



Annual Report **2012**

Surging Dynamics



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### RATIONALE

#### BRUSH STROKES

The visual aura in the design is realised in the synthesis of a graphic rendition, with attributes of strong linear strokes, executed via photographic illustration. The expression reveals the significant dynamism imbued in Sapura today. Its growth progression defines its positive outlook, made relevant by spontaneity engendered by the vivid colours. Every single brush stroke is reflective of confidence, strength, speed and agility, and the driving force within the Sapura Group.

*honourable*





We will win the trust of our shareholders and customers by focusing on delivering value and ensuring that we manage the resources entrusted to us efficiently.

## Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT the 36th 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 Tuesday, 17 July 2012 at 11.00 a.m. to transact the following businesses:**

### AGENDA

#### ORDINARY BUSINESS

1. To receive the Audited Financial Statements together with the Directors' and Auditors' reports for the financial year ended 31 January 2012. *Please refer to Note 1*
2. To approve the payment of a single tier first and final dividend of 15 sen per ordinary share in respect of the financial year ended 31 January 2012. *Ordinary Resolution 1*
3. To re-elect the following Directors who retire pursuant to Article 109 of the Articles of Association of the Company and being eligible, offer themselves for re-election:
  - i. Encik Shahrman bin Shamsuddin *Ordinary Resolution 2*
  - ii. Encik Ir. Md. Shah bin Hussin *Ordinary Resolution 3*
4. To re-appoint Dato' Azlan bin Hashim who retires pursuant to Section 129(6) of the Companies Act, 1965 and being eligible, offers himself for re-appointment. *Ordinary Resolution 4*
5. 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 5*

#### SPECIAL BUSINESS

As Special Business, to consider and if thought fit, to pass the following resolutions:

6. DIRECTORS' FEES  
To approve the Directors' fees for the financial year ended 31 January 2012. *Ordinary Resolution 6*
7. AUTHORITY FOR DIRECTORS TO ISSUE SHARES UNDER SECTION 132D OF THE COMPANIES ACT, 1965  
"THAT subject to the provisions of the Company's Articles of Association and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Malaysia), the Directors be and are hereby empowered, pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company at any time and upon such terms and conditions and for such purpose as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten per centum (10%) of the total issued and paid-up share capital of the Company as at the date of such issuance and that the Directors be and are also empowered to obtain all necessary approvals from the relevant authorities for the issuance and the listing of and quotation for the additional shares so issued on Bursa Malaysia and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company." *Ordinary Resolution 7*

#### NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS HEREBY GIVEN THAT a single tier first and final dividend of 15 sen per ordinary share in respect of the financial year ended 31 January 2012, if approved by the shareholders at the 36th Annual General Meeting, will be payable on 9 August 2012 to Depositors registered in the Record of Depositors at the close of business on 24 July 2012.

A Depositor shall qualify for entitlement only in respect of:

- a) Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 24 July 2012 in respect of ordinary transfers; and
- b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

**Liyana Lee Binti Abdullah**

(MIA 10293)

Company Secretary

Bandar Baru Bangi, Selangor Darul Ehsan

25 June 2012

NOTES:

**1. Agenda Item 1**

This Agenda item is meant for discussion only as under the provisions of Section 169(1) of the Companies Act, 1965 and the Company's Articles of Association, formal approval by members is not required to be obtained. Hence, the matter will not be put forward for voting.

**2. Proxy Forms**

A member whose name appears in the Record of Depositors of the Company as at 11 July 2012 shall be entitled to attend, speak and vote at this Meeting.

A member of the Company who is entitled to attend and vote at this Meeting is entitled to appoint not more than two (2) proxies to attend and vote on a show of hands or on a poll in his stead. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation.

Where a member is an authorised nominee, 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 appoints two (2) proxies to attend and vote, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.

An instrument appointing a proxy shall be in writing and in the case of an individual shall be signed by the appointor or by his attorney and in the case of a corporate member, shall be either under its Common Seal or signed by its attorney or an officer of the corporation duly authorised.

The instrument appointing a proxy must be deposited at the Registered Office of the Company at Lot 2 & 4, Jalan P/11, Seksyen 10, Kawasan Perindustrian Bangi, 43650 Bandar Baru Bangi, Selangor Darul Ehsan, not less than forty eight (48) hours before the time set for holding the Meeting or any adjournment thereof.

**3. Corporate Representative**

As an alternative to the appointment of a proxy, a corporate member may appoint its corporate representative to attend this Meeting pursuant to Sections 147(3) and (4) of the Companies Act, 1965. For this purpose and pursuant to Section 147(5) of the Companies Act, 1965, the corporate member shall provide a certificate under its common seal as prima facie evidence of appointment of the corporate representative. The corporate member may submit the certificate to the Registered Office of the Company prior to the commencement of this Meeting.

**4. Directors' fees**

The Directors' fees for the financial year ended 31 January 2012 amounted to RM358,709.

**5. Ordinary Resolution pursuant to Section 132D of the Companies Act, 1965**

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting held on 13 July 2011 which will lapse at the conclusion of the forthcoming 36th Annual General Meeting.

The proposed Ordinary Resolution 7, if passed, would, subject to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, enable the Directors to issue up to a maximum of ten per centum (10%) of the total issued and paid-up share capital 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.

The Company is seeking the approval from shareholders on the renewal of the above mandate for the purpose of possible fund raising exercise(s) including but not limited to the further placement of shares to fund future investments, acquisitions and/or meet working capital requirements.



## Corporate Profile

Sapura Industrial Berhad started out in the early 1980s manufacturing automobile suspension parts. As the business expanded in tandem with Malaysia's automotive industry, a holding company was established in 1994 under the name of Sapura Motors Berhad. The Company was subsequently listed on the Second Board of Bursa Malaysia Securities Berhad on 9 May 1997, before it was transferred to the Main Board on 14 January 2004. In August that same year, the Company assumed its present name of Sapura Industrial Berhad, to reflect its diverse business activities.



As the Company continues to evolve with the times, the one thing that has remained constant is our corporate core values. In every phase of Sapura Industrial Berhad's transformation journey, these core values have been the driving force behind our success and form the basis of a performance-based culture. Today, Sapura Industrial has become a name synonymous with quality, reliability and service excellence and this has been borne out by the awards and accolades we have received from industry peers and giants in the automotive industry at home and abroad.

Sapura Industrial has earned its standing in the industry through sheer determination, far-sightedness and plain hard work. Backed by a solid track record and with all the prerequisites in place, Sapura Industrial is preparing for the next thrust forward. The Company is now set to take on the entrepreneurial challenge of carving out a larger presence in the international marketplace. The way to success is through our people and because of their dedication, professionalism and teamwork, we are confident we will grow our businesses and achieve further value for the benefit of all our stakeholders.

## Financial Highlights

		← 31 January →				
		2008	2009	2010	2011	2012
Revenue	(RM'mil)	145.4	240.4	232.6	284.6	284.8
Profit after taxation	(RM'mil)	5.1	7.0	8.1	20.5	22.0
Profit attributable to equity holders of the Company	(RM'mil)	5.1	7.0	8.1	20.5	22.0
Shareholders' fund/Equity	(RM'mil)	60.0	64.8	70.7	77.4	89.4
Basic earnings per share	(sen)	7.06	9.58	11.13	28.23	30.27
Diluted earnings per share	(sen)	7.06	9.58	11.13	28.22	30.27
Net asset per share	(RM)	0.82	0.89	0.97	1.06	1.23
Number of ordinary shares at financial year end	('mil)	72.8	72.8	72.8	72.8	72.8

## Corporate Information

### BOARD OF DIRECTORS

Dato' Seri Shahril bin Shamsuddin  
Deputy Chairman  
Non-Independent Non-Executive Director

Shahriman bin Shamsuddin  
Executive Director

Datuk Kisai bin Rahmat  
Independent Non-Executive Director

Dato' Azlan bin Hashim  
Non-Independent Non-Executive Director

Ir. Md. Shah bin Hussin  
Non-Independent Non-Executive Director

Wan Ahamad Sabri bin Wan Daud  
Independent Non-Executive Director

### AUDIT COMMITTEE

Datuk Kisai bin Rahmat  
Chairman  
Independent Non-Executive Director

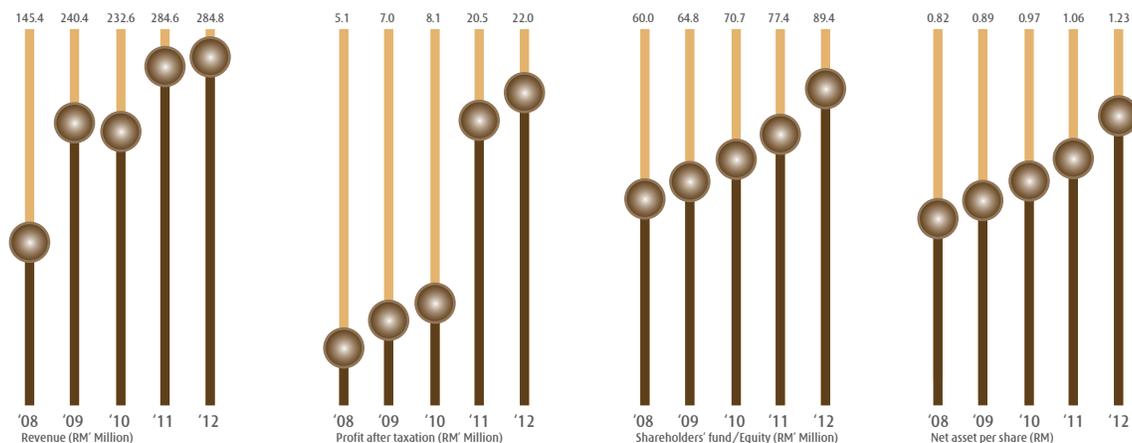
Dato' Azlan bin Hashim  
Non-Independent Non-Executive Director

Wan Ahamad Sabri bin Wan Daud  
Independent Non-Executive Director

### BOARD NOMINATION AND REMUNERATION COMMITTEE

Datuk Kisai bin Rahmat  
Independent Non-Executive Director

Wan Ahamad Sabri bin Wan Daud  
Independent Non-Executive Director



#### DIRECTOR IN CHARGE OF SHAREHOLDERS' COMMUNICATIONS

Datuk Kisai bin Rahmat  
Senior Independent Non-Executive Director  
Email : director-sib@sapuraindustrial.com.my  
or

#### MAIL TO :

Lot 2 & 4, Jalan P/11, Seksyen 10  
Kawasan Perindustrian Bangi  
43650 Bandar Baru Bangi  
Selangor Darul Ehsan

#### COMPANY SECRETARY

Liyana Lee binti Abdullah  
(MIA No : 10293)

