible.

In addition, the Company Secretaries and the External Auditors update the Board on a regular basis on the respective updates, changes and amendments to the regulatory requirements and laws and accounting standards to help the Directors keep abreast of such developments.

III Remuneration

The Board has adopted the Board Remuneration Policy to support business strategy which is more long term and strategic in nature. It is aimed at motivating the Directors to achieve Company's business objectives. The Board Remuneration Policy is available on the Company's corporate website at www.sapura-resources.com

The Board believes in a remuneration policy that fairly supports the Directors' responsibilities and fiduciary duties in steering the Group to achieve its long-term goals and enhance shareholders' value. The Board's objective in this respect is to offer a competitive remuneration package in order to attract, develop and retain its Directors.

The BNRC is responsible for reviewing and making recommendations to the Board for approval, the framework and remuneration packages of the Non-Executive Directors in all forms, drawing from outside advice whenever necessary prior to making the relevant recommendations to the Board

so that the levels of remuneration are sufficient to attract and retain the Directors needed to run the Company successfully. In its review, the BNRC considers various factors including the Directors' fiduciary duties, time commitments expected of them and the Company's performance.

For FYE 2019, the total Directors' fees payable to the Directors, of RM592,000.00 have been recommended to the shareholders for approval at the forthcoming AGM of the Company.

Board Remuneration and Nomination Committee

The Board is satisfied that the BNRC has effectively and efficiently discharged its roles and responsibilities with respect to its nomination and remuneration functions. As such, it is not necessary to separate the nomination and remuneration functions into distinct nomination and remuneration committees.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

Board Audit and Risk Committee ("BARC")

The Board is responsible for ensuring that the quarterly and annual audited financial statements of the Company present a balanced and clear view and assessment of the Company's financial position, performance and prospects and comply with the applicable financial reporting standards. The Board is assisted by the BARC in reviewing the Group's financial reporting process and accuracy of its financial results, and scrutinising information for disclosure to ensure compliance with the accounting standards, accuracy, adequacy and completeness in giving the true situation of the Group's performance.

The BARC assists the Board in reviewing the Group's financial reporting process and accuracy of its financial results and scrutinising information for disclosure to ensure reliability and compliance with the applicable financial reporting standards. The BARC reviewed the unaudited quarterly financial reports and the year-end financial statements of the Company prior to recommendation of the same to the Board for approval and submission to Bursa Securities and/or the shareholders (where relevant).

The BARC is chaired by Dato' Muthanna bin Abdullah, who is an Independent Non-Executive Director of the Company. The BARC consists of all Independent Non-Executive Directors. The composition of the BARC is as follows: -

Corporate Governance Overview Statement

Name	Position	Designation
Dato' Muthanna bin Abdullah	Chairman	Independent Non-Executive Director
Dato' Fuziah @ Fauziah binti Dato' Ismail	Member	Senior Independent Non-Executive Director
Mr. Peter Ho Kok Wai	Member	Independent Non-Executive Director

The TOR of the BARC is available on the Company's corporate website at www.sapura-resources.com

None of the members of the Board were former key audit partners and notwithstanding that in order to uphold the utmost independence, the Board has no intention to appoint any former key audit partner as a member of the Board.

Assessment of Suitability and Independence of External Auditors

For the FYE 2019, the BARC has assessed the suitability and independence of the External Auditors vide an annual assessment of the suitability and independence of the External Auditors of the Company.

In its assessment, the BARC considered, inter alia, the following factors: -

For "**Suitability**" of the External Auditors: -

- The External Auditors have the adequate resources, skills, knowledge and experience to perform their duties with professional competence and due care in accordance with the approved professional auditing standards and the applicable regulatory and legal requirements;
- To the knowledge of the BARC, the External Auditors do not have any record of disciplinary actions taken against them for unprofessional conduct by the Malaysian Institute of Accountants ("**MIA**") which has not been reversed by the Disciplinary Board of MIA;
- The external audit firm has the geographical coverage required to audit the Group;
- The external audit firm advises the BARC on significant issues and new developments pertaining to risk management, corporate governance, financial reporting standards and internal controls on a timely basis;
- The external audit firm consistently meets the deadlines set by the Company;
- The level of quality control procedures in the external audit firm, including the audit review procedures; and
- The external audit scope is adequate to cover the key financial and operational risks of the Group.

For "**Independence**" of the External Auditors: -

- The engagement partner has not served for a continuous period of more than five (5) years with the Company;
- The BARC receives written assurance from the External Auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements; and
- Tenure of the current Auditors.

Upon completion of the said assessment, the BARC was satisfied with Messrs. Ernst & Young's technical competency and audit independence during the FYE 2019.

Corporate Governance Overview Statement

Risk Management and Internal Control Framework

The Board is committed to determine the Company's level of risk tolerance and to actively identify, assess and monitor key business risks to safeguard shareholders' investments and the Company's assets. The risk management and internal control function were assumed and overseen by the BARC with the assistance of the External Auditors and the outsourced Internal Auditors, who will report on the effectiveness and efficiency of the internal control processes and procedures periodically to the BARC to ensure that the system is viable and robust.

The Board has approved the Group's Risk Management Policy and Framework which include:

- roles and responsibilities in relation to risk management at SRB;
- the level of risk appetite at SRB;
- the process to identify, assess, mitigate and monitor the key business risks and related internal controls within SRB; and
- key internal controls that shall be in place to mitigate and manage overall risk within SRB.

The Company's internal audit function is outsourced to KPMG Management and Risk Consulting Sdn Bhd ("KPMG") and they are responsible to evaluate and improve the effectiveness of risk management, internal control and governance processes of the Group.

Details pertaining to the Group's internal control system and its effectiveness are set out in the Statement on Risk Management and Internal Control of this Annual Report.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIPS WITH STAKEHOLDERS

Communication with Stakeholders

The Board ensures that all material information and corporate disclosures are discussed with the Management prior to dissemination to ensure compliance with Bursa Securities' Listing Requirements. In deciding on the necessary disclosures and announcements, the Board is also guided by Bursa Securities' corporate disclosure guides as published by Bursa Securities from time to time.

The Board is committed to achieve timely and high-quality disclosure in accordance with the spirit, intention and purpose of the applicable regulatory requirements.

The Board has adopted the following measures with regard to communication with the Company's stakeholders: -

(i) Announcements to Bursa Securities

Material information, updates and periodic financial reports are published on a timely basis through announcements to Bursa Securities. Shareholders and investors can obtain the Company's latest announcements such as quarterly financial results in the dedicated website of Bursa Securities at www.bursamalaysia.com or the Company's corporate website at www.sapura-resources.com.

(ii) Corporate Website

A corporate website (www.sapura-resources.com) is maintained and the said website contains relevant information on the Group's activities, financial results, major strategic development and other matters affecting stakeholders' interests for the shareholders, potential investors, suppliers and the general public.

(iii) Annual Reports

The Company's Annual Reports to the shareholders remain the central means of communicating to the shareholders, amongst others, the Company's operations, activities and performance for the past financial year-end as well as the status of compliance with the applicable rules and regulations.

(iv) AGMs/General Meetings

The AGM/General Meetings which are used as the main forum of dialogue for shareholders to raise any issues pertaining to the Group.

(v) Investor Relations

Shareholders and other interested parties are welcome to contact the Company should they have any comments, questions or concerns, by writing in, via telephone, facsimile or email, details of which are as follows: -

Address	:	Sapura@Mines No. 7, Jalan Tasik, The Mines Resort City 43300 Seri Kembangan Selangor Darul Ehsan, Malaysia
Telephone No.	:	603-8949 7000
Fax No.	:	603-8949 7046
Email address	:	SeniorIndependentDirectorSRB@ sapura.com.my

Corporate Governance Overview Statement

Conduct of General Meetings

The AGM provides an opportunity for the shareholders to seek and clarify any issues pertaining to the Group and to have a better understanding of the Group's activities and performance. Both individuals and institutional shareholders are encouraged to meet and communicate with the Board at the AGM and to vote on all resolutions. The Board is always available to meet members of the press after the AGM.

To align with the recommendation in the MCGG, the Board has revised its Board Charter to increase the notice period of an AGM to at least twenty-eight (28) days. Sufficient notice period is given to the shareholders in order for them to schedule their time to attend the Company's AGM. In view of good corporate governance practice, the Notice of the 62nd AGM was issued at least 28 days before the AGM date.

All the members of the Board will be present to provide better opportunity for the shareholders to engage in person with each Board member. For the convenience of the shareholders, the Board endeavor to ensure the venue of the general meetings is to be held in Klang Valley area which has sufficient parking and is accessible by public transport. This will not hinder the shareholders or their proxies from attending the general meetings.

In line with paragraph 8.29A of the Listing Requirements of Bursa Securities on the requirement for poll voting for any resolution set out in the notice of general meetings, during the 61st AGM held last year, poll voting was used to facilitate the voting process for resolutions tabled. An independent scrutineer was also appointed to scrutinise the polling process.

KEY FOCUS AREAS AND FUTURE PRIORITIES

Looking ahead to the financial year ending 2020, the Board and its respective Board committees will:-

- Focus on major strategic issues to ensure sustainability and growth;
- Continue to monitor succession planning for the senior leadership team, to ensure a healthy pipeline of talent is emerging for future senior executive management;
- Consider other variety of approaches and independent sources to identify suitable candidate for appointment of Directors, should the need arise; and
- Continue to review the balance, experience and skills of the Board.

CONCLUSION

The Board is satisfied that for the FYE 2019, it complies substantially with the principles and practices of the MCGG.

This Statement and the Corporate Governance Report have been approved by the Board in accordance with a resolution of the Board of Directors dated 23 April, 2019.

Board Audit and Risk Committee Report

The Board Audit and Risk Committee (“**BARC**”) was established by the Board of Directors (“**the Board**”) with the primary objective to assist the Board in fulfilling its fiduciary responsibilities relating to corporate governance, system of internal controls, risk management processes and management of financial reporting practices of the Group.

The BARC is pleased to present the BARC Report for the financial year ended 31 January 2019 in compliance with Paragraph 15.15 of the Main Market Listing Requirements (“**Listing Requirements**”) of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) and the Malaysian Code on Corporate Governance (“**MCCG**”).

COMPOSITION OF THE BARC

The BARC comprises the following members:

Dato’ Muthanna bin Abdullah	Chairman, Independent Non-Executive Director
Dato’ Fuziah @ Fauziah binti Dato’ Ismail	Member, Senior Independent Non-Executive Director
Mr. Peter Ho Kok Wai	Member, Independent Non-Executive Director

NUMBER OF BARC MEETINGS AND DETAILS OF ATTENDANCE

During the financial year ended 31 January 2019, the BARC held a total of six (6) meetings. The details of the attendance of each BARC member are as follows: -

BARC Members	No. of meetings attended	%
Dato’ Muthanna bin Abdullah	6/6	100
Dato’ Fuziah @ Fauziah binti Dato’ Ismail	6/6	100
Mr. Peter Ho Kok Wai	6/6	100

SUMMARY OF WORK OF THE BARC

The BARC is governed by its terms of reference (“**TOR**”) on its discharge of authorities, duties and responsibilities.

During the financial year ended 31 January 2019, the BARC carried out the following activities which are in line with its responsibilities as set out in the TOR: -

1) Financial Reporting

- (a) Reviewed the unaudited quarterly financial reports and the audited year-end financial statements of Sapura Resources Berhad Group for the financial year ended 31 January 2019 before they were presented to the Board for approval for release to Bursa Securities accordingly; and
- (b) In its review of the unaudited quarterly financial reports and the audited year-end financial statements, discussed with Management and the external auditors on the:-
 - changes in or implementation of accounting policies and practices;
 - significant adjustments arising from the audit;

Board Audit and Risk Committee Report

- significant matters highlighted including financial reporting issues, significant judgements made by Management, significant and unusual events or transactions, and how these matters are addressed;
 - going concern assumption; and
 - compliance with accounting standards and other legal requirements.
- (c) The dates where the BARC met during the financial year ended 31 January 2019 to deliberate on financial reporting matters are as appended below: -

Date of meetings	Financial Reporting Statements Reviewed
22 March 2018	Unaudited quarterly report on consolidated results of the Company and its Group of Companies for the fourth quarter ended 31 January 2018
2 May 2018	Audited Financial Statements for the financial year ended 31 January 2018 ("AFS")
26 June 2018	Unaudited quarterly report on consolidated results of the Company and its Group of Companies for the first quarter ended 30 April 2018
24 September 2018	Unaudited quarterly report on consolidated results of the Company and its Group of Companies for the second quarter ended 31 July 2018
27 November 2018	Unaudited quarterly report on consolidated results of the Company and its Group of Companies for the third quarter ended 31 October 2018

2) Audit Reports

- (a) Received and reviewed the internal and external audit reports together with Management's responses in ensuring that appropriate and prompt remedial actions are taken by Management on major deficiencies in controls or procedures that have been identified including status of previous audit recommendations.
- (b) Discussed thoroughly and made enquiries on internal audit findings and Management's relevant responses to resolve those findings.

3) External Audit

- (a) Reviewed the terms of engagement and Audit Planning Memorandum by the external auditors, Messrs. Ernst & Young ("EY") covering the nature and scope of audit planned for the financial year under review.
- (b) Reviewed the external auditors' audit report and the significant audit findings underlying their report.
- (c) Reviewed key audit matters raised by EY from its annual audit and management letter including Management's responses/actions taken on the resolution of such issues.
- (d) Reviewed the annual AFS of the Company and of the Group prior to submission of the same to the Board for approval.
- (e) Met with the external auditors three (3) times without the presence of the Management, on 22 March 2018, 2 May 2018 and 27 November 2018, respectively, in order to provide the external auditors an avenue to unequivocally express any concerns they might have, including those relating to their ability to perform their work without constraint or interference.

Board Audit and Risk Committee Report

- (f) Evaluated the external auditors' independence and objectivity, as well as their ability to serve the Group in terms of technical competencies and manpower resource sufficiency and reviewed the reasonableness of the proposed audit fees charged against the size and complexity of the Group.
- (g) Reviewed the audit and non-audit fees payable to the external auditors for financial year ended 31 January 2018 to ensure the level of non-audit services rendered by the external auditors would not impair their objectivity and independence as external auditors of the Company.
- (h) Assessed and is satisfied with the performance and effectiveness of the external auditors and recommended to the Board on their re-appointment as the external auditors of the Company for the ensuing year at the Annual General Meeting.

4) Internal Audit

- (a) Reviewed and considered the adequacy of scope, functions, resources of the outsourced internal auditors, KPMG Management & Risk Consulting Sdn Bhd ("KPMG") and that it has the necessary authority to carry out its work.
- (b) Reviewed the Internal Audit Plan and subsequent updates on the Internal Audit Plan in respect of the changes made to the plan and timeline.
- (c) Reviewed the Internal Audit Report for each cycle consisting of audit findings and observations identified during the course of internal audit, prioritised areas for improvement as well as its corrective actions to be taken by Management as presented by KPMG.
- (d) Approved several recommendations proposed by KPMG to be put in place to strengthen the internal control of the Group.
- (e) Evaluated the adequacy and performance of KPMG for the financial year ended 31 January 2019 as well as their capabilities and competency to serve the Group in terms of technical competencies and manpower resources.

5) Risk Management and Internal Control

- (a) Formalised and adopted a Group Risk Management Policy and Framework to maintain a sound system of internal control.
- (b) Reviewed the Statement on Risk Management and Internal Control of the Group for inclusion in the Annual Report for the financial year ended 31 January 2019.
- (c) Received and reviewed quarterly reports from Management on key strategic and operational risks to ensure these were being managed effectively.

6) Related Party Transactions

- (a) Reviewed Related Party Transactions entered into by the Company or the Group and to determine if such transactions were undertaken on an arm's length basis and normal commercial terms and on terms not more favourable to the related parties than those generally available to the public and to review conflicts of interest that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of Management's integrity.
- (b) Reviewed the related party transactions entered into by the Group on a quarterly basis and ensure all transactions are carried out on arm's length basis.

Board Audit and Risk Committee Report

7) Annual Reporting

Reviewed and recommended the BARC Report and Statement on Risk Management and Internal Control to ensure compliance with relevant regulatory reporting requirements, prior to recommending to the Board for approval.

8) Others

Conducted a self-assessment exercise to evaluate the BARC's overall effectiveness in discharging its responsibilities.

SUMMARY OF WORK OF THE INTERNAL AUDIT FUNCTION

The BARC in respect of the internal audit function, is assisted by KPMG, the outsourced professional internal auditors in discharging its duties and responsibilities for the financial year ended 31 January 2019.

The primary responsibility of the internal audit function is to assist the Board to oversee that Management has in place a sound risk management, internal control and governance system and to provide independent and objective assessment of the adequacy and effectiveness of the risk management, internal control and governance processes established by Management and/or the Board within the Group.

The Internal Audit Reports and Management's responses are first circulated to the Managing Director as well as to the relevant Heads of Department prior to tabling them at the BARC meetings.

During the financial year ended 31 January 2019, the representatives of KPMG attended the BARC meetings to report to the BARC on a quarterly basis, at a minimum, on their observations and findings of the effectiveness of the governance, risk management and internal control processes within the Group.

