

SAPURA RESOURCES BERHAD (“SRB”)
[Registration No. 195701000235 (3136-D)]
(Incorporated in Malaysia)

SUMMARY OF KEY MATTERS DISCUSSED AT THE SIXTY-THIRD ANNUAL GENERAL MEETING (“63RD AGM”) OF THE COMPANY CONDUCTED ON A FULLY VIRTUAL BASIS AT THE BROADCAST VENUE AT MEETING ROOM 1 AND 2, LEVEL 9, SAPURA@MINES, NO. 7 JALAN TASIK, THE MINES RESORT CITY, 43300 SERI KEMBANGAN, SELANGOR DARUL EHSAN ON MONDAY, 27 JULY 2020 AT 10:00 A.M.

CHAIRMAN

YBhg. Tan Sri Datuk Amar (Dr.) Hamid bin Bugo (“**Tan Sri Chairman**”), the Chairman of the Meeting welcomed all present to the 63rd AGM of the Company and thanked the shareholders, proxies, corporate representatives and the Directors of the Company who could not be present at the Broadcast Venue for participating remotely from various locations through live streaming.

PRESENTATION BY MANAGEMENT

Encik Shamsul Anuar bin Musa, the Chief Financial Officer of the Company (“**Encik Shamsul**”) presented, and the Meeting noted the overview of the Group’s business performance including property management, property investment of Lot 91 KLCC (Permata Sapura), private aviation, engineering services (aircraft maintenance, repair, and overhaul (“**MRO**”) and the Joint Venture with MTU Asia Pte. Ltd.) and the Group’s key financial highlights for the financial year ended 31 January 2020.

LETTER FROM MINORITY SHAREHOLDER WATCH GROUP (“MSWG”)

Encik Shamsul read the letter from MSWG and the corresponding reply by the Company, the details of which is attached herewith as “Appendix A”.

KEY QUESTIONS AND COMMENTS RAISED BY SHAREHOLDERS AND PROXIES

The following are the key questions that were raised from the live streaming participants, which were adequately responded and addressed by the Management and the Board:-

- 1. Could the Board consider reversing the decision on not rewarding shareholders with vouchers as stated in the Administrative Details for Shareholders/Proxies attending the 63rd AGM?**

Reply by Tan Sri Chairman:

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The Board thanked the shareholder for the comment and the Board will consider the request accordingly.

- 2. In view of the implementation of the Movement Control Order in response to the COVID-19 pandemic where the Company has been badly affected and its earnings are expected to be depressed, would the Board consider any cost-cutting measures such as layoff staff and/or salary cut?**

Reply by YH. Dato' Shahrman bin Shamsuddin ("**Dato' Shahrman**"), the Managing Director:

The Management is reviewing all the costs and are looking into all possibilities in reducing the costs of the Company.

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(Summary of Key Matters Discussed at the Sixty-Third Annual General Meeting held on 27 July 2020 - cont'd)

- 3. As specified in the Circular to Shareholders issued in 2014 where the Company's commitments include guarantee and underwrite the lease of its portion of Net Lettable Area ("NLA") in Permata Sapura, what is the likelihood of such commitment being delivered by end of the year?**

Reply by Dato' Shahrman:

There is a high likelihood that the Company's portion of NLA will be finalised by end of the year.

- 4. What is the extent of the impact of COVID-19 pandemic to the Company's profitability?**

Reply by Encik Shamsul Anuar bin Musa ("**Encik Shamsul**"), the Chief Financial Officer:

As addressed in the presentation in response to the questions raised by Minority Shareholder Watch Group, the extent of the impact to the Company's profitability is briefly as follows:-

- (i) Aviation segment – A drop in business aircraft movements;
- (ii) MRO segment – Approval granted by Civil Aviation Authority Malaysia (CAAM) in February was just prior to the crisis period and this led to delay in securing a base customer; and
- (iii) Lot 91 – if Covid-19 persists, it will affect the business side especially for retail and convention centre's businesses.

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5. Is the Company competitively ready for projects from the government's construction and aviation sectors?

Reply by Dato' Shahrman:

The Company is not in the construction business and has no plan to venture into the construction business. The Group's aviation segment is principally involving commercial aircrafts maintenance and the Group will also not be entering into aviation business in the government sector.

6. When can the Company be able to make a turnaround on its profit after tax ("PAT")?

Reply by Encik Shamsul:

Looking at the impact of Covid-19 on the economy and the uncertainties in the oil and gas industry, at the moment, Management is assessing the economic environment against its latest financial projections. For the time being, as there are many moving parts and uncertainties, it is difficult to ascertain when the Company can turn-around its PAT at this juncture.

After dealing with all items on the Agenda, the resolutions set out in the Notice of 63rd AGM dated 29 June 2020 were put to vote by way of poll.