#### REGISTERED OFFICE

Lot 2 & 4, Jalan P/11, Seksyen 10  
Kawasan Perindustrian Bangi  
43650 Bandar Baru Bangi  
Selangor Darul Ehsan  
Tel : 603-8925 6011  
Fax : 603-8925 8292

#### AUDITORS

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

#### SHARE REGISTRAR

Tricor Investor Services Sdn. Bhd.  
Level 17, The Gardens North Tower  
Mid Valley City  
Lingkaran Syed Putra  
59200 Kuala Lumpur  
Tel : 603-2264 3883  
Fax : 603-2282 1886

#### STOCK EXCHANGE LISTING

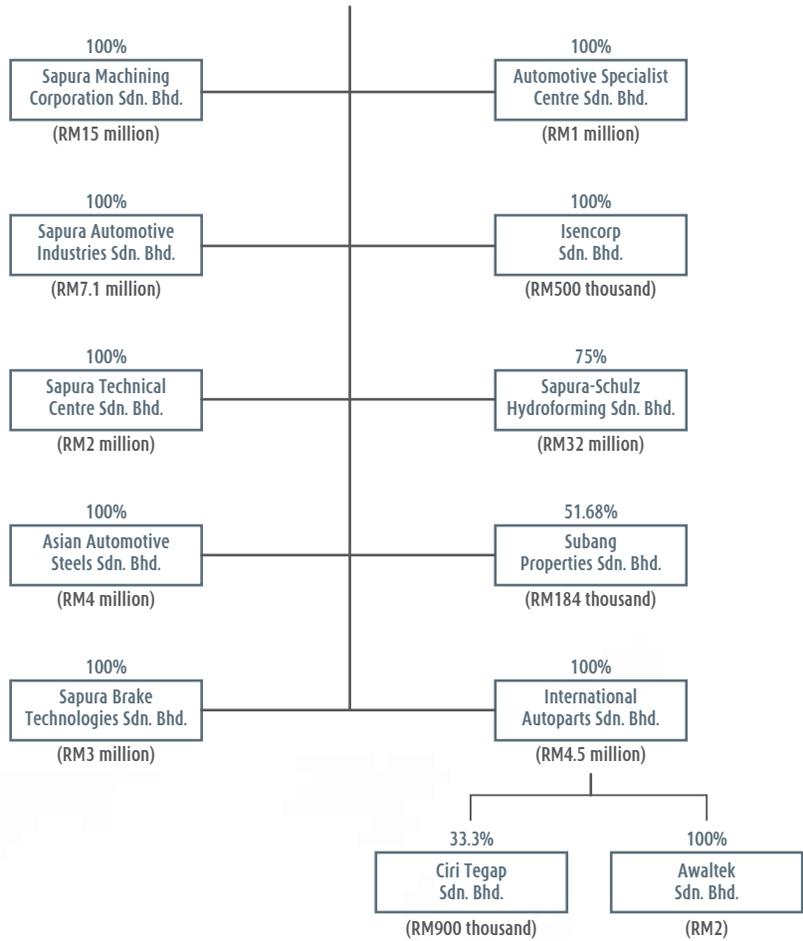
The Main Board of Bursa Malaysia  
Stock Name : SAPIND  
Stock Code : 7811

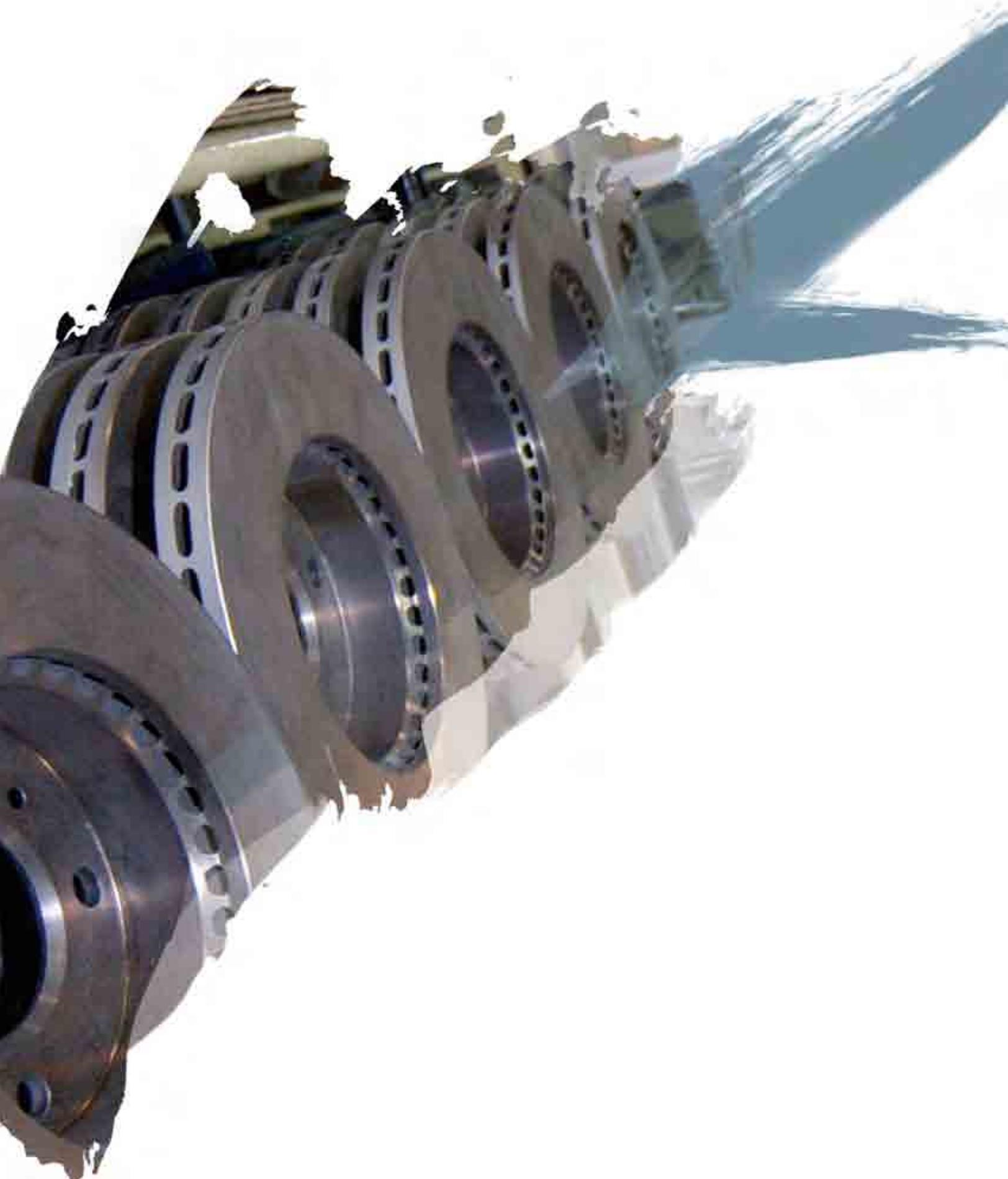
# Corporate Structure

As at 25 May 2012



Paid up Capital : RM72.776 million







# resourceful



We will be 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.

# Board of Directors



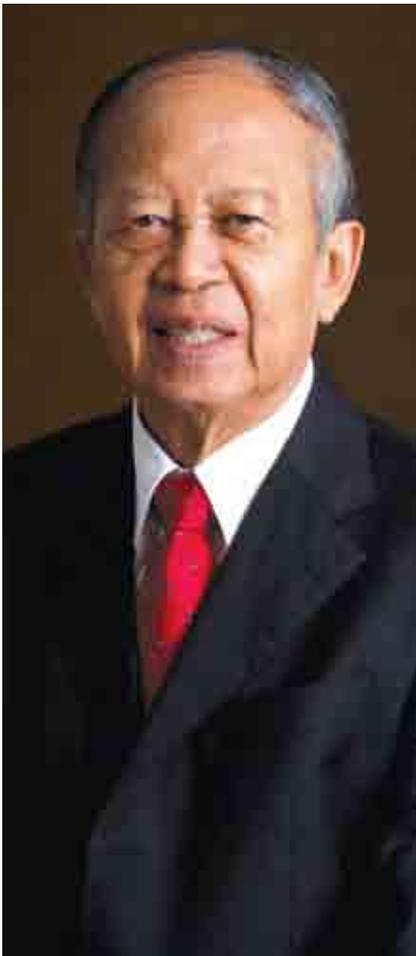
**Dato' Seri Shahril bin Shamsuddin**  
Deputy Chairman  
Non-Independent Non-Executive Director



**Shahrman bin Shamsuddin**  
Executive Director



**Datuk Kisai bin Rahmat**  
Independent Non-Executive Director



**Dato' Azlan bin Hashim**  
Non-Independent Non-Executive Director



**Ir. Md. Shah bin Hussin**  
Non-Independent Non-Executive Director



**Wan Ahamad Sabri bin Wan Daud**  
Independent Non-Executive Director

## Directors' Profile



### **DATO' SERI SHAHRIL BIN SHAMSUDDIN**

Deputy Chairman, Non-Independent Non-Executive  
PJN, SPTJ

Dato' Seri Shahril bin Shamsuddin, aged 51, a Malaysian, is the President and Group Chief Executive Officer of the Sapura Group which is involved in provision of oil & gas services, secured communications technologies, property development and management, industrial and automotive component manufacturing and education.

Dato' Seri Shahril joined the Sapura Group in 1985 and since then has taken on a number of senior positions within the Group, taking over the leadership as President and Group CEO in 1997. He steered the Sapura Group during the restructuring of its business portfolio and financials, where he made several key decisions that involved the acquisition of companies and technologies. He also headed the strategic disposal of some assets and businesses in line with the Group's strategy for business growth.

Dato' Seri Shahril was appointed to the Board of Sapura Industrial Berhad as Non-Executive Director and Deputy Chairman on 2 December 1993 and 29 November 2002 respectively.

Appointments held by Dato' Seri Shahril at present include Executive Director and President and Group CEO of SapuraKencana Petroleum Berhad, Non-Executive Director of Sapura Resources Berhad and President and CEO of Sapura Secured Technologies Sdn. Bhd., a privately held division of the Sapura Group.

In addition to his positions within the Sapura Group, Dato' Seri Shahril is also a member of the Board of Trustees of the Perdana Leadership Foundation.

Among the honours that Dato' Seri has been conferred with include the Panglima Jasa Negara (PJN) from the Federal Government of Malaysia which carries the title "Datuk" (June 1998), Darjah Seri Paduka Tuanku Ja'afar (SPTJ) from Negeri Sembilan, Malaysia, which carries the title "Dato' Seri" (July 2007) and the Legion d' Honneur from the Republic of France (November 2007).