The internal audit work carried out by KPMG for the financial year included the following:

- (a) Developed Group Internal Audit Plan for the financial year ended 31 January 2019 and tabled to the BARC during the meeting.
- (b) Conducted audit works covering overall risk management, internal control and governance processes of the Aviation and Property Management for the financial year ended 31 January 2019.
- (c) Presented its Internal Audit Report for each cycle consisting of audit findings and observations identified during the course of internal audit, prioritised areas for improvement as well as its corrective actions to be taken by Management in the quarterly BARC meetings.
- (d) The key audited areas were as follows:-
 - Tenancy management
 - Procurement
 - Flight management and compliance matters in Aviation segment
- (e) Presented its follow-up audit report consisting of the recommendations raised in previous cycles of internal audit carried out by KPMG.

The total cost incurred in maintaining the internal audit function for the financial year ended 31 January 2019 was RM238,460/- (2018: RM207,408/-).

BOARD'S CONCLUSION

The Board is satisfied that the BARC and its members have carried out their functions, duties and responsibilities in accordance with the TOR of the BARC and there were no material misstatements, frauds and deficiencies in the systems of internal control not addressed by Management.

Statement on Risk Management and Internal Control

The Board of Directors (“**Board**”) of Sapura Resources Berhad (“**SRB**” or the “**Company**”) seeks to promote a risk-conscious culture and is highly committed to maintain a robust system of internal control and risk management in the Company and its subsidiaries (collectively referred to as the “**Group**”). To this end, the Board is pleased to present the following Statement on Risk Management and Internal Control (the “**Statement**”), which outlines the nature and scope of internal control and risk management of the Group for the financial year ended 31 January 2019.

This Statement is made pursuant to paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad which calls for the annual report to include a “statement about the state of risk management and internal control of the listed issuer as a group” and Practice 9.2 of the Malaysian Code on Corporate Governance (“**MCCG**”) which stipulates that “the board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework”. In preparing this Statement, guidance has been drawn from the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers (the “**Guidelines**”), a publication endorsed by Bursa Malaysia Securities Berhad pursuant to paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

This Statement does not however cover the Group’s joint ventures and associate whereby risk management and internal controls are overseen by the respective governing bodies. The Group’s interests in the joint ventures and associate are served through representations on the boards of the respective companies and review of management accounts, and enquiries given that the Board is not vested with full governance control.

BOARD’S RESPONSIBILITY

The Board recognises the importance of maintaining a sound system of internal control and the proper identification and management of risks affecting the Group’s operations in order to safeguard shareholders’ investments and other stakeholders’ interests. Accordingly, the Board affirms its overall responsibility for the Group’s system of internal control and risk management, and for reviewing the adequacy and operating effectiveness of the said system. Such a system covers not only financial but also operational and compliance risks and the relevant controls designed to manage the said risks. In view of the inherent limitations in any system of risk management and internal control processes, the system can only provide reasonable, but not absolute assurance, against material misstatements, financial losses, defalcations or fraud.

The Board Audit and Risk Committee (“**BARC**”) which comprises solely of Independent Non-Executive Directors, has been entrusted

with the responsibility of assisting the Board in the oversight of risk management and internal controls. This includes reviewing and communicating to the Board on the key risks faced by the Group, the impact and likelihood of such risks crystallising and Management’s readiness to manage and mitigate the risks that arise.

The BARC is supported by the outsourced Internal Audit function, KPMG Management & Risk Consulting Sdn Bhd (“**KPMG**”), which regularly reports to the BARC on the design and operating effectiveness of the internal control, risk management and governance processes and procedures. Notwithstanding the delegated responsibilities, the Board acknowledges its overall responsibility in the establishment and oversight of the Group’s risk management and internal control system. Internal control and risk-related matters which warranted the attention of the Board were recommended by the BARC to the Board for its deliberation and approval and matters or decisions made within the BARC’s purview were escalated to the Board for its notation.

RISK MANAGEMENT

The Board firmly believes that risk management is critical to the Group’s continued business sustainability and the accretion of value creation. The Group has instituted a Risk Management Policy and Framework (“**the Policy**”) which sets out the overarching approach and requirements for managing risk at SRB. The Policy is designed to systematically identify, analyse, monitor and report key risks and the likelihood of risk occurrence as well as the magnitude of impact.

Management is accountable to the Board for the implementation of the risk management framework and in identifying the key risks such as strategic, reputational, financial, operational and regulatory risks affecting the Group. In this regard, the Management evaluates the nature and extent of those risks by putting in place mitigating action plans for effective monitoring and reporting to the Board.

Quarterly results from the risk assessment taking into account any changes in the business processes and the market environment as well as the implementation status of corrective action plan on key risks are reported to the BARC accordingly. Salient methodical steps

Statement on Risk Management and Internal Control

of the risk management framework adopted by SRB are outlined below:

Risk identification

Risks (both internal and exogenous as well as existing and new) which may threaten the achievement of business objectives are identified across different categories including strategic, reputational, regulatory, safety, financial, operational, environmental and human resources.

Risk assessment and mitigation

The likelihood and impact of each risk are determined to provide the rating for each risk based on the risk tolerance levels set by the Board. The risk is then re-assessed after incorporating the identified key controls that are put in place to mitigate and manage the risk in order to determine the effectiveness of the controls. The identified risks, assessments and mitigating actions are documented and signed off by the Heads of the respective business and service units and filed with the acting Chief Financial Officer.

Risk and internal controls monitoring

Monitoring and reporting of risks are conducted on a quarterly basis through the BARC by the Management team to ensure accountability and ownership for the identification of risks, promote the development of appropriate controls to mitigate them and achieve compliance with controls. Reporting of risk will be done on any changes in the current status of risks identified, associated controls and mitigating plans as well as on any material control breaches or losses.

INTERNAL CONTROL FRAMEWORK

The Board regularly reviews the evaluation on the adequacy and operating effectiveness of the Group's internal control framework. Key features of the Group's internal control framework are described below:

Organisation structure

A well-defined organisation structure is in place to demarcate the roles and responsibilities of each function and delegation of authority so as to facilitate quick response to changes affecting the business operations of the Group.

Board Charter

A Board Charter is established as a primary induction literature for the Directors of SRB to be aware of their fiduciary duties and

responsibilities as members of the Board with an emphasis on the need to safeguard the interests of the shareholders, customers and all other stakeholders and that the highest standards of corporate governance are applied in all their dealings on behalf of the Group.

Board Diversity Policy

A Board Diversity Policy is established to consider aspects such as professional experience, skills and knowledge, gender, educational and cultural background, ethnicity and age in configuring the Board's composition. The recognition of diversity is premised on the need to avert "blind spots" and promote multifaceted perspectives, experience and expertise required to achieve effective stewardship.

Board remuneration policy

A Board Remuneration Policy is established with a view of achieving alignment with the Group's strategy that is long term and strategic in nature. The remuneration framework of Directors is determined based on the need to maintain appropriately experienced and qualified Board members in accordance with their roles and responsibilities whilst considering the competitive pressures of the marketplace.

Limits of Authority ("LOA")

LOA policy is established as a uniform control for authorising approval of SRB's expenditures. The LOA determines the approving authorities and authority limits for various transactions. Major capital expenditure, acquisition and disposal of investment interests are approved by the Board before execution. The LOA is regularly reviewed and updated for relevance and briefings to Head of Business Units are conducted to raise awareness on the authority limits.

Annual budgeting

A strategic planning, annual budgeting and target setting process is established covering forecasts for each area of business with detailed reviews at all levels of operations. The Board reviews, challenges, pressure-tests and approves the annual budget prepared by Management.

Management reporting system

A Management reporting system is established and this calls for operations and management accounts to be prepared and reviewed periodically. The system also regulates Management to conduct Business Performance Review meetings so as to monitor the Group's financial performance and results. In addition, meetings are held at business unit and subsidiary levels to provide updates on any operational matters.

Statement on Risk Management and Internal Control

Code of Conduct and Ethics (“the Code”)

The Code is established to outline fundamental guiding principles that are anchored on professional conduct. The Directors acknowledge that they must exercise judgment in applying the principles embodied in this Code to any particular situation. The Code provides guidance to the Directors to assist them in carrying out their duties and responsibilities in accordance with the standards of professional conduct expected by SRB. The Code is available on SRB’s corporate website at www.sapuraresources.com.

Cognisant of the change to the regulatory architecture as introduced by the recently reposed section 17A of Malaysian Anti-Corruption Commission Act 2009, the Board has taken steps to direct the establishment of adequate procedures to prevent the commission of corrupt acts by persons associated to the Company. In order to raise awareness on ethical conduct across the Group, there are planned initiatives to conduct town halls and training sessions to employees in the forthcoming financial year. Plans are also afoot to undertake a systematic review of policies and procedures in the Group, particularly those concerning provisions of gifts, entertainment, hospitality, donations and sponsorships. The said review will be premised on a supply-chain wide perspective covering agents, vendors, contractors and suppliers.

Whistleblowing Policy

A Whistleblowing Policy is established to encourage the Group’s stakeholders including but not limited to the employees, vendors and customers to raise legitimate concerns about possible improprieties involving SRB in matters relating to financial reporting, accounting controls, compliance, improper conduct and other nefarious practices. This Policy facilitates the reporting of such matters in a methodical manner, buttressed by protection to the complainants including safeguarding against reprisal.

Document Retention Policy

A Document Retention Policy was established to ensure complete and accurate records are maintained to support general operations and to meet contractual, legal or regulatory requirements. The Policy shall be reviewed by the BARC on a periodical basis to ensure it reflects the current objectives of SRB and shall be approved by the Board.

Employee Grievance Policy

An Employee Grievance Policy was established to provide a platform in resolving internal disputes or complaints. Based on this policy, procedures are set up to allow employees to voice their grievances or concerns in confidence and not be intimidated by possible retaliation. The policy enables the grievances and concerns be addressed at the “get-go” stage.

Insurance and physical safeguards

The Group has in place insurance and physical safeguards over their employees and major assets whereby it is covered against any untoward events, in which is beyond the Group’s control, that could result in material losses. The insurance coverage is reviewed at specific intervals to ensure its adequacy.

INTERNAL AUDIT FUNCTION

The Board regularly reviews the evaluation on the adequacy and operating effectiveness of the Group’s internal control framework. SRB outsourced its internal audit function to KPMG to assess the adequacy and integrity of the Group’s internal control systems. The internal audit function reports directly, and provides assurance, to the BARC through the execution of internal audit work based on a risk-based internal audit plan approved by the BARC before commencement of work. In carrying out its activities, the internal audit function has unrestricted access to the relevant records, personnel and physical properties of the Group. The internal audit work is carried out based on KPMG’s Internal Audit Methodology (KIAM), which is closely aligned with the International Professional Practices Framework (IPFF) of the Institute of Internal Auditors, of which final communication of internal audit plan, processes and results of the internal audit assessment are supported by sufficient, reliable and relevant information that signifies a satisfactory conclusion of the internal audit work.

Following the completion of its work, the internal audit function reported directly to the BARC on improvement measures pertaining to internal controls, including a follow-up on the status of Management’s implementation of recommendations raised in previous reports. The internal audit reports were submitted to the BARC, who reviewed the observations with Management, including Management’s action plans to address the concerns raised by the internal audit function.

Statement on Risk Management and Internal Control

For the financial year ended 31 January 2019, the internal audit function assessed the adequacy and operating effectiveness of internal controls deployed by Management for the Group's key processes and the key audited areas were tenancy management, procurement and flight management and compliance matters in the aviation segment. For more information on the Summary of work of the Internal Audit function, kindly refer to the BARC Report, as documented in pages 66-69 of this Annual Report.

Review by the external auditor

In accordance to paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the external auditor, Ernst & Young has reviewed this Statement for inclusion in this Annual Report of the Group for the financial year ended 31 January 2019.

The review of this Statement by the external auditor was performed in accordance with the scope set out in Audit and Assurance Practice Guide 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report ("AAPG 3"), issued by the Malaysian Institute of Accountants in February 2018.

The external auditor reported that nothing has come to their attention that caused them to believe that the Statement intended to be included in the Annual Report of the Group was not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Guidelines, nor was it factually inaccurate.

AAPG 3 does not require the external auditor to consider whether this Statement covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The external auditor is also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remediate the problems.

Commentary on the adequacy and effectiveness of the Group's internal control and risk management system

For the financial under review and up to the date of this Statement, the Board is of the view that the Group's risk management and internal control system is adequate and effective to safeguard the interests of stakeholders and the Group's assets. There were no material weaknesses or deficiencies in the system of internal control and risk management that have directly resulted in any material loss to the Group.

The Managing Director and the acting Chief Financial Officer have also provided assurance to the Board that the Group's risk management and internal control system, in all material aspects, are operating adequately and effectively based on the risk management and internal control framework of the Group.

This Statement is made in accordance with the resolution of the Board of Directors dated 23 April 2019.

Statement of Directors' Responsibility in Respect of the Audited Financial Statements

Pursuant to Paragraph 15.26(A) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

The Directors are responsible for ensuring that the financial statements of the Group are drawn up in accordance with the applicable approved Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board, International Financial Reporting Standards issued by the International Accounting Standards Board, the provisions of the Companies Act 2016 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors are also responsible to ensure that the annual audited financial statements of the Group and of the Company are prepared with reasonable accuracy from the accounting records of the Group and of the Company so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 January 2019, and of the results of their operations and cash flows for the financial year then ended.

In preparing the audited financial statements, the Directors have:

- a) Adopted applicable accounting policies and applied them consistently;
- b) Made judgements and estimates that are reasonable and prudent;
- c) Ensured the adoption of applicable approved accounting standards; and
- d) Used the going-concern basis for the preparation of the financial statements.

The Directors are also responsible for ensuring proper accounting records are kept which disclose with reasonable accuracy of the financial position of the Group and Company and are kept in accordance with the Companies Act 2016.

The Directors have general responsibility to take such steps that are reasonably open to them to safeguard the assets of the Group and the Company and to prevent and detect fraud and other irregularities.

Additional Compliance Information

Pursuant to Paragraph 9.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

1. AUDIT AND NON-AUDIT FEES

The details of the audit and non-audit fees paid/payable to the external auditors or a firm or corporation affiliated to the external auditors' firm for the financial year ended 31 January 2019 are as follows:-

	Company (RM)	Group (RM)
Fees paid/payable to Messrs. Ernst & Young		
• Audit	80,300	223,600
• Non-audit		
- Tax fees	26,300	82,700
- Tax advisory services	35,000	61,000
- Assurance related services	8,500	38,500
- Advisory services	7,000	7,000
Fees paid/payable to other auditors		
• Audit	74,000	74,000
• Non-audit	-	-
Grand Total	231,100	486,800

2. MATERIAL CONTRACTS

There were no material contracts entered into by the Company and its subsidiaries (not being contracts entered into in the ordinary course of business) involving the interests of Directors, chief executive and/or major shareholders, either still subsisting at the end of the financial year ended 31 January 2019 or entered into since the end of the previous financial year.

3. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("RRPT")

The Company did not enter into nor seek mandate from its shareholders on any RRPT during the financial year ended 2019.



The background image is a grayscale photograph of a hand holding a pen, writing on a document. In the background, a line graph is visible, showing data points for each month from January to August. The y-axis represents values ranging from 2000 to 100,000. The x-axis lists the months: Jan, Feb, Mar, Apr, May, Jun, Jul, Aug. The graph shows a general upward trend with some fluctuations. There are also human icons placed above some data points, and a keyboard is visible in the foreground.

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Directors' Report

Directors' report

The directors present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 January 2019.

Principal activities

The principal activities of the Company are investment holding and property investment.

The principal activities of the subsidiaries and other information relating to the subsidiaries are described in Note 14 to the financial statements.

Holding company

The holding company is Sapura Holdings Sdn. Bhd., which is incorporated in Malaysia.

Results

	Group RM'000	Company RM'000
Loss for the year	(6,077)	(8,873)
Loss attributable to:		
Owners of the parent	(6,077)	(8,873)
Non-controlling interest	-	-
	(6,077)	(8,873)

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

Dividends

The directors do not recommend the payment of any dividend in respect of the current financial year.

Directors' Report (cont'd.)

Directors

The names of the directors of the Company in office since the beginning of the financial year to the date of this report are:

Tan Sri Datuk Amar (Dr.) Hamid bin Bugo

Tan Sri Dato' Seri Shahril bin Shamsuddin

Dato' Shahrizan bin Shamsuddin *

Dato' Fuziah @ Fauziah binti Dato' Ismail

Dato' Muthanna bin Abdullah

Ahmad Jauhari bin Yahya

Peter Ho Kok Wai

* Directors of the Company and subsidiaries

The names of the directors of the subsidiaries of the Company since the beginning of the financial year to the date of this report are disclosed in Note 14 to the financial statements.

Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 8 to the financial statements or other than benefits included in remuneration as director and/or employee of related corporations) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except as disclosed in Note 31 to the financial statements.

The Company maintains a liability insurance for the directors and officers of the Group. The total amount of sum insured for the directors and officers of the Group for the financial year amounted to RM10,000,000.

The total amount of insurance premium effected for any director and officer of the Group during the financial year is RM16,000.

Directors' Report (cont'd.)