(Summary of Key Matters Discussed at the Sixty-Third Annual General Meeting held on 27 July 2020 - cont'd)

APPROVAL OF RESOLUTIONS

The Meeting resolved and approved the following resolutions at the meeting by way of poll votes:-

Resolutions	Voted in Favour		Voted Against		Results
	No. of Shares	%	No. of Shares	%	

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Ordinary Resolution 1 Re-election of Tan Sri Datuk Amar (Dr.) Hamid bin Bugo	72,721,832	99.9903	7,050	0.0097	Carried
Ordinary Resolution 2 Payment of the Directors' fees of RM592,000/-	72,520,729	99.9432	41,248	0.0568	Carried
Ordinary Resolution 3 Payment of Directors' benefits payable up to an amount of RM53,510/-	72,515,023	99.9353	46,954	0.0647	Carried
Ordinary Resolution 4 Re-appointment of Ernst & Young PLT as Auditors of the Company	72,724,955	99.9946	3,922	0.0054	Carried
Ordinary Resolution 5 Retention of Dato' Muthanna bin Abdullah as an Independent Director of the Company	72,713,529	99.9792	15,148	0.2083	Carried
Ordinary Resolution 6 Retention of Tan Sri Datuk Amar (Dr.) Hamid bin Bugo as an Independent Director of the Company	72,722,852	99.9919	5,922	0.0081	Carried
Ordinary Resolution 7 Authority for Directors to Issue and Allot Shares pursuant to Sections 75 and 76 of the Companies Act 2016	72,717,309	99.9842	11,468	0.0158	Carried

The results of the poll were validated by Boardroom Corporate Services Sdn. Bhd., the Independent Scrutineers appointed by the Company.

CLOSE OF MEETING

There being no other business to be transacted, Tan Sri Chairman concluded the Meeting at 11:20 a.m. and thanked all for participating in this Meeting.

Appendix A

The details of the queries raised by the MSWG and the corresponding reply by the Company were as follows:-

Strategic and Financial Matters

1) The Aviation business segment reported a higher loss of RM15.2 million in FY 2020 as compared to a loss of RM10.7 million in FY 2019. The Maintenance, Repair and Overhaul (“MRO”) business segment also reported a loss of RM12.1 million in FY 2020, its first year of operation. (pages 181 & 182 of Annual Report).

- a) Please explain the reasons that contributed to the higher losses in the Aviation and MRO business segments in FY 2020?

Response:

Aviation

As per page 16 of the Annual Report 2020, the higher losses registered by the Aviation business segment in FY 2020 was mainly due to the one-off provision of RM8.2 million for a claim from a previous customer of Aerodome Sdn. Bhd. Details of the claim is disclosed on pages 185 and 186 of the Annual Report 2020.

MRO

The losses registered by our MRO business in FY20 was mainly due to business being in its early setting-up phase where we incurred significant costs upfront mainly related to the manpower and facility. This was for us to demonstrate capacity and readiness to the Civil Aviation Authority of Malaysia (“CAAM”) even before we can secure the required approvals.

No revenue had been generated from the core and intended business in FY20 as CAAM approvals were obtained in FY21. The MRO business revenue recorded in FY20 period is only pertaining to facility rental from a sub-tenant in our Senai hangar. Loss for the year had been anticipated and included in the overall budget and plans.

- b) What measures has the Company taken to reduce the losses of the Aviation and MRO business segments moving forward?

Response:

Aviation

Moving forward, the Aviation business segment remains focus on our core competencies of providing hangarage, ground handling and aircraft management services. The business segment has implemented various cost reduction and rationalisation measures to improve efficiency and its bottom line.

MRO

With the approval from CAAM in place in FY 21, the core intended business revenue can now be generated from the MRO segment.

Sapura Technics Sdn. Bhd. (“STSB”) can now offer services to carry out maintenance work for Malaysian registered aircraft of both the Boeing B737 and Airbus A320 families. Furthermore, STSB has now applied for further approvals from other authorities in order to capture market of respective countries’ registered aircraft.

- c) The air travel industry has been badly affected by the COVID-19 pandemic that has restricted air travel. What are the measures the Company has taken to overcome this challenging time and operate in the “New Normal” environment?

Response:

Aviation

The Aviation segment is directly impacted by the COVID-19 global pandemic. The restrictions imposed for local and international travel since the commencement of the Movement Control Order (MCO) has resulted in a drop in business aircraft movements in Subang Airport and subsequently, impacted our ground handling sub-segment.

According to an article dated 15 July 2020 by WIngX, a data analytics and consulting company which provides market intelligence to the global aviation industry, the global business aviation market is expected to continue its recovery from a low point in April 2020. Business aviation activities in Asia Pacific in July 2020 is currently seeing a drop of 23%. Since the start of the year, global business aviation activity is down by 31%.

The Aviation segment’s business and financial projections have taken into consideration of the global slowdown in the sector. Various cost cutting measures have been put in place to ensure the sustainability of the business.