In 2009, Dato' Seri Shahril was accorded the prestigious Malaysia's Ernst & Young Entrepreneur of the Year Award.

Dato' Seri Shahril received a Master of Science in Management of Technology from the prestigious MIT Sloan School of Management and a Bachelor of Science in Industrial Technology from California Polytechnic State University.

**SHHRIMAN BIN SHAMSUDDIN**

Executive Director

Encik Shahrیمان bin Shamsuddin, aged 43, a Malaysian, is the Executive Director of Sapura Industrial Berhad since 29 January 2002.

Encik Shahrیمان manages a diversified group portfolio which encompasses education, investment holdings, aviation and property investment. He started his career in 1991 and has since held a number of key senior positions within Sapura Group.

Encik Shahrیمان currently holds the position of Managing Director in Sapura Resources Berhad and Director of Sapura Technology Sdn. Bhd. and Sapura Holdings Sdn. Bhd. He was a Director of SapuraCrest Petroleum Berhad from 1 August 2008 until 15 May 2012. He was appointed to the Board of SapuraKencana Petroleum Berhad on 9 December 2011.

Encik Shahrیمان holds a Master of Science in Engineering Business Management from Warwick University and a Bachelor of Science in Industrial Technology from Purdue University, USA.

## Directors' Profile (continued)



### **DATUK KISAI BIN RAHMAT**

Independent Non-Executive Director  
KMN, PJN

Datuk Kisai bin Rahmat, aged 61, a Malaysian, was first appointed to the Board of Sapura Industrial Berhad on 18 October 2006. Datuk Kisai is the Chairman of the Audit Committee and member of the Board Nomination and Remuneration Committee of Sapura Industrial Berhad.

Prior to joining Sapura Industrial Berhad, Datuk Kisai was the Executive Director, Engineering and Manufacturing for Proton Holdings Berhad and a Director of several Proton's subsidiary companies including Lotus Group International Limited UK and Vina Star Motors Corporation Vietnam. At present, Datuk Kisai is the Vice Executive Chairman of Yasmin Jurumuda Sdn. Bhd.

Datuk Kisai holds a Master of Science in Industrial Engineering and Production Management from Cranfield Institute of Technology, England and a Bachelor of Science in Mechanical Engineering from University of Strathclyde, Scotland.



#### **DATO' AZLAN BIN HASHIM**

Non-Independent Non-Executive Director  
 DSNS, DSSA, FCA (Ireland), MACPA (Mal), FIBM (Mal), FEDI (Washington)

Dato' Azlan bin Hashim, aged 70, a Malaysian, was first appointed to the Board of Sapura Industrial Berhad on 20 December 1996. Dato' Azlan is a member of the Audit Committee of Sapura Industrial Berhad.

Dato' Azlan is the Chairman of AmInternational (L) Limited, AmFraser Securities Pte Ltd, AmFraser International Pte Ltd and PT. AmCapital Indonesia and Deputy Chairman of AMMB Holdings Berhad. He is also sits on the Boards of Global Carriers Berhad, Paramount Corporation Berhad, Metrod Holdings Berhad and Kesas Holdings Berhad.

Dato' Azlan served with the Malayan Railways from 1966 to 1971 and was its Chief Accountant for 2 years. In 1972, he became a Partner of a public accounting firm, Azman Wong Salleh & Co. and was a Senior Partner of the firm prior to joining the Board of Amcorp Properties Berhad in 1982 to July 2007.

Dato' Azlan is a Fellow of the Institute of Chartered Accountants (Ireland), Economic Development Institute (World Bank, Washington) and Institute of Bankers Malaysia. Dato' Azlan is also a qualified Chartered Accountant registered with Malaysian Association of Certified Public Accountants (MACPA).

## Directors' Profile (continued)



### **IR. MD. SHAH BIN HUSSIN**

Non-Independent Non-Executive Director  
P.Eng., MIEM

Encik Ir. Md. Shah bin Hussin, aged 61, a Malaysian, was first appointed to the Board of Sapura Industrial Berhad on 1 September 1997. He became a Non-Independent Non-Executive Director on 1 August 2009.

Encik Ir. Md. Shah was the Managing Director of Sapura Industrial Berhad from 1997 to 2009. Prior to his appointment as Managing Director of Sapura Industrial Berhad, he was the Group General Manager of Sapura Industrial Berhad. He was formerly an Assistant General Manager of HICOM-Yamaha Manufacturing (M) Sdn. Bhd., General Manager of Body Fashion (M) Sdn. Bhd. and H & R Johnson (M) Berhad.

Encik Ir. Md. Shah is a registered Professional Engineer and a member of the Institute of Engineers, Malaysia since 1990. He holds a Master in Business Administration from Ohio University, USA and a Bachelor of Science in Mechanical Engineering from West Virginia University, USA.



### **WAN AHAMAD SABRI BIN WAN DAUD**

Independent Non-Executive Director

Encik Wan Ahamad Sabri bin Wan Daud, aged 57, a Malaysian, was first appointed to the Board of Sapura Industrial Berhad on 9 March 2011.

Encik Wan Ahamad Sabri is the member of the Audit Committee and Board Nomination and Remuneration Committee of Sapura Industrial Berhad.

Encik Wan Ahamad Sabri has over 30 years of experience in marketing and trading of non-ferrous metals, coal and minerals in the international

market. He also has extensive international business contacts. He had served in various senior management positions within the MMC Group both locally and overseas. He is currently a Management Consultant of a company dealing in the sourcing of non-ferrous metals and mineral products.

Encik Wan Ahamad Sabri holds a Bachelor of Economics from University of Malaya.

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## **ADDITIONAL INFORMATION ON BOARD OF DIRECTORS**

### **1. Family relationship with director and/or substantial shareholders**

None of the directors of the Company have any family relationship with the other directors and/or substantial shareholders of the Company except for Dato' Seri Shahril bin Shamsuddin and Encik Shahrman bin Shamsuddin who are brothers and deemed to have an indirect interest of 44.55% in Sapura Industrial Berhad as at 25 May 2012 pursuant to Section 6A of the Companies Act, 1965 by virtue of their direct and indirect interest in Sapura Holdings Sdn. Bhd.

### **2. Conflict of Interest**

None of the directors of the Company have any conflict of interest with the Company.

### **3. Convictions for offences**

None of the directors of the Company have any conviction for offences within the past 10 years.

### **4. Attendance at Board Meetings**

The Board of Directors' attendance record at Board Meetings held during the financial year ended 31 January 2012 can be found on page 44 of this Annual Report.

## Chief Executive Officer's Profile

### **MOHAMAD RAZALI BIN OSMAN**

Chief Executive Officer

Encik Mohamad Razali bin Osman, aged 50, a Malaysian, was appointed as the Chief Executive Officer of Sapura Industrial Berhad (SIB) on 1 April 2009.

Encik Mohamad Razali holds a Bachelor of Science in Mechanical Engineering from University of Newcastle-upon-Tyne, United Kingdom.

Encik Mohamad Razali began his career as an Engineer in an engine manufacturing company in 1985. With over 25 years of experience in the manufacturing sector he has held various senior positions in SIB Group since 1991, which includes General Manager (1994), Senior General Manager (1999) and Chief Operating Officer of SIB Group (2005) before assuming his present position with SIB.

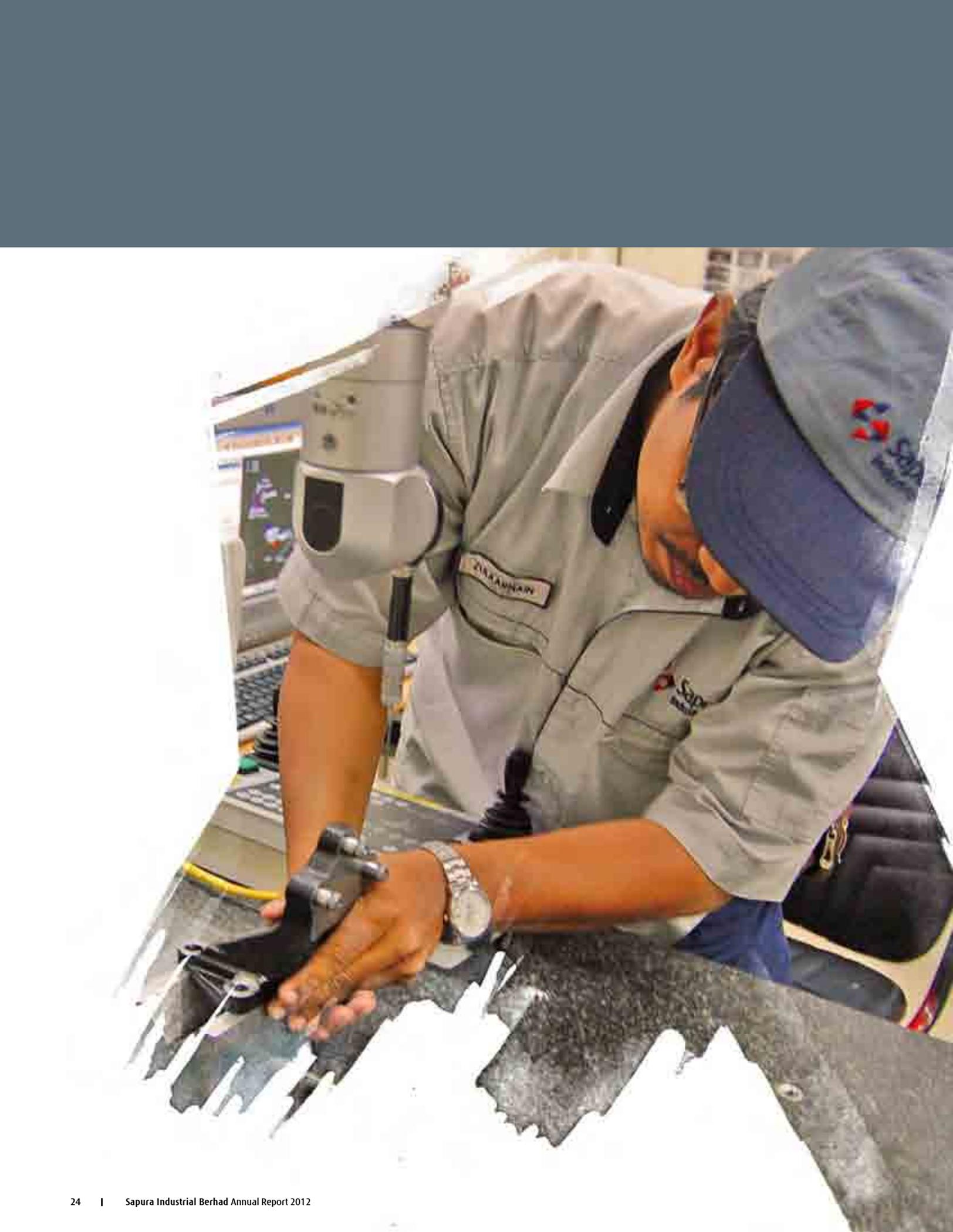
Currently Encik Mohamad Razali does not hold any directorship in other public companies.