Directors' interests

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

	At 1.2.2018	Number of ordinary shares		At 31.1.2019
		Acquired	Transfer	
Sapura Resources berhad - the Company				
Direct Interest				
Tan Sri Dato' Seri Shahril bin Shamsuddin	83,250	-	-	83,250
Dato' Shahrman bin Shamsuddin	83,250	-	-	83,250
Indirect Interest				
Tan Sri Dato' Seri Shahril bin Shamsuddin	72,372,772	-	-	72,372,772
Dato' Shahrman bin Shamsuddin	72,372,772	-	-	72,372,772
Sapura Holdings Sdn. Bhd. - holding company				
Ordinary Shares				
Direct Interest				
Tan Sri Dato' Seri Shahril bin Shamsuddin	30,147,187	-	-	30,147,187
Dato' Shahrman bin Shamsuddin	30,147,187	-	-	30,147,187
Indirect Interest				
Tan Sri Dato' Seri Shahril bin Shamsuddin	11,165,626	-	-	11,165,626
Dato' Shahrman bin Shamsuddin	11,165,626	-	-	11,165,626
Preference Shares (Class "A")				
Direct Interest				
Tan Sri Dato' Seri Shahril bin Shamsuddin	10,000	-	-	10,000
Preference Shares (Class "B")				
Direct Interest				
Dato' Shahrman bin Shamsuddin	10,000	-	-	10,000

Directors' Report (cont'd.)

Directors' interests (cont'd.)

Tan Sri Dato' Seri Shahril bin Shamsuddin and Dato' Shahrizan bin Shamsuddin by virtue of their interests in shares in the holding company are also deemed interested in shares of all the holding company's subsidiaries to the extent the holding company has an interest.

None of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

Other statutory information

- (a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
 - (i) the amount written off for bad debts or the amount of provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
 - (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
 - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

Directors' Report (cont'd.)

Significant events

In addition to the significant events disclosed elsewhere in this report, other significant events are disclosed in Note 39 to the financial statements.

Auditors

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Auditors' remuneration are disclosed in Note 6 to the financial statements.

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement against claims by third parties arising from the audit. No payment has been made to indemnify Ernst & Young for the financial year ended 31 January 2019.

Signed on behalf of the Board in accordance with a resolution of the directors dated 7 May 2019.

Dato' Shahrizan bin Shamsuddin

Dato' Muthanna bin Abdullah

Statement by Directors

Pursuant to Section 251(2) of the Companies Act, 2016

We, Dato' Shahrman bin Shamsuddin and Dato' Muthanna bin Abdullah, being two of the directors of Sapura Resources Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 89 to 161 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 January 2019 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 7 May 2019.

Dato' Shahrman bin Shamsuddin

Dato' Muthanna bin Abdullah

Statutory Declaration

Pursuant to Section 251(1)(b) of the Companies Act, 2016

I, Ainun Mardziah binti Hashim, being the officer primarily responsible for the financial management of Sapura Resources Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 89 to 161 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Ainun Mardziah binti Hashim at Kuala Lumpur in the Federal Territory on 7 May 2019.

Before me,

Ainun Mardziah binti Hashim
(MIA Membership No: 24445)

Independent Auditors' Report

to the members of Sapura Resources Berhad (Incorporated in Malaysia)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Sapura Resources Berhad, which comprise the statements of financial position as at 31 January 2019 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 89 to 161.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 January 2019, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditors' responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

Impairment review of property, plant and equipment for aviation segment

(Refer to Note 11 to the financial statements)

In accordance with MFRS136: Impairment of Assets, the Group is required to perform impairment test of cash generating unit ("CGU") whenever there is an indication that the CGU may be impaired by comparing the carrying amount with its recoverable amount. Recoverable amount is defined as the higher of fair value less costs of disposal ("FVLCD") and value in use ("VIU").

The aviation segment of the Group continuously reported losses for the past financial years, indicating that the carrying amount of the related property, plant and equipment of the segment ("said properties") may be impaired. Accordingly, the Group estimated the recoverable amount of the said properties based on fair value less cost of disposal method. The Group had engaged an independent valuer to determine the fair value of the said properties. When estimating the fair value of a property, the objective is to estimate the price that would be received from the sale of property in the current market.

Independent Auditors' Report to the members of Sapura Resources Berhad (Incorporated in Malaysia) (cont'd.)

Key audit matters (cont'd.)

Impairment review of property, plant and equipment for aviation segment (cont'd.)

We considered this as an area of audit focus because the assessment process is complex and is based on assumptions that are highly judgmental. Our audit procedures focused on the valuations performed by the independent valuer, which included amongst others the following procedures:

- (i) We considered the objectivity, independence and expertise of the independent valuer;
- (ii) We obtained an understanding of the methodology adopted by the independent valuer in estimating the fair value of the said properties and assessed whether such methodology is consistent with those used in the industry; and
- (iii) As part of our evaluations of the fair values of the said properties, we discussed the valuation with the independent valuer to obtain an understanding of the properties and related data used as input to the valuation model.

Impairment review of investment in subsidiaries and amounts due from subsidiaries

(a) Cost of investment in subsidiaries - rethink to include when there is nothing there to assess

(Refer to Note 14 to the financial statements)

The Company is required to perform impairment test of its investments whenever there is an indication that the investments may be impaired. The history of continued losses and depleting shareholders' funds reported by the subsidiaries of the Company indicate that the carrying amounts of the investment in subsidiaries may be impaired.

The Company estimated the recoverable amounts of the costs of investment in subsidiaries based higher of FVLCD and VIU. Estimating the VIU involves estimating the future cash inflows and outflows that will be derived from the investments and discounting them at an appropriate discount rate. Such estimations are highly subjective and accordingly we consider this to be an area of audit focus.

In addressing this area of audit focus, amongst others:

- (i) We obtained an understanding of the relevant internal controls of the Company over the estimation of recoverable amounts of investments in subsidiaries.
- (ii) We evaluated the assumptions used in the determination of discounted cash flows (such as occupancy rates, rental rates, ground handling, transient and ancillary rates, monthly aircraft management fees, as well as the expenses related to the respective revenue streams to the agreements with aircraft owners) by making comparisons to historical trends;
- (iii) We assessed whether the rates used in discounting the future cash flows to its present value by comparing with prevailing market rates; and
- (iv) We considered the fair values of the property, plant and equipment as discussed in the preceding key audit matter.

(b) Amounts due from subsidiaries

(Refer to Note 18 to the financial statements)

MFRS 9: Financial instruments, entails amongst others the adoption of Expected Credit Loss ("ECL") impairment requirements. The measurement of the ECLs reflects a probability-weighted outcome, time value of money and the best available forward-looking information.

Independent Auditors' Report **to the members of Sapura Resources Berhad (Incorporated in Malaysia) (cont'd.)**

Key audit matters (cont'd.)

Impairment review of investment in subsidiaries and amounts due from subsidiaries (cont'd.)

(b) Amounts due from subsidiaries (cont'd.)

The Company performed impairment reviews in respect of the amounts due from subsidiaries by comparing the assets' carrying amounts and the present value of estimated future cash flows receivable from the subsidiaries. The estimated future cash flows that are included in the impairment reviews are the contractual cash of the financial assets, reduced or delayed based on the current expectations of the amounts and timing of these cash flows as a result of losses incurred at the reporting date. Those cash flows are discounted at the original effective interest rate of the financial assets.

The aforementioned estimation of future cash flows involves significant judgment and estimates which are highly subjective and accordingly we consider this to be an area of audit focus.

In addressing this area of concern, amongst others:

- (i) We obtained an understanding of the relevant internal controls of the Company over the estimation of recoverable amounts due from subsidiaries; and
- (ii) We evaluated the assumptions applied in the determination of the amounts and timing of receipts from the subsidiaries in light of the estimation of profits and the resulting cash flows to be derived from the operations of the subsidiaries.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Independent Auditors' Report to the members of Sapura Resources Berhad (Incorporated in Malaysia) (cont'd.)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent Auditors' Report **to the members of Sapura Resources Berhad (Incorporated in Malaysia) (cont'd.)**

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young

AF: 0039

Chartered Accountants

Kuala Lumpur, Malaysia

7 May 2019

Ismed Darwis Bahatlar

No. 02921/04/2020 J

Chartered Accountant

Statements of Comprehensive Income

For the year ended 31 January 2019

	Note	Group		Company	
		2019 RM'000	Restated 2018 RM'000	2019 RM'000	Restated 2018 RM'000
Revenue	4	48,835	51,339	28,240	28,673
Operating expenses		(61,162)	(69,935)	(41,877)	(42,381)
Other income		5,368	28,461	5,847	29,098
(Loss)/profit from operations		(6,959)	9,865	(7,790)	15,390
Finance costs	5	(146)	(30)	(138)	(17)
Share of result of an associate		2,666	2,985	-	-
Share of result of joint ventures		(622)	(447)	-	-
(Loss)/profit before tax	6	(5,061)	12,373	(7,928)	15,373
Taxation	9	(1,016)	1,081	(945)	(1,247)
(Loss)/profit after tax, representing total comprehensive (loss)/income for the year		(6,077)	13,454	(8,873)	14,126
(Loss)/profit, representing total comprehensive (loss)/income attributable to:					
Owners of the parent		(6,077)	13,454	(8,873)	14,126
Non-controlling interest		-	-	-	-
		(6,077)	13,454	(8,873)	14,126
(Loss)/earnings per share attributable to the owners of the parent (sen):					
Basic/diluted	10	(4.35)	9.64		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Financial Position

As at 31 January 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Assets					
Non-current assets					
Property, plant and equipment	11	54,933	45,229	24,455	15,733
Investment properties	12	114,740	117,900	114,740	117,900
Intangible assets	13	-	-	-	-
Investment in subsidiaries	14	-	-	20,699	12,690
Investment in an associate	15	15,995	13,329	12,000	12,000
Investment in joint ventures	16	141,452	139,931	127,908	125,308
		327,120	316,389	299,802	283,631
Current assets					
Inventories	17	13	18	-	-
Trade and other receivables	18	14,719	9,493	6,335	11,416
Prepayments		424	350	221	228
Tax recoverable		2,072	1,769	56	-
Other current financial assets	19	115	122	115	122
Short term investment	20	142,940	160,348	142,940	160,348
Cash and bank balances	21	5,296	4,402	4,102	1,257
		165,579	176,502	153,769	173,371
Total assets		492,699	492,891	453,571	457,002
Equity and liabilities					
Current liabilities					
Trade and other payables	22	22,509	22,934	13,628	14,107
Provisions	23	3,830	3,000	3,000	3,000
Loans and borrowings	24	5,761	139	5,700	61
Tax payable		-	124	-	124
		32,100	26,197	22,328	17,292
Net current assets		133,479	150,305	131,441	156,079

Statements of Financial Position

As at 31 January 2019 (cont'd.)

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-current liabilities					
Deferred tax liabilities	26	4,202	4,148	2,224	1,818
Loans and borrowings	24	116	188	-	-
		4,318	4,336	2,224	1,818
Total liabilities		36,418	30,533	24,552	19,110
Net assets		456,281	462,358	429,019	437,892
Equity attributable to owners of the parent					
Share capital	27	139,600	139,600	139,600	139,600
Other reserves	28	2,581	2,581	1,100	1,100
Retained profits	29	314,100	320,177	288,319	297,192
Total equity		456,281	462,358	429,019	437,892
Total equity and liabilities		492,699	492,891	453,571	457,002

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity

For the year ended 31 January 2019

	<-----Attributable to owners of the parent ----->				
	<--Non-Distributable -->		<---Distributable ----->		
	Share capital (Note 27) RM'000	Capital reserve (Note 28) RM'000	General reserve (Note 28) RM'000	Retained profits (Note 29) RM'000	Total equity RM'000
Group					
At 1 February 2018	139,600	1,481	1,100	320,177	462,358
Total comprehensive loss for the year	-	-	-	(6,077)	(6,077)
At 31 January 2019	139,600	1,481	1,100	314,100	456,281
At 1 February 2017	139,600	1,481	1,100	306,723	448,904
Total comprehensive income for the year	-	-	-	13,454	13,454
At 31 January 2018	139,600	1,481	1,100	320,177	462,358
Company					
At 1 February 2018	139,600	-	1,100	297,192	437,892
Total comprehensive loss for the year	-	-	-	(8,873)	(8,873)
At 31 January 2019	139,600	-	1,100	288,319	429,019
At 1 February 2017	139,600	-	1,100	283,066	423,766
Total comprehensive income for the year	-	-	-	14,126	14,126
At 31 January 2018	139,600	-	1,100	297,192	437,892

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Cash Flows

For the year ended 31 January 2019

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Operating activities				
(Loss)/profit before tax	(5,061)	12,373	(7,928)	15,373
Adjustments for:				
Interest income	-	-	(797)	(848)
Profits distribution from short term investment	(4,638)	(6,016)	(4,638)	(6,016)
Profits distribution from money market instruments	-	(22)	-	(22)
Dividend income	-	(2)	-	(2)
Finance costs	146	30	138	17
Unrealised foreign exchange loss	255	196	-	-
Unrealised fair value loss on held for trading investment securities	88	158	88	158
Reversal of impairment on investment in a joint venture company	(7)	-	-	-
Gain on disposal of property, plant and equipment	(139)	(27)	(139)	(5)
Depreciation of investment properties	3,160	3,161	3,160	3,161
Depreciation of property, plant and equipment	6,439	6,300	3,394	2,843
Property, plant and equipment written off	-	43	-	-
Provision for claim	830	-	-	-
Reversal of provision for indemnity	-	(22,000)	-	(22,000)
Reversal for impairment of trade receivables	(676)	(386)	(56)	(17)
Impairment loss on trade receivables	1,107	448	54	61
Impairment loss on other receivables	-	34	-	-
Impairment loss on investment in subsidiaries	-	-	2,972	996
Impairment loss on amount due from subsidiaries	-	-	9,196	11,353
Impairment loss on amount due from a joint venture company	142	-	-	-
Impairment loss on property, plant and equipment	-	7,495	-	-
Share of result of an associate	(2,666)	(2,985)	-	-
Share of result of joint ventures	622	447	-	-
Operating (loss)/profit before working capital changes	(398)	(753)	5,444	5,052
Inventories	5	3	-	-
Trade and other receivables and prepayments	(6,128)	1,076	(14,290)	(9,413)
Trade and other payables	(425)	(583)	(479)	(1,144)

Statements of Cash Flows

For the year ended 31 January 2019 (cont'd.)

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Operating activities (cont'd.)				
Cash used in operations	(6,946)	(257)	(9,325)	(5,505)
Taxes paid	(1,389)	(2,736)	(719)	(1,860)
Net cash used in operating activities	(8,335)	(2,993)	(10,044)	(7,365)
Investing activities				
Purchase of property, plant and equipment	(16,149)	(19,329)	(12,120)	(13,216)
Additional investment in quoted shares	(81)	-	(81)	-
Additional investment in a joint venture	(2,600)	(5,000)	(2,600)	(4,500)
Net withdrawal from short term investment	17,408	11,343	17,408	11,343
Proceeds from disposal of property, plant and equipment	145	148	143	5
Proceeds from disposal of a joint venture	464	-	-	-
Profits distribution received from short term investment	4,638	6,016	4,638	6,016
Profits distribution received from money market instruments	-	22	-	22
Dividend received	-	2	-	2
Net cash generated from/(used in) investing activities	3,825	(6,798)	7,388	(328)
Financing activities				
Net repayment of obligations under finance lease	(150)	(202)	(61)	(246)
Net withdrawal of other short term borrowings	5,700	-	5,700	-
Interest paid	(146)	(30)	(138)	(17)
Net cash generated from/(used in) from financing activities	5,404	(232)	5,501	(263)
Net increase/(decrease) in cash and cash equivalents	894	(10,023)	2,845	(7,956)
Cash and bank balances beginning of year	4,402	14,425	1,257	9,213
Cash and bank balances at end of year (Note 21)	5,296	4,402	4,102	1,257

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Notes to the Financial Statements

31 January 2019

1. Corporate information

Sapura Resources Berhad ("the Company") is a public limited liability company incorporated and domiciled in Malaysia, and is listed on the Bursa Malaysia Securities Berhad ("Bursa Malaysia"). The registered office of the Company is located at Sapura @ Mines, No. 7, Jalan Tasik, The Mines Resort City, 43300, Seri Kembangan, Selangor Darul Ehsan.

The holding company is Sapura Holdings Sdn. Bhd., a company incorporated in Malaysia.

The principal activities of the Company are investment holding and property investment. The principal activities of the subsidiaries are disclosed in Note 14.

There have been no significant changes in the nature of the principal activities during the financial year.

2. Summary of significant accounting policies

2.1 Basis of preparation of the financial statements

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

As of 1 February 2018, the Group and the Company had adopted new, amendments and revised MFRS (collectively referred to as "pronouncements") that have been issued by the Malaysian Accounting Standards Board ("MASB") as described fully in Note 2.2.

2.2 Changes in accounting policies and effects arising from adoption of new and revised MFRSs

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

Description	Effective for annual period beginning on or after
MFRS 9: Financial Instruments	1 January 2018
MFRS 15: Revenue from Contracts with Customers	1 January 2018
Amendments to MFRS 128: Investment in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014 -2016 Cycle)	1 January 2018
Amendments to MFRS 15: Revenue from Contract with Customers: Clarification to MFRS 15	1 January 2018
Amendments to MFRS 140: Investment Property: Transfer of Investment Property	1 January 2018
IC Interpretation 22: Foreign Currency Transactions and Advance Consideration	1 January 2018

Notes to the Financial Statements

31 January 2019 (cont'd.)

2. Summary of significant accounting policies (cont'd.)

2.2 Changes in accounting policies and effects arising from adoption of new and revised MFRSs (cont'd.)

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

(i) MFRS 15: *Revenue from Contracts with Customers*

The Group and the Company adopted MFRS 15 using the retrospective approach. Arising from the adoption of MFRS 15, chargeback of utilities and maintenance services provided to our investment properties customers which previously recognised as other income, now recognised as revenue. The audited financial statements for the Group and the Company for the previous financial year have been restated as follows:

	As previously stated as at 2018 RM'000	Effect of adoption of MFRS15 RM'000	As restated as at 2018 RM'000
<u>Statements of comprehensive income</u>			
<u>Group</u>			
Revenue	50,264	1,075	51,339
Other income	29,536	(1,075)	28,461
<u>Company</u>			
Revenue	27,598	1,075	28,673
Other income	30,173	(1,075)	29,098

(ii) MFRS 9: *Financial Instruments*

The impact of MFRS 9 to the Group and the Company financial statements are as follows:

Financial assets previously classified as loans and receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The contractual cash flow characteristics of those instruments met the criteria for amortised cost measurement under MFRS 9. Other current financial assets relates to the investment in quoted equity shares and short term investment in money market funds are measured at fair value through profit or loss.