MRO

STSB is directly and immediately impacted by the global pandemic. Unfortunately, approval granted by CAAM in February 2020 (FY 21) was just prior to the crisis period and this led to delay in securing a base customer.

The global commercial aircraft MRO market is expected to be hit by around 50% in the current year, as reported by Oliver Wyman in April 2020. Asia Pacific, specifically China and South East Asia is expected to recover fastest in 2021 with a 7% overall reduction compared to the prepandemic projections.

STSB's business projection has now taken into consideration and measures to ensure sustainability are being put into place. STSB has also taken cost reduction initiatives and will monitor the situation closely to see whether such measures need to be prolonged and intensified.

d) When is the Company expected to provide MRO services for Boeing 737 series and Airbus A320 family aircraft at Senai Airport? What is the expected revenue for its first year of operation? Prior to the Covid-19 pandemic, the first aircraft checks were expected to take place in the 1st half of 2020. However, we now expect to provide aircraft maintenance services on A320 aircraft from August 20 onwards. We do expect some revenue in its first year of operations. However, due to the uncertainties caused by Covid-19 pandemic, we do not expect any significant upturn in revenue.

2) Lot 91 KLCC, which features retail and commercial space, is at the last stage of construction. The Group will continue to attract the potential tenants while keeping a close monitoring of the market's ever-changing offerings and office space demand. (page 15 of Annual Report).

a) What is the Net Lettable Area (NLA) of the retail and commercial space, of Lot 91 KLCC respectively?

Response:

The Net Lettable Area (NLA) of Lot 91 is approximately 98,000 sq ft for the retail area, 122,000 sq ft for the Exhibition Halls and 637,000 sq ft for the office tower.

b) Who are the anchor tenants who have signed up for the office and commercial components at Lot 91 KLCC?

Response:

The anchor tenants for Lot 91 will consist of various Sapura affiliated companies for the office tower. We are also at the tail-end of negotiations with a prominent supermarket chain in Malaysia to be the anchor tenant for the retail area.

c) What is the expected occupancy rate of the retail and commercial space at Lot 91 KLCC respectively when it is ready for occupation?

Response:

The occupancy rate for the office tower is targeted to be over 80% upon the official opening of Lot 91.

The exhibition hall will be managed by KLCC's current exhibition halls' operator and the projected occupancy is still uncertain at this time as a result of events being cancelled/postponed due to the Covid-19 pandemic.

Knight & Frank is the retail leasing agent for Lot 91 and they have indicated a minimum occupancy target of 70% for the retail area prior to opening.

3) The Company has acquired 51% interest in MTU Power Systems Sdn. Bhd. (“MPS”) which undertakes the sale and service of original equipment packaging solutions in marine, rail, construction and industrial, mining, agriculture, oil and gas, and power generation market sectors in Malaysia.

a) Has MPS succeeded in securing any sales or services in the current financial year? If yes, what is the value?

Response:

Yes. Our joint-controlled entity with MTU Asia Pte Ltd (“MTU”), MPS has managed to record revenue level of RM2.2 million for the period of 1st February 2020 until end of June 2020.

b) How will MPS compete with competitors who are more established in the market it operates in?

Response:

The MTU is a well-established brand in Malaysia and our partner, MTU Asia Pte Ltd has been involved in the market since 1981 especially in the government marine segment.

For new and existing sectors where MTU has less market penetration, we are enhancing our After Sales Support services accordingly which previously had more focus in the government marine segment.

We are also able to compete with competitors by offering superior technical products with value-added services at competitive commercial terms especially now when we could reduce inefficiencies by having direct contact and relationship with the Original Equipment Manufacturer (“OEM”), namely the MTU as our equity partner and OEM partner.

Corporate Governance Matters

1) Encik Ahmad Jauhari bin Yahya, the Independent Non-Executive Director attended 4 out of the 6 Board meetings, constituting 66.7% of Board attendance.

What was the reason Encik Ahmad Jauhari bin Yahya was unable to attend the two Board meetings as Board meeting are normally scheduled well in advance before meeting dates?

Response:

Encik Ahmad Jauhari had to attend unscheduled urgent meeting overseas. Nevertheless, Encik Ahmad Jauhari has complied with the Board Charter of the Company where he had achieved at least 50% attendance of the total Board Meetings held during the reported financial year ended with appropriate level of absence notified to the Chairman of the Board and/or the Company Secretary.

- 2) We have accessed the Company's website on 18 July 2020 and note that there was no publication of the "Key Matters Discussed" at the Company's 62nd Annual General Meeting held on 20 June 2019 as required under paragraph 9.21(2)(b) of the Main Market Listing Requirements.

Response:

The summary of the key matters discussed at the AGM held in 2019 had been made available on our corporate website. The summary of key matters can be found in the link below:

<http://www.sapuraresources.com/tor/download/Summary%20of%20Key%20Matters%20at%2062nd%20AGM%20o%20m%2020%20June%202019.pdf>