Encik Mohamad Razali does not have any family relationship with any of the Directors and/or major shareholders of the Company nor has he any conflict of interests with the Company. He also has no conviction for offences within the past 10 years.

As at 25 May 2012, Encik Mohamad Razali holds 82,401 shares in the Company.







# *professional*

We will set high standards of professional conduct in all our interactions and strive to exceed expectations through a commitment to quality and continuous improvement.



## Message to our Shareholders

Dear Shareholders,

The Board of Directors of Sapura Industrial Berhad (Sapura Industrial or the Group) is pleased to report that the financial year ended 31 January 2012 (FY 2012) was another year of growth and profitability. Building on the momentum achieved in previous years, the Group was able to turn in a commendable financial performance, while significant headway was also made on the operational front to consolidate our position at home and abroad.

In an environment shaped by 'Surging Dynamics', FY 2012 was characterised by ongoing uncertainties in the Euro Zone economies, geopolitical developments in the Middle East world and natural disasters in Japan and Thailand. As an open economy, Malaysia was not insulated from these developments. Sapura Industrial was also affected by developments in the domestic automotive business, notably changes in the regulatory environment brought on by the impending release of the revised National

Automotive Policy (NAP) and the progressive liberalisation of the car market due to the Government's obligations to the World Trade Organisation (WTO) and the ASEAN Free Trade Area (AFTA). Cognisant of market dynamics and the rapidly changing economic landscape, we have responded with vigour and entrepreneurial foresight to deliver results that meet expectations.

From a position of strength and fortified with a new dynamism, Sapura Industrial is



meeting the future with confidence. We will continue to be guided by our vision “to create indigenous technological platforms through entrepreneurship that propagates technical competence resulting in sustainable profits” and a distinctive set of values that sets us apart from the others. With a proven and viable road-map that will chart the course to future success, we hope you will continue to journey with us, as together we strive to unlock the significant potential inherent within the Sapura Industrial Group.

The Board of Directors is pleased to present this Annual Report and Audited Financial Statements of Sapura Industrial Berhad for the financial year ended 31 January 2012.

#### **OPERATING ENVIRONMENT**

After a strong rebound in 2010, the global economy grew at a more moderate pace of 3.8 % in 2011. Notwithstanding the external challenges,

the Malaysian economy recorded a steady pace of growth of 5.1 %, driven mainly by strong domestic demand. Private consumption further strengthened in 2011, supported by broad-based income growth in tandem with an improvement in the overall labour market. (Source : Bank Negara Malaysia Annual Report 2011).

In 2011, the performance of the Malaysian auto industry was impacted not only by economic factors but also the earthquake and tsunami that hit Japan in March and the massive floods that inundated Thailand in October. These events caused shortages of completed vehicles and parts in regional as well as global markets. In the aftermath of these disasters, some Malaysian dealers of Japanese brands experienced shortages of popular models, which impacted on sales volume in the second and fourth quarters of the year. Amendments to the Hire Purchase Act 1967, which imposed a more stringent car loan approval process also had some impact on new vehicle registrations during the year.

# surging reliability

We have always proactively addressed the needs and expectations of all stakeholders by embedding the best governance practices across the Company.

By and large, the domestic car market has demonstrated its resilience although the total industry volume (TIV) for 2011 was 600,123 units, falling short of the 608,000 units initially projected by the Malaysian Automotive Association (MAA). Sales of passenger vehicles declined 1.6 % to 535,113 units while commercial vehicle sales grew 5.2 % to 65,010 units. Perodua and Proton continued to dominate the domestic auto market, commanding 31.2 % and 25.9 % market share respectively. Total sales of hybrid vehicles surged due to the extension of tax incentives for such vehicles under Budget 2012 as part of the Government's efforts to promote demand for energy-efficient and eco-friendly vehicles.

## FINANCIAL PERFORMANCE

Notwithstanding a myriad of challenges in the operating environment, Sapura Industrial closed FY 2012 on a favourable note and this was reflected in both the financial numbers and operational results. For the year under review, revenue improved marginally to RM284.8 million from RM284.6 million achieved the preceding year. Over the same period, profit

after tax (PAT) rose to RM22.0 million from RM20.5 million, attributable mainly to improved model mix and group-wide efforts to contain costs and improve operational efficiency.

We are pleased to inform that the PAT and other key financial performance indicators such as shareholders' fund, basic earnings per share and net asset per share have been on the uptrend since FY 2008, marking five consecutive years of continual improvements. For FY 2012, earnings per share grew 7.2 % to 30.27 sen while net assets per share improved to RM1.23.

## DIVIDENDS

It has always been the intention of the Company to share its success with its shareholders and given the commendable results, FY 2012 will be no exception. The Board of Directors is pleased to recommend a single tier first and final dividend of 15 sen per ordinary share for the financial year ended 31 January 2012. This is subject to shareholders' approval at the forthcoming Annual General Meeting and will be paid at a date to be determined.



## A NEW DYNAMISM

From the very outset, we realised that only a continual strategy of creating value would satisfy the long-term expectations of shareholders, customers and employees. The story of Sapura Industrial has been one of adapting and changing to its operating environment and market dynamics. Sensing the winds of change, a pivotal moment came in 2009 when Sapura Industrial undertook a far-reaching restructuring exercise. By taking a holistic view of where we were heading and our standing in the industry, we intensified our review of how to get the best of our assets and resources, exploiting to the fullest the synergies inherent within the Group.

As a result of this exercise, a leaner, more efficient and customer-focused entity has emerged that is more attuned to the competitive marketplace of the 21st Century. At the same time, a solid foundation for future profitable growth was laid consistent with the direction set in our corporate vision. The rest as they say is history and our achievements to-date is the result of the corporate direction we have taken. The transformation of Sapura Industrial is by no means complete. We are continually looking at ways to sharpen resilience and improving our productivity and efficiency by optimising processes and systems.

### Expanding Market Share

Sapura Industrial started out in the early 1980s as a manufacturer of automobile suspension parts. Since then, we have expanded our product offerings to include a diverse range of automotive parts such as suspension systems, modular brake systems, brake components, engine and transmission components. In tandem with our product base, we continued to expand

our activities to cover a larger range from raw material processing to the manufacturing of finished modules. In FY 2012, our capabilities were further enhanced with the addition of cold forming processes enabling us to move further up the value chain in the suspension components business. Cold forming technology is a far superior and efficient process and can produce customised components to meet the specific requirements of customers. Using this technology, we are already supplying coil springs to customers in the global OEM markets. We are also aware of the Government's push towards Energy Efficient Vehicles (EEVs) and Sapura Industrial is already producing components catering to this niche market. Many people are under the misconception that EEVs only cover hybrid cars and electric vehicles. In fact, it includes cars with more efficient internal combustion engines for both petrol and diesel. With the Government's intention to increase the number of EEVs to 10% of total TIV by 2020, this represents an opportunity that we can exploit further to generate a future revenue stream.

Our customer base is made up of both foreign and local players in the original equipment manufacturers (OEM) and automotive replacement equipment (RE) markets. Sapura Industrial's expanding list of local customers include most if not all the big names in the domestic automotive industry, including the national car makers. In the overseas market, we started out first by penetrating the regional markets, where we have established a solid foothold in Thailand, Singapore and The Philippines. Since then we have expanded our horizons as a growing international player to establish a presence in new markets such as Ecuador, India and Indonesia. Last year, we continued to make headway in expanding our customer base, with several big names in both the OEM and RE markets added to our list.

# surging performances

It is the people in Sapura who drive the Company's success through their passion and commitment to deliver the energy in our step forward.

## Key Success Factors

Given the size of our operations and the number of years in the business, we have succeeded in keeping up with the global industry trends and expectations and we are also at par with our global competitors as indicated by our benchmarked key performance indicators. Moving forward, we will continue to strive to be competitive commercially, technically and operationally, building on the momentum established to secure a larger slice of the market.

Even as we grow, we will never lose sight of the importance of remaining true to our key corporate values that are centred on being Honourable, Professional, Resourceful, Resilient and Agile in the manner in which we conduct our business activities. In an increasingly crowded playing field, our values set us apart and are unquestionably one of our key success factors. We also inculcate a culture which embraces continuous improvements within the Group. Along with a proven and robust business model, this has contributed in no small measure to the successes that have been recorded over the years.

## Quality Imperative

Our commitment to excellence has paid off in terms of productivity and quality improvements. Within the industry, we are proud of our standing as a name that has become synonymous with quality, reliability and service excellence. This has been borne out by the many awards and accolades we have garnered from industry peers and some of the biggest names in the automotive industry at home and abroad. To assist us in our journey to excellence, Sapura Industrial has been certified to internationally recognised quality management systems such as TS 16949, ISO 14001, ISO 9001 and OHSAS 18001, which are prerequisites to penetrate most international markets.

We have also adopted other quality improvement initiatives such as Kaizen strategies as well as those advocated by the Toyota Production System and Total Productive Maintenance. We have actively participated in the Malaysia Japan Automotive Industries Cooperation (MAJAICO) programme as a means to improve operations. Vendors are also encouraged to practise Genba Kanri, which is





a factory management system by which standards for running the day-to-day business are established, maintained and improved.

#### **Research and Development Capabilities**

In product development, one of our key competitive strengths lies in our home-grown research and development (R&D) capabilities. Under our Technical Development Plan, the Group has beefed up its technical team to enhance its capabilities. Our strengths now include product design and analysis capabilities and development of software to produce sophisticated design models. These have given Sapura Industrial a distinct edge over the competition. Through our R&D efforts, we successfully developed more advanced suspension components that are superior to the conventional ones. At the production stage, it eliminates the conventional heat treatment and quenching process. Other benefits include lower costs as well as improved durability of the suspension system.

We are also able to tap the best technologies available within the industry through collaborations with our technical partners from the Asia-Pacific region and the Euro Zone. Areas of collaboration include R&D, design capabilities as well as product development and testing.

#### **Supply Chain Management**

In our quest for excellence, we have also been looking closely at every phase of our supply chain. We have nearly 100 vendors under our wing and their activities are closely monitored and rated on a monthly basis based on delivery and quality performance. Through constant performance monitoring and regular manufacturing audits, feedback is given to the vendors so that remedial actions can be taken to meet our standards and requirements and improve quality, cost and delivery performance across the value chain.