MFRS 9 replaces the incurred loss model in MFRS 139 with a forward-looking expected credit loss model. The Group and the Company applied the simplified approach and record lifetime expected losses on all trade receivables. Since the Group and the Company had performed assessment based on individual customer basis, there will be no significant difference in loss allowance other than the timing of recognition of such loss allowance.

Notes to the Financial Statements

31 January 2019 (cont'd.)

2. Summary of significant accounting policies (cont'd.)

2.3 New and revised pronouncements yet in effect

The following pronouncements that have been issued by the Malaysian Accounting Standards Board will become effective in future financial reporting periods and have not been adopted by the Company in these financial statements:

Effective for annual periods beginning on or after 1 January 2019

MFRS 16	Leases
Amendments to MFRS 3	Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)
Amendments to MFRS 11	Joint Arrangements (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)
Amendments to MFRS 112	Income Taxes (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)
Amendments to MFRS 128	Investments in Associates and Joint Ventures
IC Interpretation 23	Uncertainty over Income Tax Treatments

Effective for annual periods beginning on or after 1 January 2020

Amendments to MFRS 3	Business Combinations (Definition of Business)
Amendments to MFRS 101	Presentation of Financial Statements (Definition of Material)
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Material)

Deferred yet to be effective

Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
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The Group and the Company 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 and the Company except as mentioned below:

(i) MFRS 16 Leases

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

Notes to the Financial Statements

31 January 2019 (cont'd.)

2. Summary of significant accounting policies (cont'd.)

2.3 New and revised pronouncements yet in effect (cont'd.)

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

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

Classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows, whereas under MFRS 16, the lease payments will be split into a principal (which will be presented as financing cash flows) and an interest portion (which will be presented as operating cash flows).

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases. MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

The Group will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

The standard will affect primarily the accounting for the Group's operating leases. As at 31 January 2019, the Group has non-cancellable operating lease commitments of RM36,293,000. MFRS 117 does not require the recognition of any right-of-use asset or liability for future payments for these non-cancellable operating leases. Instead, certain disclosures are made in Note 33(c). A preliminary assessment indicates that these arrangements will meet the definition of a lease under MFRS 16 and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of these leases. The new requirements to recognise a right-of-use asset and a related lease liability is expected to have a significant impact on the amounts recognised in the Group's consolidated financial statements and the Group is currently quantifying the final impact to the Group's financial statements.

2.4 Subsidiary and Basis of Consolidation

(i) Subsidiary

Subsidiaries are entities controlled by the Company.

The financial statements of subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control when such rights are substantive. The Group considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Notes to the Financial Statements

31 January 2019 (cont'd.)

2. Summary of significant accounting policies (cont'd.)

2.4 Subsidiary and Basis of Consolidation (cont'd.)

(ii) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at and for the year ended 31 January of each year.

The financial statements of the subsidiary is prepared for the same reporting period as the Company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full. Subsidiary is the entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls an entity.

Subsidiary is consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Acquisitions of subsidiaries are accounted for using the acquisition method of accounting. The identifiable assets acquired and the liabilities assumed are measured at their fair values at the acquisition date. Acquisition costs incurred are expensed and included in administrative expenses. The difference between these fair values and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

2.5 Foreign currency

(a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

Notes to the Financial Statements

31 January 2019 (cont'd.)

2. Summary of significant accounting policies (cont'd.)

2.5 Foreign currency (cont'd.)

(c) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

2.6 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation of other property, plant and equipment is computed on a straight-line basis over the estimated useful lives of the assets, at the following annual rates:

Buildings	1.4% - 4.0%
Hangars	3% - 20%
Office equipment, furniture and fittings	12% - 33%
Motor vehicles	20%
Renovation	10% - 20%

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

Notes to the Financial Statements

31 January 2019 (cont'd.)

2. Summary of significant accounting policies (cont'd.)

2.7 Investment properties

Investment properties are properties that are held either to earn rental income or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties. Investment properties are initially measured at cost, including transaction costs.

Depreciation of leasehold land classified as investment properties is provided for on a straight-line basis to write off the cost of the asset to its residual value over the respective remaining lease periods of the leasehold land.

Depreciation of leasehold building classified as investment properties is provided for on a straight-line basis to write off the cost of the asset to its residual value over the shorter of its lease term period or 50 years.

Investment properties are derecognised when either they have been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.6 up to the date of change in use.

2.8 Intangible assets

(a) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed off, the goodwill associated with the operation disposed off is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed off in this circumstance is measured based on the relative fair values of the operations disposed off and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operation on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.5.

Goodwill and fair value adjustments which arose on acquisitions of foreign operation before 1 January 2006 are deemed to be assets and liabilities of the Company and are recorded in RM at the rates prevailing at the date of acquisition.

Notes to the Financial Statements

31 January 2019 (cont'd.)

2. Summary of significant accounting policies (cont'd.)

2.8 Intangible assets (cont'd.)

(b) Other intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

2.9 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

Notes to the Financial Statements

31 January 2019 (cont'd.)

2. Summary of significant accounting policies (cont'd.)

2.10 Investments in associates and joint ventures

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

On acquisition of an investment in associate or joint venture, any excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill and included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities of the investee over the cost of investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's or joint venture's profit or loss for the period in which the investment is acquired.

An associate or a joint venture is equity accounted for from the date on which the investee becomes an associate or a joint venture.

Under the equity method, on initial recognition the investment in an associate or a joint venture is recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture after the date of acquisition. When the Group's share of losses in an associate or a joint venture equal or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payment on behalf of the associate or joint venture.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate or joint venture are recognised in the Group's financial statements only to the extent of unrelated investors' interests in the associate or joint venture. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The financial statements of the associates and joint ventures are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group applies MFRS 9 *Financial Instruments* to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate or joint venture. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with MFRS 136 *Impairment of Assets* as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

In the Company's separate financial statements, investments in associates and joint ventures are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2.11 Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

Notes to the Financial Statements

31 January 2019 (cont'd.)

2. Summary of significant accounting policies (cont'd.)

2.11 Financial assets (cont'd.)

(a) Recognition and initial measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("OCI"), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Company's business model for managing them.

With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the Group and the Company initially measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Trade receivables that do not contain a significant financing component or if the period between performance and payment is 1 year or less under practical expedient of MFRS 15, are measured at the transaction price determined under MFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's and the Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place ("regular way trades") are recognised on the trade date, that is the date that the Group or the Company commits to purchase or sell the asset.

(b) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in three categories:

- (i) Financial assets at amortised cost (debt instruments)
- (ii) Financial assets at fair value through OCI (debt instruments)
- (iii) Financial assets at fair value through profit or loss

Financial assets at amortised cost

This category is the most relevant to the Group and the Company. The Group and the Company measure financial assets at amortised cost if both of the following conditions are met:

- (i) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- (ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Notes to the Financial Statements

31 January 2019 (cont'd.)

2. Summary of significant accounting policies (cont'd.)

2.11 Financial assets (cont'd.)

(b) Subsequent measurement (cont'd.)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes listed equity investments and short term investments which the Group and the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

(c) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- (i) The rights to receive cash flows from the asset have expired; or
- (ii) The Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
 - The Group and the Company have transferred substantially all the risks and rewards of the asset, or
 - The Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

When the Group and the Company have transferred their rights to receive cash flows from an asset or have entered into a pass-through arrangement, they evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company would be required to repay.

Notes to the Financial Statements

31 January 2019 (cont'd.)

2. Summary of significant accounting policies (cont'd.)

2.12 Impairment of financial assets

The Group and the Company recognise an allowance for expected credit losses ("ECLs") for all debt instruments carried at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group and the Company applies a simplified approach in calculating ECLs. Therefore, the Group and the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group and the Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 120 days past due. However, in certain cases, the Group and the Company may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.13 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, and balances and deposits with banks. For the purpose of cash flow statements, cash and cash equivalents include cash on hand and short term deposits with banks with an original maturity of 3 months or less, less restricted cash held in designated accounts on behalf of clients.

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for on a first-in first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

2.15 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Notes to the Financial Statements

31 January 2019 (cont'd.)

2. Summary of significant accounting policies (cont'd.)

2.16 Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's and the Company's financial liabilities include trade and other payables, provision and loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group and the Company that are not designated as hedging instruments in hedge relationships as defined by MFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied. The Group and the Company have not designated any financial liabilities as at fair value through profit or loss.

(b) Loans and borrowings

This is the category most relevant to the Group and the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate ("EIR") method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. Borrowings are classified as current liabilities unless the Group and the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Notes to the Financial Statements

31 January 2019 (cont'd.)

2. Summary of significant accounting policies (cont'd.)

2.16 Financial liabilities (cont'd.)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.17 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

2.18 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

2.19 Employee benefits

(i) Short-term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and the Company.

(ii) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

Notes to the Financial Statements

31 January 2019 (cont'd.)

2. Summary of significant accounting policies (cont'd.)

2.20 Leases

(a) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Rental income is accounted for on a straight-line basis over the lease term. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term.

2.21 Revenue from contracts with customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers.

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

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(a) Revenue from investment properties, other than rental income

Revenue from investment properties, other than rental income includes parking, utilities and maintenance services. The performance obligation is satisfied upon services being rendered to the customers.

(b) Ground handling services

The performance obligation is satisfied at a point of time when the services are performed.

Notes to the Financial Statements

31 January 2019 (cont'd.)

2. Summary of significant accounting policies (cont'd.)

2.21 Revenue from contracts with customers (cont'd.)

(c) **Aircraft management**

Performance obligation for aircraft management revenue satisfied when it is recognised as the services are performed.

(d) **Engineering services**

Performance obligation for engineering services is satisfied when the services of engineering are performed to customers.

(e) **Charter services**

Performance obligation for charter services is recognised as and when the services are performed.

(f) **Management fees**

The performance obligation is satisfied over time upon services being rendered to the customers.

(g) **Sale of goods**

The performance obligation is satisfied upon the delivery of goods to the customers.

2.22 Income taxes

(a) **Current tax**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(b) **Deferred tax**

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Notes to the Financial Statements

31 January 2019 (cont'd.)

2. Summary of significant accounting policies (cont'd.)

2.22 Income taxes (cont'd.)

(b) Deferred tax (cont'd.)

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.23 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 38, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.24 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

Notes to the Financial Statements

31 January 2019 (cont'd.)

2. Summary of significant accounting policies (cont'd.)

2.25 Fair value measurements

The Group measures non-financial assets such as investment properties, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- (a) In the principal market for the asset or liability, or
- (b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- (a) Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- (b) Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- (c) Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group determines the policies and procedures for investment properties.

External valuers are involved for valuation of significant assets, such as properties and available-for-sale financial assets, and significant liabilities, such as contingent consideration. Involvement of external valuers is decided upon annually by the management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Notes to the Financial Statements

31 January 2019 (cont'd.)

3. Significant accounting judgements and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3.1 Judgements made in applying accounting policies

There are no critical judgements made by management in the process of applying the Group's accounting policies that may have significant effects on the amounts recognised in the financial statements.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of investments and amounts due from subsidiaries, associate and joint ventures

The management determines whether the carrying amounts of its investments and amounts due from subsidiaries, associate and joint ventures are impaired at reporting date. This involves measuring the recoverable amounts which includes fair value less costs to sell and valuation techniques. Valuation techniques include amongst others, discounted cash flows analysis and in some cases, based on current market indicators and estimates that provide reasonable approximations to the detailed computation.

The carrying amounts of investments in subsidiaries, associate and joint ventures as at the reporting date are disclosed in Notes 14, 15, 16 and 18.

(b) Impairment of property, plant and equipment

Considering the net losses reported in the aviation segment, this indicates that the carrying amount of the related property, plant and equipment ("said properties") may be impaired. The Group carried out an impairment assessment comparing the carrying value of the said properties against its recoverable amount where the recoverable amount is determined based on fair value less cost to sell method.

The Group engaged an external independent valuer to estimate the fair value of the said properties. When estimating the fair value of a property, the objective is to estimate the price that would be received from the sale of property in the current market. Based on the impairment test performed, the recoverable amount of the said properties is estimated to be RM27,363,000 (2018: RM25,985,000). No additional impairment loss recorded for the year ended 31 January 2019 (2018: RM7,495,000). The fair value estimated by the independent valuer is categorised within the Level 3 fair value hierarchy which is described as inputs for the assets or liabilities that are based on unobservable market data.

Notes to the Financial Statements

31 January 2019 (cont'd.)

4. Revenue

	Group		Company	
	2019 RM'000	Restated 2018 RM'000	2019 RM'000	Restated 2018 RM'000
Type of goods or services				
Revenue from investment properties, other than rental income	3,057	3,410	3,087	3,410
Ground handling services	10,037	10,777	-	-
Aircraft management	1,336	1,159	-	-
Engineering services	1,088	1,408	-	-
Charter services	60	1,338	-	-
Management fees	-	46	3,152	3,404
Sale of goods	761	757	-	-
Total revenue from contracts with customers	16,339	18,895	6,239	6,814
Rental income from investment properties	22,001	21,836	22,001	21,857
Rental of hangar and offices	10,495	10,606	-	-
Dividend income	-	2	-	2
Total revenue from other sources	32,496	32,444	22,001	21,859
	48,835	51,339	28,240	28,673
Geographical markets				
Malaysia	11,257	16,712	6,239	6,814
Outside Malaysia	5,082	2,183	-	-
Total revenue from contracts with customers	16,339	18,895	6,239	6,814
Total revenue from other sources	32,496	32,444	22,001	21,859
	48,835	51,339	28,240	28,673
Timing of revenue recognition				
At a point of time	16,339	18,849	3,087	3,410
Over time	-	46	3,152	3,404
Total revenue from contracts with customers	16,339	18,895	6,239	6,814
Total revenue from other sources	32,496	32,444	22,001	21,859
	48,835	51,339	28,240	28,673

Information on the performance obligations are disclosed in Note 2.21.

The Company recognised management fees over time upon services being rendered to subsidiaries.

Notes to the Financial Statements

31 January 2019 (cont'd.)

5. Finance costs

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest expense on:				
Overdrafts	9	9	9	9
Revolving credits	128	-	128	-
Obligations under finance leases	9	21	1	8
	146	30	138	17

6. (Loss)/profit before tax

The following items have been included in arriving at (loss)/profit before tax:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Employee benefits expense (Note 7)	22,476	22,979	12,672	12,561
Non-executive directors' remuneration - excluding benefits-in-kind (Note 8)	572	572	572	572
Direct operating expense arising from investment properties	5,468	5,956	5,468	5,956
Auditors' remuneration:				
- Statutory audit				
Auditor of the Group & the Company	224	224	80	80
Other auditors	74	52	74	52
- Other services				
Tax fees	83	107	26	28
Tax advisory services	61	243	35	145
Assurance related services	39	9	9	9
Advisory services	7	80	7	80
Depreciation of investment properties (Note 12)	3,160	3,161	3,160	3,161
Depreciation of property, plant and equipment (Note 11)	6,439	6,300	3,394	2,843
Property, plant and equipment written off	-	43	-	-
Impairment loss on trade receivables (Note 18(a))	1,107	448	54	61
Impairment loss on other receivables (Note 18(b))	-	34	-	-
Impairment loss on investment in subsidiaries (Note 14)	-	-	2,972	996

Notes to the Financial Statements

31 January 2019 (cont'd.)

6. (Loss)/profit before tax (cont'd.)

The following items have been included in arriving at (loss)/profit before tax (cont'd.):

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Impairment loss on amount due from subsidiaries (Note 18(b))	-	-	9,196	11,353
Impairment loss on amount due from a joint venture (Note 18(b))	142	-	-	-
Impairment loss on property, plant and equipment (Note 11)	-	7,495	-	-
Net unrealised foreign exchange loss	255	196	-	-
Net realised foreign exchange loss	26	125	-	-
Rental of premises	619	608	690	678
Rental of hangars	5,952	5,904	-	-
Rental of equipment	236	411	30	144
Corporate service fee payable to holding company	221	220	221	220
Unrealised fair value loss on held for trading investment securities	88	158	88	158
Reversal of allowances for impairment of trade receivables (Note 18(a))	(676)	(386)	(56)	(17)
Interest income	-	-	(797)	(848)
Profits distribution from short term investment	(4,638)	(6,016)	(4,638)	(6,016)
Profits distribution from money market instruments	-	(22)	-	(22)
Provision for claim (Note 23)	830	-	-	-
Reversal of provision for indemnity (Note 23)	-	(22,000)	-	(22,000)
Reversal of impairment on investment in a joint venture company	(7)	-	-	-
Gain on disposal of property, plant and equipment	(139)	(27)	(139)	(5)

Notes to the Financial Statements

31 January 2019 (cont'd.)

7. Employee benefits expense

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Wages and salaries	18,013	18,273	10,315	10,096
Social security contributions	141	137	50	45
Contributions to defined contribution plan	2,026	2,262	1,100	1,151
Other benefits	2,296	2,307	1,207	1,269
	22,476	22,979	12,672	12,561

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration, excluding benefits-in-kind amounting to RM2,383,000 (2018: RM3,768,000) as disclosed in Note 8.