#### **HUMAN RESOURCE DEVELOPMENT**

Our employees have responded admirably to the challenges and changes of a dynamic environment and they are the key to our future success. That is why we take the training and development of our staff very seriously. Each year, a training plan is drawn up to ensure that the training needs of all staff are met in line with organisational and individual goals. We have also implemented a Career Development Programme (CDP) for both executive and non-executive staff so that a career path can be drawn for employees to maximise their potential. Periodic assessments help track the progress of staff to determine what further training or experience is needed to move up the career path so that they can lead the Group for the next thrust forward. These may include cross training, job rotation, job enlargement and temporary assignment within the Sapura Group to gain additional experience and exposure. In this way, we ensure that our talent pool is retained to eventually assume supervisory and leadership roles within the organisation.

## Message to our Shareholders (continued)

Employees also have the opportunity to further their academic qualifications. An agreement signed with Universiti Malaysia Pahang (UMP) in January 2010 has paved the way for our people to participate in the university's tertiary educational programmes. Under this arrangement, several of our employees have registered with UMP for their Masters and PhD programmes.

To get the best out of our people, all our staff attended a series of motivational programmes and courses specifically designed to improve their soft skills. Technical staff also attended relevant technical training to improve skill proficiency.

As a progressive employer, we believe in empowering our people. Employees need a platform to have their voices heard and we have been attentive to their needs. Informal meetings have been organised for all staff and these sessions have proven useful in facilitating a healthy exchange of views and ideas on a variety of job-related issues. Other staff engagement platforms include the many sporting events and festive gatherings organised throughout the year to reinforce teamwork and foster family ties.

We are committed in ensuring that we abide by international safety standards which are a priority in ensuring a safe and healthy work environment of our staff, especially those deployed in the factory. We abide by the stringent regulations set forth by the Occupational Safety and Health Act 1994, which provides the legislative framework for the safety, health and welfare of employees at the work-place. Throughout FY 2012, awareness programmes and constant emphasis in "5S"

practice were among steps taken towards continual improvements at the workplace. Regular audits were also conducted by the Safety Committee to rectify non-compliances and ensure strict enforcement of the usage of personal protective equipment. A policy of 'zero tolerance' helps ensure that our safety performance meets if not exceeds the statutory requirements.

### OUTLOOK AND PROSPECTS

According to Bank Negara Malaysia (BNM), the global economic recovery in 2012 is expected to be impacted by ongoing sovereign debt issues in the advanced economies. Consequently, global growth is projected to moderate to 3.3% amid increased downside risks. However, with a robust economic structure in place, the Malaysian economy is forecast to grow at a steady pace of between 4% and 5% in 2012. Domestic demand is expected to remain resilient and will continue to be the anchor for growth, while the multiplier effects of the ongoing Economic Transformation Programme and continued Foreign Direct Investment activity are expected to have a positive impact on TIV trends. The impending release of the National Automotive Policy could also have long-term ramifications for the domestic automotive industry.

Having overcome the difficulties of 2012, MAA is upbeat about the prospects for the coming year, despite potential downside risks such as stricter credit financing and unfavourable forex trends. Given that vehicle demand is strongly correlated with consumer sentiment and confidence, MAA has projected a TIV of 615,000 units for 2012, representing a 2.5% increase over 2011.





The extent of Sapura Industrial's future earnings growth will be considerably influenced by the economic environment. All things considered, we remain bullish about the Malaysian automotive industry and the business we are in. As we stand today, our fundamentals are strong and this has been amply demonstrated by the strength of our balance sheet over the past several years. Our cash-flow is healthy and our gearing level is at a very manageable level, which means

that we have the resources at hand to undertake any future expansion plans. The results achieved also attest to the viability of our business model, driven by sustained measures for enhancing productivity, increasing capacity utilisation, reducing costs whilst relentlessly pursuing quality and service excellence.

## Message to our Shareholders (continued)

We are also aware that looming ahead will be the new landscape set by the revised NAP and AFTA. As a company that has always taken challenges in its stride, we are prepared for all eventualities. Indeed we may be able to turn some of these challenges into opportunities. Malaysia does not want to miss out on the opportunity to be at the forefront of EEVs and the new NAP is expected to outline incentives to promote its use on Malaysian roads. This is also in line with the Ministry of Trade and Industry's intention to transform Malaysia into a hub for EEVs production by 2020.

Building on the Group's solid foundations, our strategies in moving forward are premised on the following priorities:

- Forge synergistic collaborations with strategic partners at home and abroad to strengthen our technical base and expand our market
- Investing in our R&D efforts to attain break-away advantages in process and product development so as to compete with superior products and services
- Focus on efforts to improve capacity utilisation, reduce process rejection and minimise waste as part of our group-wide productivity improvement and cost-cutting programmes
- Build a stronger presence by focusing on Customer Relationship Management (CRM) to fully understand and meet the specific requirements of our clientele. CRM will also be key in our efforts to penetrate new markets at home and abroad

- Explore the viability of going into non-automotive segments that are synergistic to our businesses

While a lot has been achieved, we are also convinced that we have not captured the full potential the Group has to offer. Our overriding goal is to assure long-term growth and increase value for our shareholders. We definitely have our work cut out for us in the coming years, but going by our track record we are confident we will continue to deliver and meet your expectations.

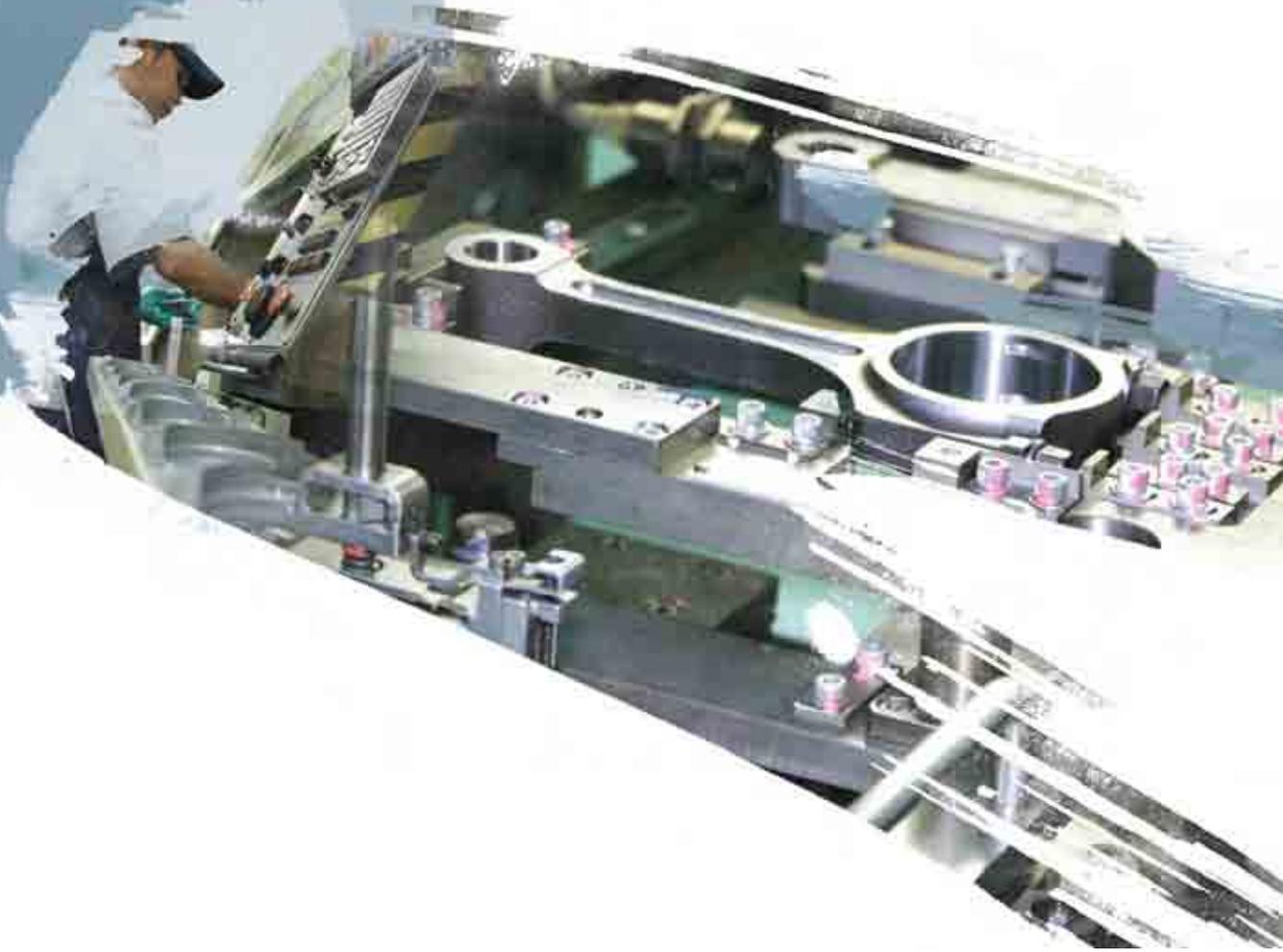
### ACKNOWLEDGEMENTS

The surging dynamics of an increasingly challenging environment can only be countered by a dynamic management team and staff. In a world of change and competition, our employees are the ultimate source of competitive advantage. As a cohesive team, our people have demonstrated that they are resilient and creative in adapting to change.

We wish to record our gratitude to our valued customers, suppliers, financiers, business associates and government agencies whose support and confidence in the Group have helped us achieve our goals. To our shareholders who have followed the success and growth of the Company for a long time, we thank you for your loyalty.

The Chairman and Founder of Sapura Industrial, YBhg Tan Sri Dato' Seri Ir. Shamsuddin bin Abdul Kadir retired during the year. YBhg Tan Sri has been instrumental in shaping the direction of the Group since its inception and under his stewardship, we have witnessed the





increasing growth and prominence of Sapura Industrial in the local automotive industry. The Board would like to record its heartfelt gratitude to YBhg Tan Sri for his guidance and contributions to the Group and wish him continued good health and happiness in the future.

The Board also saw the departure of Encik Shah Hakim bin Zain who has tendered his resignation recently. We thank him and wish him all the best.

Sapura Industrial remains an unfolding enterprise. With your continued support, we are confident that we can achieve even more in the years to come.

**Board of Directors**



# *resilient*



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



# anugerah cendekiawan

## *corporate social responsibility*

There has been a shift in the definition of CSR and public expectations of corporations with regard to Corporate Social Responsibility (CSR). As defined by Bursa Malaysia, CSR goes beyond doing good deeds or simply giving money to charities. It involves integrating socially responsible policies, practices and programmes into decision-making and business operations. CSR has gone beyond altruism and has taken a new importance as a mainstream business issue.

The Sapura Group has responded to the new imperative through actions and deeds. Taking our direction from the CSR Framework outlined by Bursa Malaysia, we have embraced CSR as an important part of the Group's business and corporate strategies. Our out-reach programmes are coordinated by *Sapura Community*, and wherever possible, we take a hands-on approach in implementation, with many of our staff and management volunteering their services.

### **Employee Welfare**

Beginning in our own back-yard, the well-being of our employees has always been a key focus in our CSR efforts and programmes. We have long

recognised that our people are the Group's most valuable assets and at Sapura, we walk the talk. In our aspiration to be an employer of choice, we invest a great deal of resources to provide a conducive work environment for our employees. We take the safety and health of our employees very seriously and special attention is paid to the operations and production-floor where we have institutionalised a culture that prioritises safety. To this end, the Group has put in place an Environmental, Occupational Health and Safety Management system to ensure compliance with all relevant legislations including the stringent requirements of internationally recognised standards.



Experience has demonstrated that CSR can be leveraged to bring about a sense of belonging in the organisation, inspire loyalty and align individuals with corporate goals. As a family unit, we take care of the Sapura family in good as well as bad times. The many occasions that have brought us together - during the holy month of Ramadhan, the various festive occasions that we celebrate, Family Day, sporting events and for those selected to perform the *Umrah* - these will always be treasured bonding occasions etched in our memories. During bad times, we collectively contribute to ease the burden of our staff and their families. The Group also ensures that children of staff members who have passed away whilst in service are 'adopted' by the Group and given a monthly stipend until they have completed their secondary school education.

Every year, Sapura Community's Anugerah Cendekiawan honours the high achievers amongst the children of Sapura employees who excelled in Malaysian public examinations. Last year, 83 of the best and brightest received their awards from the President of Sapura Community. It is hoped that the awards would continue to motivate our employees' children to strive harder to be future recipients themselves.

## Corporate Social Responsibility (continued)

At Sapura, we believe that corporations will also be measured and valued on the basis of their ability to unlock the potential in its human capital. Each year, a substantial amount is set aside for staff development and training. The Group's training curriculum offers a wide array of courses to equip staff at all levels with the necessary technical and soft skills. The effectiveness of the training effort is assessed annually to ensure their relevance to the needs of individuals as well as the Group.

### Community Development

The Group supports many charitable organisations and worthy causes throughout the country. Beyond

privileged students, especially those sitting for Malaysian public examinations. It has a fully equipped IT infrastructure and library to provide a conducive learning environment for these students. Last year, a special treat was in store for these students and their teachers when they were taken on a field trip to Kuala Lumpur. For some of the students, it was their very first visit to the nation's capital, where they visited the Sapura corporate office and facilities as well as other places of interest.

It may surprise many to learn that Malaysia is host to some 2,000 Somali refugees who were forced



Malaysia, the most meaningful was our efforts in the recovery and rehabilitation of Aceh province in Indonesia in the aftermath of the Tsunami disaster in 2004.

Some of our most memorable outreach programmes undertaken in FY 2012 involve the younger generation, whom we look upon as an investment for the future. This was the main objective for the establishment of the Ipoh Resource Centre as one of the Group's flagship programmes. It serves as a tuition centre offering additional academic support for under-

privileged students, especially those sitting for Malaysian public examinations. It has a fully equipped IT infrastructure and library to provide a conducive learning environment for these students. Last year, a special treat was in store for these students and their teachers when they were taken on a field trip to Kuala Lumpur. For some of the students, it was their very first visit to the nation's capital, where they visited the Sapura corporate office and facilities as well as other places of interest.

to leave their own country when threatened by drought and civil war. Refugee children in Malaysia rarely get a chance to go out because of safety and financial reasons. To give these children a break from routine and as part of its CSR initiative, Sapura Community organised the Somali Children Telematch Day for 70 Somali children and their teachers. Held at the Sapura Smart School, the event was a resounding success, due to the overwhelming support of Sapura staff who served as volunteers in organising the games. The excitement of the fun-filled day was written all over the faces of the children, aged from 6 to

17 years and when they eventually return to their homeland or are relocated, they will no doubt always remember the kindness of Malaysians.

It is gratifying that volunteerism is alive and well within the Sapura Group. The spirit of volunteerism is very much a part of the Malaysian socio-economic fabric, and our *gotong-royong* has brought whole communities together to lend a helping hand. Through our participation in many such projects throughout the country, we have earned a special place in the local communities as a friend and neighbour.

Perhaps the most important manifestation of volunteerism within the Group can be seen each time a blood donation campaign is organised. Our people have never failed to give what is perhaps the greatest gift of all – the elixir of life.

Looking at the bigger picture, it is in the carrying out of our daily operations that we are making the biggest CSR contributions in fulfilling the national agenda. Malaysia aims to become a developed and high income nation by the year 2020 and under the Government's Economic Transformation Programme, education has been identified as one of the National Key Results Areas



to achieve this objective. Furthermore, Malaysia has also set a target to become an international hub of higher education excellence. The Group has been contributing towards the attainment of these objectives through its education business. Each year, through Asia-Pacific Institute of Information Technology (APIIT) and University College of Technology and Innovation (UCTI), the Group offers more than RM1.0 million in scholarships to needy and deserving students, who may otherwise be deprived of a quality tertiary education.

#### Marketplace Development

We are ever mindful that our ultimate objective is to safeguard the interests of our stakeholders. In the interest of good corporate governance, all the activities of the Group are conducted with full transparency, integrity and professionalism. The Management has also ensured that the implementation of risk management and internal controls is within the established framework.

In an environment increasingly shaped by surging dynamics, we are aware of our shareholders' needs for information that is both timely and reliable. One of the most important channels of communication we have established is our website which is updated on a regular basis. We also believe in the creation of a healthy eco-system that nurtures the development of our vendors and business partners which contribute to our ability to deliver up to our customers' expectations.

In the education segment, multiple channels of communications have been established to keep parents fully apprised of events and developments which affect their children's learning environment. This fosters a positive

culture of partnership between the school and our stakeholders to continuously contribute towards improvements in academic, co-curricular and social initiatives.

#### Environmental Sustainability

Decades of environmental mismanagement have created severe legacy issues – climate change, environmental degradation, ozone depletion, pollution, resource depletion are some of the more urgent problems that we face.

By and large, our operations have a minimal impact on the environment. In our manufacturing operations, not only do we comply with local legislations but we have also earned certification to ISO 14001, which is an environmental management system that allows us to monitor and improve our environmental performance continually in line with our larger goal of sustainability.

Arguably one of the best means to save our planet for future generations is through education – and what better subjects than the younger generation. To instill environmental consciousness among its students, the Sapura Smart School has set up its Nature Club. Its objectives are two-fold: as a co-curricular activity, it offers members an opportunity to learn more about nature whilst having fun. As a mission, the Club attempts to get the uninitiated to enjoy and appreciate nature, sowing in them the first seeds of environmental consciousness.

Keeping pace with the dynamic environment in which we operate, Sapura's CSR agenda is evolving with the times. Each year, programmes identified are reviewed to ensure their relevance and maximise their benefits to the community at large.



## Corporate Governance Statement

The Board recognises that corporate governance is about commitment to values and ethical conduct and thus, the Board is fully committed in ensuring that the interests of all stakeholders are not just safeguarded, but continually enhanced in values. The stakeholders' expectations must be assessed and managed, and not assumed.

The Board is pleased to report to the shareholders on the manner in which the Company has strengthened its application of the principles of corporate governance and adopted the corporate governance best practices laid down in the Malaysian Code on Corporate Governance (the Code).

### A. DIRECTORS

#### The Board

The Board is responsible and committed to adopting good corporate governance practices as part of their continuing obligations. It guides and monitors the affairs of the Group on behalf of the shareholders and retains full and effective control over the Group. The principal responsibilities include the primary responsibilities prescribed under the Code. These cover a review of the strategic direction for the Group, overseeing the business operations of the Group, and evaluating whether these are being properly and effectively managed.

#### Board Balance

The composition of the Company's current Board of Directors is well balanced, with an effective mix of executive director and independent non-executive directors. There are one (1) executive director, three (3) non-independent non-executive directors and two (2) independent non-executive directors. The Board is satisfied that the current Board composition fairly reflects the investment of minority shareholders in the Company. A brief profile of the directors is presented on pages 16 to page 21 of this Annual Report. The directors with diverse backgrounds provide an effective Board with a mix of industry-specific knowledge and broad business and commercial experience.



The Board in respect of the ratio of independent directors complies with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Main Market Listing Requirements) that one third of its Board consists of independent directors. The independent directors are professionals of credibility and repute who demonstrate independence of judgment and objectivity in the Board's deliberations.

The non-executive directors contribute significantly in areas such as policy and strategy, performance monitoring, allocation of resources as well as improving governance and controls. Together with the Chief Executive Officer who has an intimate knowledge of the business, the Board is constituted of individuals who are committed to business integrity and professionalism in all its activities.

The Chief Executive Officer has the general responsibility of running the business on a day-to-day basis, ensuring business excellence and operational efficiency on behalf of the Board. He is responsible for implementing the policies and decisions of the Board, overseeing the operations as well as coordinating the development and implementation of business and corporate strategies. The Chief Executive Officer is supported by the Senior Management team and Group Functional teams who possessed vast experience, skill and knowledge in the industry.

## Corporate Governance Statement (continued)

### Board and Board Committee Meetings

The Board ordinarily meets at least four (4) times a year at quarterly intervals, with additional meetings convened as and when deemed necessary. At each regularly scheduled meeting there is a full financial and business review and discussion including evaluating the performance to date against the annual budget and business plan previously approved by the Board for that year. During the current financial year under review, the Board held six (6) meetings. Details of attendance at Board meetings are as follows:-

No.	Name of Directors	Attendance
1.	Dato' Seri Shahril bin Shamsuddin	4
2.	Shahriman bin Shamsuddin	4
3.	Dato' Azlan bin Hashim	4
4.	Datuk Kisai bin Rahmat	6
5.	Ir. Md. Shah bin Hussin	6
6.	Wan Ahamad Sabri bin Wan Daud	6

*Note: 1. Tan Sri Dato' Seri Ir. Shamsuddin bin Abdul Kadir retired on 31 January 2012.  
2. Encik Shah Hakim bin Zain resigned on 22 May 2012.*

To facilitate effective discharge of responsibilities, dedicated Board Committees were established guided by clear terms of reference with Directors who have committed time and effort as members. The Board Committees are chaired by non-executive directors who exercise skillful leadership with in-depth knowledge of the relevant industry.