8. Directors' remuneration

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Directors of the Company				
Executive:				
Fees	59	84	59	84
Salaries and other emoluments	2,324	3,684	2,324	3,684
Benefits-in-kind	7	23	7	23
	2,390	3,791	2,390	3,791
Non-Executive:				
Fees	533	533	533	533
Other emoluments	39	39	39	39
Benefits-in-kind	-	-	-	-
	572	572	572	572
	2,962	4,363	2,962	4,363
Analysis excluding benefits-in-kind:				
Total executive directors' remuneration, excluding benefits-in-kind	2,383	3,768	2,383	3,768
Total non-executive directors' remuneration, excluding benefits-in-kind	572	572	572	572
Total directors' remuneration excluding benefits-in-kind	2,955	4,340	2,955	4,340

Notes to the Financial Statements

31 January 2019 (cont'd.)

8. Directors' remuneration (cont'd.)

The number of directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	Number of Directors	
	2019	2018
Executive:		
RM750,001 - RM800,000	-	1
RM2,350,001 - RM2,400,000	1	-
RM3,000,001 - RM3,050,000	-	1
Non-executive:		
Below RM100,000	4	4
RM100,001 - RM150,000	2	2

9. Taxation

Major components of income tax expense/(credit)

The major components of income tax expense/(credit) for the years ended 31 January 2019 and 2018 are:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Statement of comprehensive income:				
Current income tax:				
Malaysian income tax	1,152	1,547	1,152	1,292
Under/(over)provision in prior years	366	(362)	(57)	(248)
	1,518	1,185	1,095	1,044
Deferred income tax (Note 26):				
Origination and reversal of temporary difference	143	(2,047)	599	440
Overprovision in prior years	(89)	(219)	(193)	(237)
	54	(2,266)	406	203
Real property gain tax				
Overprovision in prior years	(556)	-	(556)	-
Income tax expense/(credit)	1,016	(1,081)	945	1,247

Domestic current income tax is calculated at the statutory tax rate of 24% (2018: 24%) of the estimated assessable profit for the year.

Notes to the Financial Statements

31 January 2019 (cont'd.)

9. Taxation (cont'd.)

Major components of income tax expense/(credit) (cont'd.)

A reconciliation of income tax expense/(credit) applicable to profit before taxation at the statutory income tax rate to income tax expense/(credit) at the effective income tax rate of the Group and of the Company is as follows:

	2019 RM'000	2018 RM'000
Group		
(Loss)/Profit before tax	(5,061)	12,373
Tax at Malaysian statutory tax rate of 24% (2018: 24%)	(1,215)	2,970
Income not subject to tax	(1,113)	(7,075)
Non-deductible expenses	2,590	2,599
Share of result of associates and joint ventures	(490)	(609)
Deferred tax assets not recognised during the year	1,523	1,615
Under/(over)provision of income tax in prior years	366	(362)
Overprovision of deferred tax in prior years	(89)	(219)
Overprovision of real property gain tax in prior years	(556)	-
Income tax expense/(credit)	1,016	(1,081)
Company		
Profit before tax	(7,928)	15,373
Tax at Malaysian statutory tax rate of 24% (2018: 24%)	(1,903)	3,690
Income not subject to tax	(1,113)	(6,772)
Non-deductible expenses	4,767	4,814
Overprovision of income tax in prior years	(57)	(248)
Overprovision of deferred tax in prior years	(193)	(237)
Overprovision of real property gain tax in prior years	(556)	-
Income tax expense	945	1,247

Notes to the Financial Statements

31 January 2019 (cont'd.)

10. Earnings per share

(a) Basic:

Basic earnings per share amounts are calculated by dividing profit for the year attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares in issue during the financial year.

	2019	2018
(Loss)/profit attributable to owners of the parent (RM'000)	(6,077)	13,454
Weighted average number of ordinary shares in issue ('000)	139,600	139,600
Basic, (loss)/earnings per share (sen)	(4.35)	9.64

(b) Diluted:

The Group does not have any potential dilutive ordinary shares. Accordingly, the diluted earnings per share equals the basic earnings per share.

11. Property, plant and equipment

Group	Hangars RM'000	Office equipment, renovation, furniture and fittings RM'000	Motor vehicles RM'000	Work-in- progress RM'000	Total RM'000
At 31 January 2019					
Cost					
At 1 February 2018	40,325	54,388	3,432	10,881	109,026
Additions	-	3,065	-	13,084	16,149
Transfer	-	6,012	-	(6,012)	-
Disposals	-	(3)	(529)	-	(532)
At 31 January 2019	40,325	63,462	2,903	17,953	124,643
Accumulated depreciation and impairment					
At 1 February 2018	21,010	40,020	2,767	-	63,797
Depreciation charge (Note 6)	1,324	4,770	345	-	6,439
Disposals	-	(1)	(525)	-	(526)
At 31 January 2019	22,334	44,789	2,587	-	69,710
Net carrying amount	17,991	18,673	316	17,953	54,933

Notes to the Financial Statements

31 January 2019 (cont'd.)

11. Property, plant and equipment (cont'd.)

Group	Hangars RM'000	Office equipment, renovation, furniture and fittings RM'000	Motor vehicles RM'000	Work-in- progress RM'000	Total RM'000
At 31 January 2018					
Cost					
At 1 February 2017	40,110	46,239	3,427	131	89,907
Reclassifications	215	(350)	135	-	-
Additions	-	8,579	251	10,750	19,580
Disposals	-	(34)	(381)	-	(415)
Write off	-	(46)	-	-	(46)
At 31 January 2018	40,325	54,388	3,432	10,881	109,026
Accumulated depreciation and impairment					
At 1 February 2017	11,789	35,867	2,643	-	50,299
Depreciation charge (Note 6)	1,726	4,187	387	-	6,300
Impairment loss charge (Note 6)	7,495	-	-	-	7,495
Disposals	-	(31)	(263)	-	(294)
Write off	-	(3)	-	-	(3)
At 31 January 2018	21,010	40,020	2,767	-	63,797
Net carrying amount	19,315	14,368	665	10,881	45,229

Notes to the Financial Statements

31 January 2019 (cont'd.)

11. Property, plant and equipment (cont'd.)

Company	Office equipment, renovation, furniture and fittings RM'000	Motor vehicles RM'000	Work-in- progress RM'000	Total RM'000
At 31 January 2019				
Cost				
At 1 February 2018	44,571	1,685	4,995	51,251
Additions	2,642	-	9,478	12,120
Transfer	6,012	-	(6,012)	-
Disposal	-	(529)	-	(529)
At 31 January 2019	53,225	1,156	8,461	62,842
Accumulated depreciation				
At 1 February 2018	33,905	1,613	-	35,518
Depreciation charge (Note 6)	3,326	68	-	3,394
Disposal	-	(525)	-	(525)
At 31 January 2019	37,231	1,156	-	38,387
Net carrying amount	15,994	-	8,461	24,455
At 31 January 2018				
Cost				
At 1 February 2017	36,250	1,685	131	38,066
Additions	8,352	-	4,864	13,216
Disposal	(31)	-	-	(31)
At 31 January 2018	44,571	1,685	4,995	51,251
Accumulated depreciation				
At 1 February 2017	31,199	1,507	-	32,706
Depreciation charge (Note 6)	2,737	106	-	2,843
Disposal	(31)	-	-	(31)
At 31 January 2018	33,905	1,613	-	35,518
Net carrying amount	10,666	72	4,995	15,733

Notes to the Financial Statements

31 January 2019 (cont'd.)

11. Property, plant and equipment (cont'd.)

- (a) During the financial year, the Group acquired property, plant and equipment ("PPE") at aggregate costs of RM16,149,000 (2018: RM19,580,000) of which RM Nil (2018: RM251,000) were acquired by means of hire purchase and finance lease arrangements, and the Company acquired property, plant and equipment at aggregate costs of RM12,120,000 (2018: RM13,216,000) of which RM Nil (2018: RM Nil) were acquired by means of hire purchase and finance lease arrangements.

The net carrying amounts of motor vehicles held under hire purchase and finance lease arrangements of the Group and the Company are RM208,000 (2018: RM391,000) and RM Nil (2018: RM72,000) respectively.

- (b) Included in PPE of the Group and the Company are the following cost of fully depreciated assets which are still in use:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Office equipment, renovation, furniture and fittings	36,542	27,431	33,897	25,630
Motor vehicles	1,908	1,572	1,156	1,156

- (c) Impairment losses

Accumulated impairment is as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Hangars	7,495	7,495	-	-

Considering the net losses reported in the aviation segment, this indicates that the carrying amount of the related property, plant and equipment ("said properties") may be impaired. The Group carried out an impairment assessment comparing the carrying value of the said properties against its recoverable amount where the recoverable amount is determined based on fair value less cost to sell method.

The Group engaged an external independent valuer to estimate the fair value of the said properties. When estimating the fair value of a property, the objective is to estimate the price that would be received from the sale of property in the current market. Based on the impairment test performed, the recoverable amount of the said properties is estimated to be to be RM27,363,000 (2018: RM25,985,000). No additional impairment loss recorded for the year ended 31 January 2019 (2018: RM7,495,000). The fair value estimated by the independent valuer is categorised within the Level 3 fair value hierarchy which is described as inputs for the assets or liabilities that are based on unobservable market data.

Notes to the Financial Statements

31 January 2019 (cont'd.)

12. Investment properties

Group/Company	Leasehold land RM'000	Buildings RM'000	Total RM'000
At 31 January 2019			
Cost			
At 1 February 2018/ 31 January 2019	55,541	137,083	192,624
Accumulated depreciation			
At 1 February 2018	20,265	54,459	74,724
Depreciation charge (Note 6)	532	2,628	3,160
At 31 January 2019	20,797	57,087	77,884
Net carrying amount	34,744	79,996	114,740
At 31 January 2018			
Cost			
At 1 February 2017/ 31 January 2018	55,541	137,083	192,624
Accumulated depreciation			
At 1 February 2017	19,733	51,830	71,563
Depreciation charge (Note 6)	532	2,629	3,161
At 31 January 2018	20,265	54,459	74,724
Net carrying amount	35,276	82,624	117,900

The investment properties were valued on 31 January 2019 by Rahim & Co., and KGV International Property Consultants (M) Sdn. Bhd., independent professional valuers. The total market value of the investment properties is RM211,295,000 (2018: RM212,485,000) using the comparison and investment methods.

Fair value disclosed in the financial statements are categorised within the Level 3 fair value hierarchy which is described as inputs for the assets or liabilities that are based on unobservable market data.

Notes to the Financial Statements

31 January 2019 (cont'd.)

12. Investment properties (cont'd.)

Investment property	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Sapura @ Mines, No 7, Jalan Tasik, The Mines Resort City, 43300 Seri Kembangan, Selangor Darul Ehsan. - land	Comparison method	<p>(a) A 16-storey office building with 4-storey basement car parks with 83-years leasehold interest located at Shah Alam was transacted on 24 October 2017 for RM43,500,000.</p> <p>(b) A 32-storey office building with 4 levels of elevated car park with 98-years leasehold interest located at Petaling Jaya was transacted on 23 February 2017 for RM347,000,000.</p> <p>(c) A freehold 5-storey office building with 2 mezzanine floors and 3 levels of basement car park located at Kuala Lumpur was transacted on 8 June 2018 for RM120,000,000.</p>	The estimated fair value would increase / (decrease) if: - Transacted price were higher / (lower)
Sapura @ Mines, No 7, Jalan Tasik, The Mines Resort City, 43300 Seri Kembangan, Selangor Darul Ehsan. - building	Investment method	<p>(a) Rental of office buildings located within Seri Kembangan ranges from RM4.00 to RM4.50 per square feet.</p> <p>(b) Net yield from comparable buildings ranges from 5.40% to 5.87%.</p>	<p>- rental per square feet were higher / (lower)</p> <p>- net yield were lower / (higher)</p>
Lot 5, Jalan 219, Lebuhraya Persekutuan, 46100 Petaling Jaya, Selangor Darul Ehsan. - land & building	Comparison method	<p>(a) A detached factory with double-storey office at Lot No 74, Jalan 51/203, Section 51, Petaling Jaya, with a land area of approximately 51,727 square feet was transacted on 3 July 2018 for RM10,200,000.</p> <p>(b) A detached factory with three-storey office at Lot No 20, Jalan 225, Section 51, Petaling Jaya, with a land area of approximately 44,635 square feet was transacted on 13 June 2018 for RM19,500,000.</p>	- Transacted price were higher / (lower)

Notes to the Financial Statements

31 January 2019 (cont'd.)

12. Investment properties (cont'd.)

Investment property	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Lot 5, Jalan 219, Lebuhraya Persekutuan, 46100 Petaling Jaya, Selangor Darul Ehsan. - land & building (cont'd.)	Comparison method	<p>(c) A detached factory with double-storey office at Lot No 1, Jalan 51/202, Section 51, Petaling Jaya, with a land area of approximately 10,849 square feet was transacted on 17 November 2017 for RM2,500,000.</p> <p>(d) A detached factory with double-storey office at Lot No 54, Jalan Tandang 204, Section 51, Petaling Jaya, with a land area of approximately 46,446 square feet was transacted on 21 July 2017 for RM12,000,000.</p>	The estimated fair value would increase / (decrease) if (cont'd.): - Transacted price were higher / (lower)
Lot No 10 and PT No 10A, Jalan Tandang Seksyen 28, 46050 Petaling Jaya, Selangor Darul Ehsan. - land & building	Comparison method	<p>(a) A detached factory with double-storey office at Lot No 74, Jalan 51/203, Section 51, Petaling Jaya, with a land area of approximately 51,727 square feet was transacted on 3 July 2018 for RM10,200,000.</p> <p>(b) A detached factory with three-storey office at Lot No 20, Jalan 225, Section 51, Petaling Jaya, with a land area of approximately 44,635 square feet was transacted on 13 June 2018 for RM19,500,000.</p> <p>(c) A detached factory with double-storey office at Lot No 1, Jalan 51/202, Section 51, Petaling Jaya, with a land area of approximately 10,849 square feet was transacted on 17 November 2017 for RM2,500,000.</p> <p>(d) A detached factory with double-storey office at Lot No 54, Jalan Tandang 204, Section 51, Petaling Jaya, with a land area of approximately 46,446 square feet was transacted on 21 July 2017 for RM12,000,000.</p>	- Transacted price were higher / (lower)

Notes to the Financial Statements

31 January 2019 (cont'd.)

12. Investment properties (cont'd.)

Comparison method

Entails analysing recent transactions of similar properties in the vicinity or within similar localities for comparison purposes to derive the market value with adjustments made for differences in location, physical characteristics and time element to arrive at the market value.

Investment method

Entails the determination of the probable gross annual rental the property is capable of producing and deducting therefrom the outgoings to arrive at the annual net income. The annual income is capitalised using a rate of interest to arrive at the capital value of the property.

The fair value of the investment property is at its highest and current best use.

13. Intangible assets - Goodwill

	2019 RM'000	2018 RM'000
Group		
Cost		
At beginning/ end of year	2,389	2,389
Accumulated impairment		
At beginning/ end of year	2,389	2,389
Net carrying amount	-	-

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

	Group	
	2019 RM'000	2018 RM'000
Premium automotive	2,389	2,389

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).