- **Audit Committee**

The primary objective of the Audit Committee is to assist the Board of Directors in discharging its responsibilities relating to financial accounting and reporting matters. In compliance with the Main Market Listing Requirements and the Code, the Audit Committee comprises three (3) directors, a majority of whom are independent non-executive directors:

Chairman : Datuk Kisai bin Rahmat  
(Senior Independent Non-Executive Director)

Members : Dato' Azlan bin Hashim  
(Non-Independent Non-Executive Director)  
Encik Wan Ahamad Sabri bin Wan Daud  
(Independent Non-Executive Director)

The terms of reference and the report of Audit Committee are set out on pages 48 to 51.

The Audit Committee held five (5) meetings during the financial year.

- **Board Nomination and Remuneration Committee**

The Board Nomination and Remuneration Committee (BNRC) was set up with the primary responsibility of proposing and recommending to the Board, candidates for directorships to be filled in the Board and Board Committees as well as remuneration packages for the Directors and Chief Executive Officer.

Currently, the BNRC comprise wholly independent and non-executive directors.

Members : Datuk Kisai bin Rahmat  
(Senior Independent Non-Executive Director)  
Encik Wan Ahamad Sabri bin Wan Daud  
(Independent Non-Executive Director)

The above composition ensures that any decisions made are impartial and in the best interest of the Company without any element of fear or favour.

The BNRC held two (2) meetings during the financial year.

The proceedings of and resolutions passed at each Board and Board Committees meeting are minuted and kept in the statutory register at the registered office of the Company. In the event of potential conflict of interest, the Directors in such a position will make a declaration to that effect as soon as practicable. The Directors concerned will then abstain from any decision making process in which they are interested.

### **Supply of Information**

The Board has unrestricted access to timely and accurate information, necessary in the furtherance of their duties. The Company Secretary ensures that all Board meetings are furnished with proper agendas. Board papers which include reports on group performance and major operational, financial, strategic and regulatory matters, are circulated to all the Directors not less than seven (7) days prior to the meeting, to allow the Directors to have sufficient time to review the Board papers. In most instances, senior management of the Company as well as external advisors are invited to be in attendance at Board meetings to provide insight and to furnish clarification on issues that may be raised by the Board.

Directors also have full and unrestricted access to the advice and services of the Company Secretary who ensures compliance with current laws, rules and regulations.

### **Independent Professional Advice**

There is a formal procedure sanctioned by the Board of Directors, whether as a full board or in their individual capacity to take independent professional advice at the Group's expense, where necessary and in furtherance of their duties.

### **Appointment to the Board**

The proposed appointment of new Board members are reviewed and assessed by the BNRC. Thereafter the BNRC submits its recommendation on the proposed appointment to the Board for approval. The BNRC's primary role is to review the required mix of skills and experience of the Directors on the Board, and determine the appropriate Board balance and size of non-executive directors. It will establish procedures and processes towards an annual assessment of the effectiveness of the Board as a whole, the committees of the Board and for assessing the contribution of each individual director. The Board is satisfied that the current composition of the Board brings the required mix of skills and experience required for the Board to function effectively.

### **Directors' Training**

The Board acknowledges that its Directors must keep abreast on various issues having relevance to the constantly changing environment within which the business of the Group operates and enhance their business acumen and skills to meet challenging commercial risks.

The Board endeavours to provide continuous training and development to its current and new Directors, by ensuring that the Directors participate in a full and tailored training and induction programme. During the financial year under review, members of the Board and Management team had attended the following 'in-house' training programme:

- Nature and characteristics of Boards
- Tackling emerging liability exposures of Directors in a globalised economy
- Understanding external challenges
- Achieving the mission, vision, strategic thrust with the current challenges, opportunities and threats
- Managing merger and acquisition to maximise shareholder's value
- The Board as a change agent
- Holistic self-management for lifestyle betterment

### **Re-election**

The existing Company's Articles of Association provides that all Directors appointed by the Board are subject to election by the shareholders at their first Annual General Meeting and thereafter shall retire from office by rotation at least once in each three (3) years, but shall be eligible for re-election at each Annual General Meeting.

## Corporate Governance Statement (continued)

### B. DIRECTORS' REMUNERATION

#### Level and make-up of Remuneration

The BNRC is responsible for evaluating and recommending to the Board the level and make-up of the remuneration of the Executive Director and Chief Executive Officer, ensuring that they commensurate with the scope of responsibilities held in order to attract and retain the persons of necessary caliber, experience and quality needed to lead the Company successfully.

#### Remuneration Procedure

During the financial year, the remuneration package for the Executive Director and Chief Executive Officer were recommended by the BNRC and approved by the Board. Remuneration of the Non-Executive Directors is determined by the Board.

The Directors' fees are approved by the shareholders at the Annual General Meeting. The details of the Directors' remuneration for the financial year ended 31 January 2012 are as follows:

	Executive RM	Non-Executive RM	Total RM
Fees	–	358,709	358,709
Salaries and other emoluments	457,900	–	457,900
Bonus	192,600	–	192,600
Other emoluments	–	54,500	54,500
Benefits in kind	32,200	–	32,200
Contributions to defined contribution plan	73,860	–	73,860
<b>Total</b>	<b>756,560</b>	<b>413,209</b>	<b>1,169,769</b>

The number of Directors whose remuneration fall into the following bands are as follows:

Bands	Executive	Non-Executive	Total
Below RM50,000	–	5	5
RM50,001 – RM100,000	–	3	3
RM750,001 – RM800,000	1	–	1
<b>Total</b>	<b>1</b>	<b>8</b>	<b>9</b>

### C. SHAREHOLDERS

#### The Annual General Meeting

The Company had been using Annual General Meetings as a platform for communicating with its shareholders. All shareholders are welcome to attend the Company's Annual General Meeting and to actively participate in the proceedings. They are encouraged to give their views and suggestion for the benefit of the Company. Every opportunity is given to shareholders to ask questions and seek clarification on the business and performance of the Company.

#### Dialogue between companies and investors

The annual reports and the quarterly announcements are the primary mode of communication to report on the Group's business, activities and financial performance to all its shareholders.

The key elements of the Company's dialogue with its shareholders is the opportunity to gather views of and answer questions from both private and institutional shareholders on all issues relevant to the Company at the Annual General Meeting. At the Annual General Meeting, the shareholders are encouraged to ask questions about the resolutions being proposed or about the Group's operations in general.

The Company has established a website at [www.sapuraindustrial.com.my](http://www.sapuraindustrial.com.my) where shareholders and stakeholders can access for information regarding Sapura Industrial Berhad Group.

In addition to the above, the Board has identified Datuk Kisai bin Rahmat as the Senior Independent Non-Executive Director to whom concerns from the shareholders can be conveyed. He may be contacted at [director-sib@sapuraindustrial.com.my](mailto:director-sib@sapuraindustrial.com.my)

## **D. ACCOUNTABILITY AND AUDIT**

### **Financial Reporting**

The Board is committed to provide a balanced and meaningful assessment of the Group's financial performance and prospects. The usual channel for release of this information is through the audited financial statement, quarterly announcement and annual report. In discharging its fiduciary responsibility, the Board is assisted by the Audit Committee to oversee the Group's financial reporting processes and the quality of its financial reporting.

### **Internal Control**

The Board acknowledges its overall responsibility for maintaining a sound system of internal control to safeguard shareholders' investment and Group assets. The Statement on Internal Control is presented on pages 52 to 53 of the Annual Report providing an overview of the state of internal control within the Group.

### **Relationship with Auditors**

The Board, through the Board Audit Committee, maintains a formal and transparent professional relationship with both the Group internal and external auditors.

The function of the Audit Committee in relation to the external auditors and the number of meetings held since the previous financial year end as well as the attendance record of each member is shown in the Audit Committee's Report on pages 48 to 51 of the Annual Report.

The membership of the Audit Committee, the terms of reference and a summary of the activities of the committee are presented in the Audit Committee's Report on pages 48 to 51 of the Annual Report.

### **Directors' Responsibility Statement**

The Directors are required by the Companies Act, 1965 to ensure that financial statements prepared for each financial year give a true and fair view of the state of the affairs of the Company and the Group as at the end of the financial year and of the results and cash flow of the Group for the financial year.

## **COMPLIANCE WITH THE BEST PRACTICES**

The Group has adopted various steps to set out principles and best practice to ensure compliance with the Best Practices of the Code during the financial year.

Statement made in accordance with a resolution of the Board of Directors dated 30 May 2012.

# Audit Committee's Report

The members of the Audit Committee of Sapura Industrial Berhad are pleased to present their report for the financial year ended 31 January 2012.

## MEMBERSHIP

The present members of the Audit Committee comprise of:

Datuk Kisai bin Rahmat, Chairman  
Independent Non-Executive Director

Dato' Azlan bin Hashim, Member  
Non-Independent Non-Executive Director

Wan Ahamad Sabri bin Wan Daud, Member  
Independent Non-Executive Director

## TERMS OF REFERENCE

### Size and Composition

The Board shall by resolution appoint members of the Audit Committee, which shall comprise at least three (3) non-executive directors, the majority of whom shall be independent directors as defined under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (MMLR). At least one member of the Committee is an accountant and fulfils requirements of the MMLR.

The Committee shall elect a chairperson from among its members who is not an executive director or employee of the Company or any related corporation.

In the event of an Independent Non-Executive member of the Committee ceases to be a member resulting in the number of Independent Non-Executive members falls below the minimum number required, the Board of Directors shall within three (3) months of the event appoint such number of new Independent Non-Executive members to the Committee to make up the minimum number.

### Term of Membership

Members of the Committee shall be appointed for an initial term of three (3) years after which they will be reappointed on such terms as may be determined by the Board of Directors.

### Authority

The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.

### Access

The Committee shall have unlimited access to all information and documents relevant to its activities, to the Internal and External Auditors, and to Senior Management of the Company and its subsidiaries. The Committee is also authorised to take such independent professional and legal advice, as it considers necessary.

### Meetings

The Audit Committee shall hold at least four (4) regular meetings per financial year, and such additional meetings as the chairperson shall decide in order to fulfil its duties and if requested to do so by any Committee member, the Management or the Internal or External Auditors. The Committee may invite any person to be in attendance to assist it in its deliberations.

A quorum shall consist of a majority of Independent Non-Executive Committee members and shall not be less than two (2).

The Company Secretary or any person appointed by the Committee for this purpose shall act as Secretary of the Committee.