Notes to the Financial Statements

31 January 2019 (cont'd.)

14. Investment in subsidiaries

	Company	
	2019 RM'000	2018 RM'000
Unquoted shares in Malaysia, at cost*	88,891	22,191
Less: Accumulated impairment losses	(68,192)	(9,501)
	20,699	12,690

*During the current financial year, the Company had converted amount due from subsidiaries into investment in subsidiaries as follows:

Subsidiaries	Conversion amount RM'000
Dnest Aviation Sdn. Bhd.	29,700
Sapura Aero Sdn. Bhd.	35,000
SRB Ventures Sdn. Bhd.	2,000
	66,700

Movement in accumulated impairment losses are as follows:

	Company	
	2019 RM'000	2018 RM'000
At the beginning of year	9,501	8,505
Charge for the year (Note 6)	2,972	996
Reclassification from amount due from subsidiaries (Note 18(b))	55,719	-
At the end of year	68,192	9,501

Notes to the Financial Statements

31 January 2019 (cont'd.)

14. Investment in subsidiaries (cont'd.)

Details of the subsidiaries, all of which are incorporated in Malaysia and audited by Ernst & Young Malaysia, other than those indicated are as follows:

				Proportion of interest	
			Country of incorporation	2019 %	2018 %
Name of subsidiaries	Name of Directors	Principal activities			
Held by the Company					
SRB Ventures Sdn. Bhd.	Shamsul Anuar bin Musa Mai Eliza binti Mior Mohamad Zubir Ainun Mardziah binti Hashim (Alternate Director to Shamsul Anuar bin Musa)	Sale of food and beverages.	Malaysia	100	100
DNest Aviation Sdn. Bhd.	Shamsul Anuar bin Musa Mai Eliza binti Mior Mohamad Zubir Ainun Mardziah binti Hashim (Alternate Director to Shamsul Anuar bin Musa)	Investment holding.	Malaysia	100	100
Sapura Aero Sdn. Bhd.	Dato’ Wan Shaharuddin bin Wan Mahmood Shamsul Anuar bin Musa	Investment holding.	Malaysia	100	100
Mercu Sapura Sdn. Bhd.	Shamsul Anuar bin Musa Rosenah binti Mohd Hassan Mai Eliza binti Mior Mohamad Zubir (Alternate Director to Shamsul Anuar bin Musa)	Dormant.	Malaysia	100	100
Sapura Auto Sdn. Bhd.	Shamsul Anuar bin Musa Mai Eliza binti Mior Mohamad Zubir Ainun Mardziah binti Hashim (Alternate Director to Shamsul Anuar bin Musa)	Dormant.	Malaysia	100	100
SRB ONE Sdn. Bhd.#	Dato’ Shahriman bin Shamsuddin Dato’ Wan Shaharuddin bin Wan Mahmood Shamsul Anuar bin Musa	Investment holding.	Malaysia	100	-
Held by DNest Aviation Sdn. Bhd.					
AeroDome Sdn. Bhd.	Dato’ Shahriman bin Shamsuddin Dato’ Wan Shaharuddin bin Wan Mahmood	Hangarage and other aviation related services.	Malaysia	100	100

Notes to the Financial Statements

31 January 2019 (cont'd.)

14. Investment in subsidiaries (cont'd.)

Details of the subsidiaries, all of which are incorporated in Malaysia and audited by Ernst & Young Malaysia, other than those indicated are as follows (cont'd.):

				Proportion of interest	
Name of subsidiaries	Name of Directors	Principal activities	Country of incorporation	2019 %	2018 %
Held by Sapura Aero Sdn. Bhd.					
Aerohandlers Sdn. Bhd.	Dato’ Shahriman bin Shamsuddin Dato’ Wan Shahrudin bin Wan Mahmood Shamsul Anuar bin Musa Mai Eliza binti Mior Mohamad Zubir (Alternate Director to Shamsul Anuar bin Musa)	Ground handling and other aviation related services.	Malaysia	100	100
Aerodome Services Sdn. Bhd.	Dato’ Shahriman bin Shamsuddin Dato’ Wan Shahrudin bin Wan Mahmood Shamsul Anuar bin Musa Mai Eliza binti Mior Mohamad Zubir (Alternate Director to Shamsul Anuar bin Musa)	Hangarage and other aviation related services.	Malaysia	100	100
Aeromanager Sdn. Bhd.	Dato’ Wan Shahrudin bin Wan Mahmood Shamsul Anuar bin Musa Ahmad Najhan bin Mohamad Jamil (Resigned on 7 August 2018) Mai Eliza binti Mior Mohamad Zubir (Alternate Director to Shamsul Anuar bin Musa)	Aircraft management services and other aviation related services.	Malaysia	100	100
Aerodome Fife Sdn. Bhd. (formerly known as ISY Aerina Sdn. Bhd.)	Dato’ Shahriman bin Shamsuddin Shamsul Anuar bin Musa	Design, fabricate and construct aircraft hangars, workshops and offices either inside hangar or as a lean including the installation of aerial or aeronautical facilities and to do all such the civil works, maintenance, servicing and repairs in relation there to and leasing out of hangar.	Malaysia	100	100

Notes to the Financial Statements

31 January 2019 (cont'd.)

14. Investment in subsidiaries (cont'd.)

Details of the subsidiaries, all of which are incorporated in Malaysia and audited by Ernst & Young Malaysia, other than those indicated are as follows (cont'd.):

Name of subsidiaries	Name of Directors	Principal activities	Country of incorporation	Proportion of interest	
				2019 %	2018 %
Held by Sapura Aero Sdn. Bhd. (cont'd.)					
Sapura Aviation Singapore Pte. Ltd. @	Syed Hassan Saifud-deen Abdul-Basseer AlSagoff Shamsul Anuar bin Musa	Involve in aviation business which include but not limited to fixed base operations, ground handling, aircraft management, hangarage, maintenance repair and overhaul.	Singapore	100	100
Held by Mercu Sapura Sdn. Bhd.					
Sapura Technics Sdn. Bhd. #	Dato' Shahriman bin Shamsuddin Dato' Anim bin Harun Shamsul Anuar bin Musa Burhanudin bin Noordin Ali	Carry out the provision of maintenance, repair and overhaul (MRO) services for aircraft and the related services.	Malaysia	100	-

@ Audited by affiliate of Ernst & Young, Malaysia

Newly incorporated company, not audited for the financial year 2019

On 12 December 2018, the Company incorporated two wholly-owned subsidiary companies, namely, Sapura Technics Sdn. Bhd. ("STSB") and SRB ONE Sdn. Bhd. ("SOSB").

STSB is a private limited company incorporated under the Companies Act 2016 ("CA 2016") with a share capital of RM1.00 only comprising 1 ordinary share fully paid in the capital of STSB.

SOSB is a private limited company incorporated under the CA 2016 with a share capital of RM1.00 only comprising 1 ordinary share fully paid in the capital of SOSB.

Notes to the Financial Statements

31 January 2019 (cont'd.)

15. Investment in an associate

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Unquoted shares at cost	12,000	12,000	12,000	12,000
Share of post-acquisition reserves	3,995	1,329	-	-
	15,995	13,329	12,000	12,000

Details of the associate is as follows:

			Proportion of interest	
Name of associates	Country of incorporation	Principal activities	2019 %	2018 %
Held by the Company				
Tenaga Cable Industries Sdn. Bhd.*	Malaysia	Manufacture and distribution of telephone, power and general cables, aluminium wires, aluminium rods and related activities.	24	24

* Audited by firms of auditors other than Ernst & Young

The following table illustrates the summarised financial information of the Group's investment in associate:

	2019 RM'000	2018 RM'000
Dividends received	-	-
Current assets	131,461	127,609
Non-current assets	64,826	70,866
Total assets	196,287	198,475
Current liabilities	123,487	129,742
Non-current liabilities	6,154	13,195
Total liabilities	129,641	142,937
Results:		
Revenue	424,903	426,816
Profit for the year representing total comprehensive income for the year	11,108	12,438
Group's share of profit for the year	2,666	2,985
Reconciliation of net carrying amount		
Group's share of net assets	15,995	13,329

Notes to the Financial Statements

31 January 2019 (cont'd.)

16. Investment in joint ventures

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Unquoted shares at cost:				
In Malaysia	128,408	127,313	127,908	125,308
Share of post-acquisition reserves	13,044	13,370	-	-
Accumulated impairment losses	-	(752)	-	-
	141,452	139,931	127,908	125,308

Details of the joint ventures are as follows:

Name of joint ventures	Country of incorporation	Principal activities	Proportion of interest	
			2019 %	2018 %
Held by Sapura Resources Berhad				
Impian Bebas Sdn. Bhd.	Malaysia	Property investment.	50	50
Held by Sapura Aero Sdn. Bhd.				
Air Alsie Asia Pacific Sdn. Bhd. (“AAAP”) #	Malaysia	Dormant.	-	51
Invasion Aero Sdn. Bhd.	Malaysia	Sale of rotary wing and fixed wing aircraft, provision of maintenance in relation to aircraft and helicopter, wet leasing and dry leasing of aircraft and helicopters.	50	50

Wind up during the year

Notes to the Financial Statements

31 January 2019 (cont'd.)

16. Investment in joint ventures (cont'd.)

The Group regards Impian Bebas Sdn. Bhd. as a material joint venture. The summarised financial information of the joint venture, not adjusted for the proportion of the ownership interest held by the Group, is as follows:

	Impian Bebas Sdn. Bhd.	
	2019	2018
	RM'000	RM'000
Current assets	20,199	17,668
Non-current assets	502,527	495,854
Total assets	522,726	513,522
Current liabilities	39,901	34,810
Non-current liabilities	199,921	200,596
Total liabilities	239,822	235,406
Results:		
Revenue	-	-
Depreciation and amortisation	-	-
Loss for the year representing total comprehensive loss for the year	(411)	(727)
Group's share of loss for the year	(206)	(364)
Group's share of net assets:		
Cost of investment	127,908	125,308
Bargain purchase gain	14,292	14,292
Share of results	(748)	(542)
	141,452	139,058
Aggregate information of joint ventures that are not individually material:		
	2019	2018
	RM'000	RM'000
Share of loss after tax, representing share of total comprehensive loss	(416)	(83)

17. Inventories

	Group	
	2019	2018
	RM'000	RM'000
At cost		
Food and beverages	13	18

During the year, the amount of inventories recognised as an expense in operating expenses of the Group was RM378,000 (2018: RM386,000).

Notes to the Financial Statements

31 January 2019 (cont'd.)

18. Trade and other receivables

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Trade receivables				
Third parties	5,620	4,430	731	538
Amount due from related companies	3,825	1,064	3,822	1,053
Amount due from directors' related companies	292	1,183	-	-
	9,737	6,677	4,553	1,591
Less: Impairment				
Third parties	(1,020)	(587)	(59)	(63)
Amount due from related companies	(6)	(67)	(5)	(56)
Total allowance for impairment	(1,026)	(654)	(64)	(119)
Trade receivables, net	8,711	6,023	4,489	1,472
Other receivables				
Amounts due from:				
Subsidiaries	-	-	10,238	65,565
Joint venture companies	1,275	87	23	23
Related company	16	12	-	-
	1,291	99	10,261	65,588
Deposits	2,640	2,039	348	408
Sundry receivables	2,260	1,373	1,018	252
	6,191	3,511	11,627	66,248
Less: Impairment				
Amount due from subsidiaries	-	-	(9,774)	(56,297)
Amount due from joint venture companies	(142)	-	-	-
Sundry receivables	(41)	(41)	(7)	(7)
Total allowance for impairment	(183)	(41)	(9,781)	(56,304)
Other receivables, net	6,008	3,470	1,846	9,944
Total trade and other receivables	14,719	9,493	6,335	11,416
Total trade and other receivables	14,719	9,493	6,335	11,416
Add: Cash and bank balances (Note 21)	5,296	4,402	4,102	1,257
Total financial assets at amortised cost (2018: Total loans and receivables)	20,015	13,895	10,437	12,673

Notes to the Financial Statements

31 January 2019 (cont'd.)

18. Trade and other receivables (cont'd.)

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 days credit terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

The ageing analysis of the Group's and of the Company's trade receivables for the financial year are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Neither past due nor impaired	4,152	5,414	1,895	1,410
1 to 30 days past due not impaired	2,498	451	1,552	12
31 to 60 days past due not impaired	1,261	37	915	5
61 to 90 days past due not impaired	348	32	127	3
More than 90 days past due not impaired	452	89	-	42
	4,559	609	2,594	62
Impaired	1,026	654	64	119
	9,737	6,677	4,553	1,591

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group and the Company.

None of the Group's and the Company's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group and the Company have trade receivables amounting to RM4,559,000 (2018: RM609,000) and RM2,594,000 (2018: RM62,000) respectively that are past due at the reporting date but not impaired. These relate mostly to corporate customers with slower repayment patterns, for whom there is no history of default.

The trade receivables that are past due but not impaired are unsecured.

Notes to the Financial Statements

31 January 2019 (cont'd.)

18. Trade and other receivables (cont'd.)

(a) Trade receivables (cont'd.)

Receivables that are impaired

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit loss. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss with forward-looking information. For instance, if forecast economic conditions (i.e. gross domestic product) are expected to deteriorate over the next year, the historical default rates are adjusted. At every reporting date, the historical default rate are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast economic conditions may also not be representative of customer's actual default in the future.

The Group's and the Company's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Individually impaired:				
Trade receivables- nominal amounts	1,026	654	64	119
Less: Allowance for expected credit losses	(1,026)	(654)	(64)	(119)
	-	-	-	-
Movement in allowance accounts:				
At the beginning of year	654	752	119	235
Charge for the year (Note 6)	1,107	448	54	61
Bad debts written off	(59)	(160)	(53)	(160)
Reversal of impairment losses (Note 6)	(676)	(386)	(56)	(17)
At the end of year	1,026	654	64	119

Notes to the Financial Statements

31 January 2019 (cont'd.)

18. Trade and other receivables (cont'd.)

(b) Other receivables

The Group's and the Company's other receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Individually impaired:				
Amount due from subsidiaries	-	-	9,774	56,297
Other receivables - nominal value	183	41	7	7
Less: Impairment	(183)	(41)	(9,781)	(56,304)
	-	-	-	-
Movement in allowance accounts:				
At the beginning of year	41	7	56,304	44,981
Charge for the year (Note 6)	142	34	9,196	11,353
Bad debts written off	-	-	-	(30)
Reclassification (Note 14)	-	-	(55,719)	-
At the end of year	183	41	9,781	56,304

(c) Related companies

Related companies refer to companies in the Sapura Holdings Sdn. Bhd. group of companies.

The amounts due from related companies are unsecured, non-interest bearing and are repayable upon demand.

(d) Directors' related companies

Directors' related companies refer to companies where directors has direct or indirect interest.

The amounts due from directors related companies arose under normal course of business.

(e) Amount due from joint venture companies

Amounts due from joint venture companies arose under normal course of business.

The amounts are unsecured, non-interest bearing and are repayable upon demand.

Notes to the Financial Statements

31 January 2019 (cont'd.)

19. Other current financial assets

	Group/Company	
	2019 RM'000	2018 RM'000
Held for trading investments		
Quoted equity shares	115	122
Add: Short term investments (Note 20)	142,940	160,348
Total financial assets at fair value through profit or loss	143,055	160,470

20. Short term investment

	Group/Company	
	2019 RM'000	2018 RM'000
Islamic money market instruments	142,940	160,348
Total short term investment	142,940	160,348

Current year short term investment represents investment in Maybank Dana Nabeel and Maybank Malaysia Sukuk Fund, that invest in islamic money market instruments.

In the previous year, short term investment represents investment in Maybank Shariah Enhanced Cash Fund, that invest in islamic money market instruments.

21. Cash and bank balances

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash and bank balances	5,296	4,402	4,102	1,257

Cash at banks earn interest at floating rates based on daily bank deposit rates.

Notes to the Financial Statements

31 January 2019 (cont'd.)

22. Trade and other payables

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Trade payables				
Third parties	2,312	1,834	1,249	905
Amount due to directors' related company	1,067	1,014	-	-
	3,379	2,848	1,249	905
Other payables				
Amounts due to:				
Holding company	36	36	36	36
Related companies	1,055	822	91	146
	1,091	858	127	182
Deposits	8,160	10,632	6,222	8,823
Accruals	6,898	6,382	4,703	3,149
Other payables	2,981	2,214	1,327	1,048
	19,130	20,086	12,379	13,202
Total trade and other payables	22,509	22,934	13,628	14,107
Total trade and other payables	22,509	22,934	13,628	14,107
Add: Loans and borrowings (Note 24)	5,877	327	5,700	61
Total loans and borrowings	28,386	23,261	19,328	14,168

(a) Trade payables

These amounts are non-interest bearing. Trade payables are normally settled on 30 to 60 (2018: 30 to 60) days terms.

(b) Other payables

These amounts are non-interest bearing. Other payables are normally settled on an average term of 90 (2018: 90) days.

(c) Related companies

Related companies refer to companies in the Sapura Holdings Sdn. Bhd. group of companies.

The amounts due to related companies are unsecured, non-interest bearing and are repayable upon demand.

(d) Amount due to holding company

Amount due to holding company arose in normal course of business.

The amounts are unsecured, non-interest bearing and are repayable upon demand.

Notes to the Financial Statements

31 January 2019 (cont'd.)

23. Provisions

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Provisions				
At the beginning of year	3,000	25,000	3,000	25,000
Current year provision (Note 6)	830	-	-	-
Reversal of provision (Note 6)	-	(22,000)	-	(22,000)
At the end of year	3,830	3,000	3,000	3,000

As part of the disposal of associates, in prior year, SRB have indemnified APIIT Sdn. Bhd. ("APIIT") and ILMU Education Group Sdn. Bhd. ("ILMU") against any claims in connection with any failure to comply with specific applicable laws in Sri Lanka prior to the disposal of the associates, provided that any indemnity claim is made by APIIT and/or ILMU within the agreed period.

On 20 November 2017, the applicable law in Sri Lanka relating to the indemnity was amended resulting in RM22,000,000 reversal of the provision in prior year.

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

24. Loans and borrowings

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current				
Secured:				
Obligations under finance leases (Note 25)	61	139	-	61
Unsecured:				
Revolving credits	5,700	-	5,700	-
	5,761	139	5,700	61
Non-current				
Secured:				
Obligations under finance leases (Note 25)	116	188	-	-
Total loans and borrowings				
Revolving credits	5,700	-	5,700	-
Obligations under finance leases (Note 25)	177	327	-	61
	5,877	327	5,700	61

Notes to the Financial Statements

31 January 2019 (cont'd.)

24. Loans and borrowings (cont'd.)

The remaining maturities of the loans and borrowings as at 31 January 2019 are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
On demand or within 1 year	5,761	139	5,700	61
More than 1 year and less than 2 years	55	61	-	-
More than 2 years and less than 5 years	61	127	-	-
	5,877	327	5,700	61

Obligations under finance leases are secured by a charge over the leased assets (Note 11).

Reconciliation of net movement of loans and borrowings is as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Balance as at 1 February 2018/ 1 February 2017	327	529	61	307
Withdrawal of revolving credits	12,600	-	12,600	-
Repayment of revolving credits	(6,900)	-	(6,900)	-
Net withdrawal of short term borrowings	5,700	-	5,700	-
Repayment of obligations under finance leases	(150)	(202)	(61)	(246)
Total changes from financing cash flows	5,550	(202)	5,639	(246)
Balance as at 31 January 2019/ Balance as at 31 January 2018	5,877	327	5,700	61

Notes to the Financial Statements

31 January 2019 (cont'd.)

25. Obligations under finance leases

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Minimum lease payments:				
Not later than 1 year	66	149	-	62
Later than 1 year but not later than 2 years	59	67	-	-
Later than 2 years but not later than 5 years	63	132	-	-
Total minimum lease payments	188	348	-	62
Less: Amounts representing finance charges	(11)	(21)	-	(1)
Present value of minimum lease payments	177	327	-	61
Present value of payments:				
Not later than 1 year	61	139	-	61
Later than 1 year but not later than 2 years	55	61	-	-
Later than 2 years but not later than 5 years	61	127	-	-
Later than 5 years	-	-	-	-
Present value of minimum lease payments	177	327	-	61
Less: Amount due within 12 months (Note 24)	(61)	(139)	-	(61)
Amount due after 12 months (Note 24)	116	188	-	-

The finance leases of the Group and the Company attract interest rate during the year varying between 1.88% to 4.25% (2018: 1.88% to 4.25%) and Nil (2018: 2.30%) per annum respectively.

Notes to the Financial Statements

31 January 2019 (cont'd.)

26. Deferred tax liabilities

	Liabilities		Assets		Net	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Group						
Accelerated capital allowances	4,783	4,728	-	-	4,783	4,728
Tax losses and unabsorbed capital allowances	-	-	(287)	(240)	(287)	(240)
Accruals	-	-	(279)	(311)	(279)	(311)
Trade receivables	-	-	(15)	(29)	(15)	(29)
Tax liabilities/(assets)	4,783	4,728	(581)	(580)	4,202	4,148
Set-off of tax	(581)	(580)	581	580	-	-
Net tax liabilities/(assets)	4,202	4,148	-	-	4,202	4,148
Company						
Accelerated capital allowances	2,751	2,325	-	-	2,751	2,325
Tax losses and unabsorbed capital allowances	-	-	(277)	(240)	(277)	(240)
Accruals	-	-	(235)	(238)	(235)	(238)
Trade receivables	-	-	(15)	(29)	(15)	(29)
Tax liabilities/(assets)	2,751	2,325	(527)	(507)	2,224	1,818
Set-off of tax	(527)	(507)	527	507	-	-
Net tax liabilities/(assets)	2,224	1,818	-	-	2,224	1,818

Notes to the Financial Statements

31 January 2019 (cont'd.)

26. Deferred tax liabilities (cont'd.)

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At the beginning of year	4,148	6,414	1,818	1,615
Recognised in profit or loss (Note 9)	54	(2,266)	406	203
Deferred tax liabilities	4,202	4,148	2,224	1,818

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

Deferred tax assets of the Group:

	Tax losses and unabsorbed capital allowances RM'000	Accruals RM'000	Trade receivables RM'000	Total RM'000
At 1 February 2017	(158)	(321)	(57)	(536)
Recognised in profit or loss	(82)	10	28	(44)
At 31 January 2018	(240)	(311)	(29)	(580)
Recognised in profit or loss	(47)	32	14	(1)
At 31 January 2019	(287)	(279)	(15)	(581)

Deferred tax liabilities of the Group:

	Accelerated capital allowances RM'000	Total RM'000
At 1 February 2017	6,950	6,950
Recognised in profit or loss	(2,222)	(2,222)
At 31 January 2018	4,728	4,728
Recognised in profit or loss	55	55
At 31 January 2019	4,783	4,783

Notes to the Financial Statements

31 January 2019 (cont'd.)

26. Deferred tax liabilities (cont'd.)

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows: (cont'd.)

Deferred tax assets of the Company:

	Tax losses and unabsorbed capital allowances RM'000	Accruals RM'000	Trade receivables RM'000	Total RM'000
At 1 February 2017	(158)	(402)	(57)	(617)
Recognised in profit or loss	(82)	164	28	110
At 31 January 2018	(240)	(238)	(29)	(507)
Recognised in profit or loss	(37)	3	14	(20)
At 31 January 2019	(277)	(235)	(15)	(527)

Deferred tax liabilities of the Company:

	Accelerated capital allowances RM'000	Total RM'000
At 1 February 2017	2,232	2,232
Recognised in profit or loss	93	93
At 31 January 2018	2,325	2,325
Recognised in profit or loss	426	426
At 31 January 2019	2,751	2,751

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2019 RM'000	2018 RM'000
Unused tax losses	29,876	24,075
Unabsorbed capital allowances	2,267	1,852
Others	1,314	1,184
	33,457	27,111

Notes to the Financial Statements

31 January 2019 (cont'd.)

26. Deferred tax liabilities (cont'd.)

The unused tax losses and unabsorbed capital allowances of the Group are available for offsetting against future taxable profits of the respective entities within the Group, subject to no substantial change in shareholdings under the Income Tax Act, 1967 and guidelines issued by the tax authority.

Deferred tax assets have not been recognised in respect of the above items due to history of losses of the subsidiaries and it is not probable that future taxable profits will be available against which they may be utilised.

27. Share capital

	No. of Shares		Group/Company Amount	
	2019 Unit'000	2018 Unit'000	2019 RM'000	2018 RM'000
Issued and fully paid				
At beginning and end of the year	139,600	139,600	139,600	139,600

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company residual assets.

28. Other reserves

	2019 RM'000	2018 RM'000
Group		
Capital reserve	1,481	1,481
General reserve	1,100	1,100
	2,581	2,581
Company		
General reserve	1,100	1,100

The nature and purpose of each category of reserve are as follows:

(a) Capital reserve

This reserve represents the Group's share of the share premium of the associates.

(b) General reserve

This reserve represents the Company's appropriation of profits in prior years.

Notes to the Financial Statements

31 January 2019 (cont'd.)

29. Retained profits

As at 31 January 2019, the Company may distribute the entire balance of the retained profits under the single tier system.

30. Dividends

The directors do not recommend the payment of any dividend in respect of the current financial year.

31. Related party disclosures

Significant related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
(Income)/Expense				
Holding company				
Corporate service fee	221	220	221	220
Subsidiaries				
Rental income	-	-	-	(21)
Rental expense	-	-	70	70
Recoverability of electricity	-	-	(31)	(35)
Electricity	-	-	13	13
Interest income	-	-	(797)	(848)
Purchase of goods	-	-	21	31

Notes to the Financial Statements

31 January 2019 (cont'd.)

31. Related party disclosures (cont'd.)

Significant related party transactions (cont'd.)

Related companies

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Sapura Energy Berhad				
Rental income	(12,154)	(11,290)	(12,154)	(11,290)
Revenue from investment properties, other than rental income	(1,714)	(1,431)	(1,714)	(1,431)
Sapura Technology Sdn. Bhd. and its subsidiaries				
Rental income	(318)	(359)	(318)	(359)
Revenue from investment properties, other than rental income	(25)	(25)	(25)	(25)
Sapura Secured Technologies Sdn. Bhd. and its subsidiaries				
Information technology outsourcing services	729	796	421	460
Directors' related companies				
Rental income	(9)	(200)	(9)	(200)
Rental of hangar and office	(3,548)	(3,490)	-	-
Ground handling and other aviation related services	(1,089)	(3,424)	-	-
Directors' related firm				
Legal fees	26	66	-	-

32. Compensation of Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director of the entity.

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Short-term employee benefit	5,297	5,896	4,781	5,463

Notes to the Financial Statements

31 January 2019 (cont'd.)

33. Commitments

(a) Capital commitments

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Capital expenditure				
Approved and contracted for:				
Property, plant and equipments	9,026	6,042	5,137	502
Approved but not contracted for:				
Property, plant and equipments	4,322	9,741	3,414	7,059
Investment in a subsidiary	24,300	-	24,300	-
Investment in joint venture	90,134	93,984	82,184	93,984
	127,782	109,767	115,035	101,545

(b) Operating lease commitments - the Group as lessor

The Group and the Company have entered into commercial property leases on its investment properties and hangars. These non-cancellable leases have remaining non-cancellable lease terms of between 1 and 2 years. Most leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

Future minimum rentals receivable under non-cancellable operating leases at the reporting date are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Future minimum lease receivables:				
Not later than 1 year	20,639	24,973	14,825	17,312
Later than 1 year and not later than 5 years	2,445	8,831	703	6,676
	23,084	33,804	15,528	23,988

Notes to the Financial Statements

31 January 2019 (cont'd.)

33. Commitments (cont'd.)

(c) Operating lease commitments - the Group as lessee

The Group has entered into commercial property leases on its hangars, office and equipments. These non-cancellable leases have remaining non-cancellable lease terms ranges from 1 to 15 years.

Future minimum rentals payables under non-cancellable operating leases at the reporting date are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Future minimum lease receivables:				
Not later than 1 year	6,247	4,338	236	718
Later than 1 year and not later than 5 years	14,748	8,469	-	78
More than 5 years	15,298	16,963	-	-
	36,293	29,770	236	796

(d) Finance lease commitments

The Group and the Company have finance leases for certain motor vehicles (Note 11). These leases do not have terms of renewal, but have purchase options at nominal values at the end of the lease term.

Future minimum lease payments under finance lease with the present value of the net minimum lease payments are as disclosed in Note 25.

34. Contingent liabilities

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Unsecured guarantees given to third parties in respect of utility facilities granted to the Company	560	540	560	540

Notes to the Financial Statements

31 January 2019 (cont'd.)

35. Fair value of financial instruments

The carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables and current portion of loans and borrowings are reasonable approximate of their fair values due to the relatively short term nature of these financial instruments.

The following table analyses financial instruments not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position. The different levels have been defined as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable input).

The equity shares of the Group and the Company amounting to RM115,000 (2018: RM122,000) are measured as Level 1 hierarchy based on unadjusted quoted prices in active market for identical financial instrument.

The short term investment of the Group and the Company amounting to RM142,940,000 (2018: RM160,348,000) are measured as Level 2 hierarchy based on reference to fair value provided by the bank at the close of business on the reporting date.

Fair values below are categorised within the Level 2 fair value hierarchy which is based on indirectly observable market data (unobservable input).

		Group		Company	
	Note	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Financial liabilities					
At 31 January 2019:					
Obligations under finance leases	25	177	170	-	-
At 31 January 2018:					
Obligations under finance leases	25	327	316	61	61

Inter-relationship between significant unobservable inputs and fair value measurement are as follows:

- (a) The estimated fair value of the obligations under finance leases would increase/(decrease) if the interest rate applied to the borrowings increase/(decrease).

Notes to the Financial Statements

31 January 2019 (cont'd.)

36. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, foreign currency risk and market risk.

It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including short term investment and cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the business segment of its trade receivables on an ongoing basis. The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial assets at the reporting date.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 18. Investment in unit trust and investment securities that are neither past due nor impaired are entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Information regarding financial assets that are either past due or impaired is disclosed in Note 18.

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

Notes to the Financial Statements

31 January 2019 (cont'd.)

36. Financial risk management objectives and policies (cont'd.)

(b) Liquidity risk (cont'd.)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	2019		
	On demand or within one year RM'000	One to five years RM'000	Total RM'000
Group			
Financial liabilities:			
Trade and other payables	22,509	-	22,509
Loans and borrowings	6,054	122	6,176
Total undiscounted financial liabilities	28,563	122	28,685

	2019		
	On demand or within one year RM'000	One to five years RM'000	Total RM'000
Company			
Financial liabilities:			
Trade and other payables	13,628	-	13,628
Loans and borrowings	5,988	-	5,988
Total undiscounted financial liabilities	19,616	-	19,616

Notes to the Financial Statements

31 January 2019 (cont'd.)

36. Financial risk management objectives and policies (cont'd.)

(b) Liquidity risk (cont'd.)

Analysis of financial instruments by remaining contractual maturities (cont'd.)

	2018			
	On demand or within one year RM'000	One to five years RM'000	More than five years RM'000	Total RM'000
Group				
Financial liabilities:				
Trade and other payables	22,934	-	-	22,934
Loans and borrowings	149	199	-	348
Total undiscounted financial liabilities	23,083	199	-	23,282

	2018			
	On demand or within one year RM'000	One to five years RM'000	More than five years RM'000	Total RM'000
Company				
Financial liabilities:				
Trade and other payables	14,107	-	-	14,107
Loans and borrowings	62	-	-	62
Total undiscounted financial liabilities	14,169	-	-	14,169

(c) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposures arising from provision of services that are denominated in a currency other than the respective functional currencies of the Group's entities operating, primarily RM. The foreign currency in which these transactions are denominated are mainly United States Dollar.

Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level. As such, it is not exposed to any significant foreign currency risk.

Notes to the Financial Statements

31 January 2019 (cont'd.)

36. Financial risk management objectives and policies (cont'd.)

(d) Market risk

Market risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group is exposed to equity price risk arising from its investment in quoted equity instruments in Malaysia which are listed on the Bursa Malaysia and short term investment. Short term investment is investment in fund with a financial institution of which the fund is invested into a portfolio the financial institution's assets which have lower risk as compared to equity and commodity investment. These instruments are classified as held for trading financial assets. The Group does not have direct exposure to commodity price risk.

At the reporting date, the exposure to listed equity securities and investment in fund at fair value was RM115,000 (2018: RM122,000) and RM142,940,000 (2018: RM160,348,000) respectively. An increase or decrease of 10% on the market index of listed equity securities and investment in fund could have an impact of approximately RM11,500 (2018: RM12,200) and RM14,294,000 (2018: RM16,034,800) respectively on the profit or loss of the Group.

37. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 January 2019 and 2018.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio at an acceptable level. The Group includes within net debt, loans and borrowings, trade and other payables, less cash and bank balances. Capital includes equity attributable to the owners of the parent, less non-distributable reserves.

Notes to the Financial Statements

31 January 2019 (cont'd.)

37. Capital management (cont'd.)

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Loans and borrowings	24	5,877	327	5,700	61
Trade and other payables	22	22,509	22,934	13,628	14,107
Less: Cash and bank balances	21	(5,296)	(4,402)	(4,102)	(1,257)
Less: Short term investment	20	(142,940)	(160,348)	(142,940)	(160,348)
Net debt		(119,850)	(141,489)	(127,714)	(147,437)
Equity attributable to the owners of the parent		456,281	462,358	429,019	437,892
Less: Non-distributable reserves	28	(1,481)	(1,481)	-	-
Total capital		454,800	460,877	429,019	437,892
Capital and net debt		454,800	460,877	429,019	437,892
Gearing ratio		0%	0%	0%	0%

38. Segment information

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

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

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Notes to the Financial Statements

31 January 2019 (cont'd.)

38. Segment information (cont'd.)

	Investment holdings RM'000	Property investments RM'000	Aviation RM'000	Adjustments and eliminations RM'000	Note	Per consolidated financial statements RM'000
At 31 January 2019						
Revenue:						
External customers	-	25,818	23,017	-		48,835
Inter-segment	3,152	21	85	(3,258)	A	-
Total revenue	3,152	25,839	23,102	(3,258)		48,835
Results:						
Interest income	797	-	-	(797)		-
Profits distribution for short term investment	4,638	-	-	-		4,638
Net fair value loss on held for trading investment securities	(88)	-	-	-		(88)
Depreciation of investment properties	-	(3,160)	-	-		(3,160)
Depreciation of property, plant and equipment	(488)	(2,931)	(3,020)	-		(6,439)
Share of results of associates	2,666	-	-	-		2,666
Share of results of joint venture	(622)	-	-	-		(622)
Other non-cash (expenses)/ income	(12,162)	10	(1,526)	12,159	B	(1,519)
Segment (loss)/ profit before tax	(16,671)	10,173	(10,743)	12,180		(5,061)
Assets:						
Investment in associates	15,995	-	-	-		15,995
Investment in joint venture	141,452	-	-	-		141,452
Additions to non-current assets	79	12,078	3,992	-	C	16,149
Segment assets	300,335	162,496	72,117	(42,249)	D	492,699
Segment liabilities	5,213	20,642	56,019	(45,456)	E	36,418

Notes to the Financial Statements

31 January 2019 (cont'd.)

38. Segment information (cont'd.)

	Investment holdings RM'000	Property investments RM'000	Aviation RM'000	Adjustments and eliminations RM'000	Note	Per consolidated financial statements RM'000
At 31 January 2018, restated						
Revenue:						
External customers	2	26,003	25,334	-	A	51,339
Inter-segment	3,404	-	83	(3,487)		-
Total revenue	3,406	26,003	25,417	(3,487)		51,339
Results:						
Interest income	848	-	-	(848)		-
Profits distribution for short term investment	6,016	-	-	-		6,016
Profits distribution from money market instruments	22	-	-	-		22
Net fair value loss on held for trading investment securities	(158)	-	-	-		(158)
Depreciation of investment properties	-	(3,161)	-	-		(3,161)
Depreciation of property, plant and equipment	(714)	(2,169)	(3,417)	-		(6,300)
Share of results of associates	2,985	-	-	-		2,985
Share of results of joint venture	(364)	-	(83)	-		(447)
Other non-cash (expenses)/ income	9,653	(52)	(7,710)	12,349	B	14,240
Segment profit/(loss) before tax	6,385	11,248	(17,612)	12,352		12,373
Assets:						
Investment in associates	13,329	-	-	-		13,329
Investment in joint venture	139,058	-	873	-		139,931
Additions to non-current assets	300	12,929	6,351	-	C	19,580
Segment assets	308,648	149,305	83,682	(48,744)	D	492,891
Segment liabilities	4,868	16,735	102,884	(93,954)	E	30,533

Notes to the Financial Statements

31 January 2019 (cont'd.)

38. Segment information (cont'd.)

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Notes Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

A Inter-segment revenues are eliminated on consolidation.

B Other material non-cash expenses/(income) consist of the following items as presented in the respective notes to the financial statements:

	Note	2019 RM'000	2018 RM'000
Provision for claim	6	830	-
Reversal of provision for indemnity	6	-	(22,000)
Impairment loss on trade receivables	6	1,107	448
Impairment loss on other receivables	6	-	34
Impairment loss on amount due from a joint venture company	6	142	-
Impairment loss on property, plant and equipment	6	-	7,495
Reversal of allowances for impairment of trade receivables	6	(676)	(386)
Unrealised foreign exchange loss	6	255	196
Gain on disposal of property, plant and equipment	6	(139)	(27)
		1,519	(14,240)

C Additions to non-current assets consist of:

	2019 RM'000	2018 RM'000
Property, plant and equipment	16,149	19,580

D The following items are added to segment assets to arrive at total assets reported in the consolidated statement of financial position:

	2019 RM'000	2018 RM'000
Inter-segment assets	(42,249)	(48,744)

Notes to the Financial Statements

31 January 2019 (cont'd.)

38. Segment information (cont'd.)

- E The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	2019 RM'000	2018 RM'000
Inter-segment liabilities	(45,456)	(93,954)

39. Significant and subsequent events

On 29 October 2018, Mercu Sapura Sdn. Bhd. ("MSSB"), a wholly-owned subsidiary of the Company has entered into a Joint Venture and Shareholders Agreement ("Agreement") with Dilog Training & Services Sdn. Bhd. ("DTSSB") to undertake the business of provision of maintenance, repair and overhaul services for commercial aircraft. All the Conditions Precedent set out in the Agreement have been fulfilled accordingly and the Agreement has become unconditional as at 3 January 2019.

The joint venture company namely, Sapura Technics Sdn. Bhd. ("STSB") has been duly incorporated on 12 December 2018. STSB has an initial issued share capital of RM1.00 only comprising of one (1) ordinary share which is subscribed by MSSB.

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 upon subscription	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.

40. Authorisation of financial statements for issue

The financial statements for the year ended 31 January 2019 were authorised for issue in accordance with a resolution of the directors on 7 May 2019.

Particulars of Properties

As at 31 January 2019

Address	Description/ Existing Use	Land Area (in square meter)	Lease Expiry Date	Approximate Age of Building (years)	Net Book Value (RM'000)/ Date of Acquisition/ (Revaluation)
L.O. No. 10 Jalan Tandang Seksyen 28 46050 Petaling Jaya Selangor Darul Ehsan	Warehouse, office and store	49,927	20.06.2033	29 - 58	338/ 06.05.1988
P.T. No. 10A Jalan Tandang Seksyen 28 46050 Petaling Jaya Selangor Darul Ehsan	Warehouse and store	5,681	03.01.2057	42	2,613/ 06.05.1988
Lot 5, Jalan 219 Lebuhraya Persekutuan 46100 Petaling Jaya Selangor Darul Ehsan	Commercial Building	4,047	16.03.2068	37	2,057/ 13.09.1988
No. 7 Jalan Tasik The Mines Resort City 43300 Seri Kembangan Selangor Darul Ehsan	Office Building	22,379	20.03.2091	20	109,732/ 16.12.1999

Analysis of Shareholdings

As at 30 April 2019

Total Number of Issued Shares	:	139,600,000 ordinary shares
Class of Shares	:	Ordinary Shares
Voting rights	:	One vote per ordinary share
No. of shareholders	:	5,746

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shareholdings
Less than 100	416	7.24	5,062	0.00
100 - 1,000	2,259	39.31	1,992,583	1.43
1,001 - 10,000	2,351	40.92	9,662,033	6.92
10,001 - 100,000	620	10.79	19,341,050	13.86
100,001 to less than 5%	99	1.72	38,745,000	27.75
5% and above of issued shares	1	0.02	69,854,272	50.04
Total	5,746	100.00	139,600,000	100.00

DIRECTORS' SHAREHOLDINGS AS AT 30 APRIL 2019

Name of Directors	Direct Interest	%	Deemed Interest	%
Tan Sri Dato' Seri Shahril bin Shamsuddin	83,250	0.06	72,372,772*	51.84
Dato' Shahrman bin Shamsuddin	83,250	0.06	72,372,772*	51.84
Tan Sri Datuk Amar (Dr.) Hamid bin Bugo	-	-	-	-
Dato' Fuziah @ Fauziah binti Dato' Ismail	-	-	-	-
Dato' Muthanna bin Abdullah	-	-	-	-
Ahmad Jauhari bin Yahya	-	-	-	-
Peter Ho Kok Wai	-	-	-	-

* Deemed interested by virtue of his direct and indirect interests in Sapura Holdings Sdn. Bhd. and its wholly-owned subsidiaries, namely Sapura Capital Sdn. Bhd. and Indera Permai Sdn. Bhd. (as the case may be) pursuant to Section 8 of the Companies Act 2016 ("the Act").

Analysis of Shareholdings

As at 30 April 2019 (Cont'd.)

SUBSTANTIAL SHAREHOLDERS AS AT 30 APRIL 2019

Name of Substantial Shareholders	Direct Interest	%	Deemed Interest	%
Sapura Holdings Sdn. Bhd.	71,244,272	51.03	1,128,500 ⁽¹⁾	0.81
Tan Sri Dato' Seri Shahril bin Shamsuddin	83,250	0.06	72,372,772 ⁽²⁾	51.84
Dato' Shahrman bin Shamsuddin	83,250	0.06	72,372,772 ⁽²⁾	51.84
Brothers Capital Sdn. Bhd.	-	-	72,372,772 ⁽³⁾	51.84

⁽¹⁾ Deemed interested by virtue of the direct interests of Sapura Capital Sdn. Bhd. and Indera Permai Sdn. Bhd. in the Company pursuant to Section 8 of the Act.

⁽²⁾ Deemed interested by virtue of his direct and indirect interests in Sapura Holdings Sdn. Bhd. and its wholly-owned subsidiaries, namely Sapura Capital Sdn. Bhd. and Indera Permai Sdn. Bhd. (as the case may be) pursuant to Section 8 of the Act.

⁽³⁾ Deemed interested by virtue of its direct interest in Sapura Holdings Sdn. Bhd. pursuant to Section 8 of the Act.

THIRTY (30) LARGEST SHAREHOLDERS BASED ON RECORD OF DEPOSITORS AS AT 30 APRIL 2019

No.	Name of Shareholders	No. of Shares	%
1	Sapura Holdings Sdn. Bhd.	69,854,272	50.04
2	CIMB Group Nominees (Asing) Sdn. Bhd. Exempt AN for DBS Bank Ltd (SFS)	4,186,400	3.00
3	Lim Boon Liat	2,497,500	1.79
4	Choot Ewe Hin	2,034,500	1.46
5	ABB Nominee (Tempatan) Sdn. Bhd. Pledged Securities Account for Sapura Holdings Sdn Bhd (1119019194)	1,390,000	1.00
6	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Too Boon Siong	1,388,500	0.99
7	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB for Sapura Capital Sdn. Bhd. (PB)	1,098,500	0.79
8	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Parmjit Singh A/L Meva Singh (PBCL-0G0032)	1,000,000	0.72
9	DB (Malaysia) Nominee (Asing) Sdn. Bhd. BNYM SA/NV for KAF Asia Equities Fund	991,400	0.71
10	Leong Hon Wah	945,000	0.68
11	Chow Soon Fong	810,000	0.58
12	Yow Wang Yip	750,000	0.54
13	Tan Seow Cheng	740,000	0.53

Analysis of Shareholdings

As at 30 April 2019 (Cont'd.)

THIRTY (30) LARGEST SHAREHOLDERS BASED ON RECORD OF DEPOSITORS AS AT 30 APRIL 2019 (cont'd.)

No.	Name of Shareholders	No. of Shares	%
14	Lam Pun Ying	727,100	0.52
15	Chow Soon Meng	700,000	0.50
16	Lee Kim Seng	660,000	0.47
17	AMSEC Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Chiaw Lik Chiat	619,500	0.44
18	Choo Shiow Charn	600,000	0.43
19	Tan Yee Kong	536,000	0.38
20	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tam Seng @ Tam Seng Sen (E-PTS)	530,000	0.38
21	Citigroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Leong Chin Chye (472268)	500,000	0.36
22	Yong Siew Yoon	480,000	0.34
23	UOB Kay Hian Nominees (Asing) Sdn. Bhd. Exempt AN for UOB Kay Hian Pte Ltd (A/C Clients)	451,400	0.32
24	Eu Soon Keat	430,000	0.31
25	Peh Sew Chong	430,000	0.31
26	Life Enterprise Sdn. Bhd.	412,100	0.30
27	Tan Yee Seng	410,000	0.29
28	Yong Yee Mooi	400,000	0.29
29	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Too Boon Siong	389,500	0.28
30	Chua Kok Yong	370,000	0.27

Administrative Details for Shareholders/Proxies

Attending the Sixty-Second Annual General Meeting ("62nd AGM")

DATE, TIME AND VENUE OF AGM

Date : Thursday, 20 June 2019
Time : 10:00 a.m.
Venue : Multi-Purpose Hall, Ground Floor, Sapura@Mines, No. 7, Jalan Tasik, The Mines Resort City, 43300 Seri Kembangan, Selangor Darul Ehsan

REGISTRATION

- (a) The registration will commence at 8:00 a.m. and will end at a time as directed by the Chairman of the AGM. At the closure thereof, no person will be allowed to register for the AGM and to enter the meeting venue and no identification tag (as referred to under item (f) hereinafter) will be allocated.
- (b) Please read the signage to ascertain the registration counter to register yourself for the AGM and join the queue accordingly.
- (c) Please produce your original identity card ("IC")/passport to the Share Registrar for verification. Kindly make sure you collect your IC/passport thereafter.
- (d) After the verification, you are required to write your name and sign on the Attendance List placed at the registration counter.
- (e) No person will be allowed to register on behalf of another person even with the original IC/Passport of that person.
- (f) You will be given an identification tag upon verification and registration. Strictly only person with the identification tag and above the age of 18 will be allowed to enter the meeting venue. There will be no replacement in the event that you lose or misplace the identification tag.
- (g) If you have any questions, please proceed to Help Desk Counter.

SEATING ARRANGEMENTS FOR THE AGM

- (a) Shareholders and proxies are free to sit anywhere they please.
- (b) Shareholders and proxies will be allowed to enter the meeting venue upon registration.
- (c) All shareholders and proxies are encouraged to be seated at least ten (10) minutes before the commencement of the AGM.

MOBILE DEVICES

Kindly switch off or turn to silent mode all mobile devices (i.e. phones/pagers/other sound emitting devices) during the AGM to ensure smooth proceedings.

PERSONAL BELONGINGS

Kindly take care of your personal belongings. The organiser will not be held responsible for any loss of items.

PARKING

Outdoor parking is available all around the Sapura Building. The Security Guards on duty will guide you on your parking. Kindly park at your conveniences.

Administrative Details for Shareholders/Proxies Attending the Sixty-Second Annual General Meeting ("62nd AGM")

DOOR GIFT AND FOOD COUPON ENTITLEMENT

- (a) As a token of appreciation, each shareholder/proxy attending the AGM shall be entitled to one (1) door gift and one (1) food coupon irrespective of whether he/she attends as member and proxy or proxy for multiple members.
- (b) The food coupon and door gift will be provided upon successful registration.
- (c) There will be no replacement in the event that you lose or misplace your door gift and/or food coupon.
- (d) If the proxy (proxies) has (have) obtained the door gift and food coupon earlier, shareholders registering subsequently will not be entitled to redeem the same.

REFRESHMENTS

The food coupon must be redeemed at the Food Counter, Sapura@Mines, No. 7 Jalan Tasik, The Mines Resort City, 43300 Seri Kembangan, Selangor Darul Ehsan.

The food coupon must be redeemed on the AGM day from 8:00 a.m. to 12:00 noon and is not exchangeable for cash in part or full.

VOTING PROCEDURE

The voting at the AGM will be conducted by way of poll.

ENQUIRIES

If you have any enquiries prior to the AGM, please contact the following persons during office hours:-

SHARE REGISTRAR,
Boardroom Share Registrars Sdn Bhd
(formerly known as Symphony Share Registrars Sdn Bhd)

Level 6, Symphony House,
Pusat Dagangan Dana 1, Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan

Telephone No. : 603 7849 0777 (Helpdesk)
Fax No. : 603 7841 8151 / 8152
Email : BSR.Helpdesk@boardroomlimited.com

Sapura Resources Berhad

Puan Zalifah binti Zambrose / Puan Nora'shikin binti Badariah
Telephone No. : 603 8949 7000
Fax No. : 603 8949 7046

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Proxy Form

Total number of Proxy(ies) appointed		
Proportion of holdings to be represented by each proxy	Proxy 1 %	Proxy 2 %
Total number of ordinary shares held		
CDS Account No.		

I/We _____ NRIC/Passport/Company No. _____
(FULL NAME IN CAPITAL LETTERS)

of _____
(FULL ADDRESS)

being a Member/Members of SAPURA RESOURCES BERHAD hereby appoint _____

_____ NRIC/Passport No. _____
(FULL NAME IN CAPITAL LETTERS)

of _____
(FULL ADDRESS)

and/or failing him/her, _____ NRIC/Passport No. _____
(FULL NAME IN CAPITAL LETTERS)

of _____
(FULL ADDRESS)

or failing him/her, the Chairman of the Meeting, as my/our proxy to vote for me/us on my/our behalf at the Sixty-Second (62nd) Annual General Meeting of the Company to be held at the Multi-Purpose Hall, Ground Floor, Sapura@Mines, No. 7, Jalan Tasik, The Mines Resort City, 43300 Seri Kembangan, Selangor Darul Ehsan on Thursday, 20 June 2019 at 10:00 a.m. or at any adjournment thereof and to vote as indicated below:

Resolution No.	Resolutions	For	Against
Ordinary Business:			
Ordinary Resolution 1	Re-election of Tan Sri Dato' Seri Shahril bin Shamsuddin		
Ordinary Resolution 2	Re-election of Dato' Muthanna bin Abdullah		
Ordinary Resolution 3	Re-appointment of Messrs. Ernst & Young as Auditors of the Company.		
Special Business:			
Ordinary Resolution 4	Payment of Directors' Fees of RM592,000.00		
Ordinary Resolution 5	Payment of Directors' Benefits Payable up to an amount of RM64,010.00		
Ordinary Resolution 6	Retention of Dato' Muthanna bin Abdullah as an Independent Non-Executive Director		
Ordinary Resolution 7	Retention of Tan Sri Datuk Amar (Dr.) Hamid bin Bugo as an Independent Non-Executive Director		
Ordinary Resolution 8	Retention of Dato' Fuziah @ Fauziah binti Dato' Ismail as an Independent Non-Executive Director		
Ordinary Resolution 9	Authority for Directors to Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016		
Special Resolution	Proposed Adoption of a new Constitution of the Company		

Please indicate with an "X" in the space above how you wish your vote to be cast. If no specific direction as to voting is given, the Proxy will vote or abstain from voting at his/her discretion.

Signature / Common Seal of Shareholder _____

Dated this _____ day of _____ 2019

Notes:

- Only a depositor whose name appears on the Record of Depositors as at 13 June 2019 shall be entitled to attend and vote at the Meeting or appoint proxy(ies) to attend and vote in his stead.
- A member of the Company who is entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. Where a member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly appointed under a Power of Attorney or if such appointer is a corporation, either under its Common Seal or under the hand of an officer or an attorney duly appointed under a Power of Attorney.
- (a) Where a Member is an Authorised Nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
(b) Where a Member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds. The appointment of two (2) or more proxies in respect of any particular Omnibus Account shall be invalid unless the Exempt Authorised Nominee specifies the proportion of its shareholding to be represented by each proxy.
- A proxy may but does not need to be a member of the Company and if not a member he need not be a qualified legal practitioner, an approved company auditor or a person approved by the Registrar. Notwithstanding this, a member entitled to attend and vote at the Meeting is entitled to appoint any person as his proxy to attend and vote instead of the member at the Meeting. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to participate, speak and vote at the Meeting.
- The instrument appointing the proxy must be deposited at the Company's Share Registrar, Boardroom Share Registrars Sdn Bhd (formerly known as Symphony Share Registrars Sdn Bhd), Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and /or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 21 May 2019.

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Stamp

The Share Registrar

Boardroom Share Registrars Sdn Bhd (378993-D)
(formerly known as Symphony Share Registrars Sdn Bhd)

Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan

Sapura Resources Berhad (3136-D)
Sapura@Mines, No. 7, Jalan Tasik
The Mines Resort City, 43300 Seri Kembangan
Selangor Darul Ehsan, Malaysia

Tel: +603 8949 7000 Fax: +603 8949 7046

www.sapura-resources.com