#### **Duties and Responsibilities**

1. Review the adequacy and effectiveness of risk management, internal control and governance system instituted in the Group.
2. Discuss with the External Auditors before the audit commences, the nature and scope of the audit.
3. Review with the External Auditors :
  - a. the audit plan;
  - b. the evaluation of the system of internal accounting control; and
  - c. the audit report on the financial statement.
4. Review of the assistance given by the Company's officers to the External Auditors.
5. Review the adequacy of the scope, functions and resources of the internal audit function and that it has the necessary authority to carry out its work.
6. Review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.
7. Review of the quarterly results and year end financial statements and the press release relating to the financial matters of importance with the Management and the External Auditors prior to them being approved by the Board of Directors, focusing particularly on :
  - a. changes in or implementation of major accounting policy and practices;
  - b. significant unusual events; and
  - c. compliance with applicable approved accounting standards and other legal and regulatory requirements.
8. Review of any related party transaction and conflict of interest situation that may arise within the Company and the Group including any transaction, procedure or course of conduct that raises questions of management integrity.
9. Consider any matters the External Auditors may wish to bring to the attention of the directors or shareholders.
10. Consider the major findings of internal investigations and management's response.
11. Review of any significant transactions which are not a normal part of the Company's business.
12. To recommend to the Board the appointment and reappointment of the External Auditors and any question of their resignation or dismissal.
13. Such other responsibilities as may be agreed to by the Audit Committee and the Board of Directors.

## Audit Committee's Report (continued)

### MEETINGS HELD FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2012

The Audit Committee held five (5) meetings during the financial year ended 31 January 2012 with the Head of Internal Audit and the Group Financial Controller cum Company Secretary in attendance. The Chief Executive Officer, External Auditors and the Head of the Auditee Company were also invited to brief the Audit Committee on issues tabled for discussion.

The meetings were structured through distribution of relevant papers to members with sufficient notification.

#### Audit Committee Meeting Attendance

There were five (5) meetings held during the financial year ended 31 January 2012 and the details of attendance are as follows:-

No.	Name of Directors	Attendance
1.	Datuk Kisai bin Rahmat (Independent)	5
2.	Dato' Azlan bin Hashim (Non-Independent)	5
3.	Wan Ahamad Sabri bin Wan Daud (Independent)	5

### SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

The Committee carried out its duties in accordance with its terms of reference during the financial year.

The main activities undertaken by the Committee were as follows:

- Appraised of the internal audit plan to confirm the annual audit of the Group.
- Reviewed and appraised the audit reports by the Internal Auditors.
- Reviewed and appraised the various internal control systems.
- Considered significant issues arising from the annual audit by the External Auditors.
- Reviewed the quarterly and year end financial statements before recommending to the Board for approval to announce to Bursa Malaysia Securities Berhad.
- Reviewed the External Auditors' scope of work and audit plan for the financial year.
- Held separate meetings with the External Auditors, excluding the attendance of the Management, to discuss any problems and reservations.
- Reviewed the adequacy and effectiveness of the governance and risk management processes as well as the internal control system through risk assessment reports from the Group Risk Management Committee and the Internal Audit Department. Significant risk issues were summarised and communicated to the Board for consideration and resolution.
- Reviewed the related party transactions entered into by the Group.
- Recommended to the Management any improvement on internal controls, procedures and systems of the Group.

The Audit Committee monitored the implementation of the audit recommendations in the subsequent meetings to obtain assurances that all key risks and control concerns have been fully addressed.

The Audit Committee Chairman also continuously engaged with Senior Management and the auditors in order to be kept informed of matters affecting the Group. Through such engagements, relevant issues were brought to the attention of the Audit Committee in a timely manner.

## INTERNAL AUDIT FUNCTION

The Audit Committee is supported by an in-house Internal Audit Department in the discharge of its duties and responsibilities. The Department provides independent and objective assurance on the adequacy and effectiveness of the risk management, internal control and governance processes. The purpose, authority and responsibility of Internal Audit Department are articulated in an Internal Audit Charter.

The Internal Audit Department reviewed and evaluated the adequacy and effectiveness of the internal control system to anticipate any potential risks and recommended improvements, where necessary. The Department also assessed:

- a. the Group's compliance to its established policies and procedures, guidelines and statutory requirements;
- b. reliability and integrity of financial and operational information;
- c. safeguarding of assets; and
- d. operational effectiveness and efficiency.

The Management was required to explain any purported lack of compliance pursuant to the audit reports issued. The audit reports, incorporating relevant action plans agreed with the Management, were circulated to the respective Senior Management, Business Units Head and Group Financial Controller, and were reviewed by the Audit Committee.

The Internal Audit Department also conducted several special assignments and investigations requested by Management. Validation of controls based on the key risk profile identified under the Enterprise - Wide Risk Management framework were also conducted in all subsidiaries to ensure those controls are in place and adequate. The resulting report was forwarded to the Management and Audit Committee for recommendations.

A follow-up audit review was also conducted to monitor and ensure that all audit recommendations have been effectively implemented.

There were no areas of the internal audit function which were outsourced. The total cost incurred for the internal audit function of the Group for the financial year was RM541,999.

**Datuk Kisai bin Rahmat**  
Chairman  
Audit Committee

# Statement on Internal Control

**The Board is committed to maintaining a sound system of internal control in the Group and is pleased to provide the following statement, which outlines the nature and scope of internal control of the Group during the financial year.**

## RESPONSIBILITY

The Board of Directors (“the Board”) of Sapura Industrial Berhad acknowledges responsibility for maintaining a sound system of internal control for the Group and for reviewing its adequacy and integrity so as to safeguard shareholders’ investment and the assets of the Group whilst the management’s role is to implement Board policies on risk and control.

The system of internal control covers not only financial controls but operational and compliance controls and risk management procedures.

However, due to inherent limitation the Board recognises that the system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

## KEY INTERNAL CONTROL PROCESS

In pursuing its responsibility, the Board has an ongoing process for identifying, evaluating and managing the significant risks faced by the Group, which has been in place for the financial year under review and up to the date of approval of the Annual Report and Financial Statements. This process is regularly reviewed by the Board through its Audit Committee and is in accordance with the guidelines on Statement on Internal Control: Guidance for Directors of Public Listed Companies.

The Audit Committee assists the Board in reviewing the adequacy and integrity of the system of internal control of the Group. The Audit Committee is assisted by the Internal Audit Department which carries out regular and systematic review of the system of internal control of the Group and also the extent of compliance with the Group’s operating policies and procedures.

The Internal Audit Department carries out internal control reviews on the financial and operating activities of the Group based on an annual plan that was presented and approved by the Audit Committee.

An Enterprise - Wide Risk Management framework through the application of the Corporate Risk Scorecard (CRS) has been established for Sapura Industrial Berhad. The risk assessment and findings were identified through a combination of interviews and a facilitated workshop. The process used in the interviews and workshop provided a structured approach in identifying, prioritising and managing the risks. The risks and controls are reviewed semi annually under the Group’s activities.

## SYSTEM OF INTERNAL CONTROLS

The key elements of the framework of the internal control system of the Group are as follows:

- All major decisions require the approval of the Board and are only made after appropriate in-depth analysis. The Board meets regularly on a quarterly basis, and reviews the financial and operational performance of the Group.
- All Departments and Divisions of the Group have clearly documented Policies and Procedures incorporating control and scope of responsibilities. These are regularly updated on practical needs and industry best practice.
- A manual called the Limit of Authority (“LoA”) is used throughout the Group and set out the authority limits on area of corporate, operation, financial and human resource. The LoA prescribes limits of authority and prohibits unfettered power within the various levels of management and Group members. The LoA may be reviewed by the Board upon the recommendation of management, to ensure its provisions are effective in managing risk and is practical for implementation.
- The Internal Audit Department independently reviews the control processes implemented by management and reports its findings and recommendations to the Audit Committee for presentation to the Board.
- The Audit Committee, on behalf of the Board, regularly reviews and holds discussion with management on the action taken on internal control issues identified in various reports prepared by the Internal Audit Department, the external auditors and the management.
- An Annual Budget and Business Plan is prepared and adopted by the Board to facilitate the Group in its business and financial performance. The Board reviews and monitors the achievements of the Group’s performance covering each business unit’s performance on a quarterly basis.
- Weekly Group Management Committee Meeting attended by Senior Management Team chaired by the Chief Executive Officer to deliberate on business, financial and operational issues which include reviewing and approving all key business strategic measures and policies. Progress status of any internal control measures recommended to the business units during the course of internal audit was also reviewed.
- A monthly Operational Performance Meeting attended by respective Business Unit Heads and chaired by the Chief Executive Officer to review operational performance and progress of tasks undertaken.
- At each operating company level, a monthly company Management Meeting, chaired by the Business Unit Head and attended by all Department Heads to deliberate on operational issues and performance of the company.

## REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Internal Control for the inclusion in the annual report of the Group for the financial year ended 31 January 2012 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal controls.

Statement made in accordance with a resolution of the Board of Directors dated 30 May 2012.

# Additional Compliance Information

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

## 1. MATERIAL CONTRACTS

There were no material contracts entered into by the Company and/or its subsidiary companies involving the Company's directors and/or major shareholders' interests either still subsisting at the end of financial year, or which were entered into since the end of the previous financial year.

## 2. MATERIAL CONTRACTS RELATED TO LOAN

There were no material contracts related to loans entered into by the Company and/or its subsidiary companies involving the Company's directors and/or major shareholders' interests during the financial year under review.

## 3. RECURRENT RELATED PARTY TRANSACTIONS ENTERED INTO DURING FINANCIAL YEAR ENDED 31 JANUARY 2012 PURSUANT TO SHAREHOLDERS' MANDATE

Shareholders' mandate was not required to be procured for recurrent related party transactions entered into during financial year ended 31 January 2012.

## 4. SHARE BUY-BACKS

There were no share buy-back exercises undertaken by the Company during the financial year under review.

## 5. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

The Company has not issued any options, warrants or convertible securities during the financial year under review.

## 6. AMERICAN DEPOSITORY RECEIPT (ADR) OR GLOBAL DEPOSITORY RECEIPT (GDR)

There were no ADR or GDR programmes sponsored by the Company during the financial year under review.

## 7. NON-AUDIT FEES

Apart from the annual audit fees, there were non-audit fees amounting to Ringgit Malaysia Five Thousand (RM5,000) paid to Messrs Ernst & Young during the financial year under review.

## 8. PROFIT ESTIMATION, FORECAST OR PROJECTION

There were no profit estimation, forecast or projection made or released by the Company during the financial year under review.

## 9. PROFIT GUARANTEES

There were no profit guarantees given by the Company during the financial year under review.

## 10. IMPOSITION OF SANCTIONS AND/OR PENALTIES

There were no sanctions and/or penalties imposed on the Company and/or its subsidiaries, Directors or Management arising from any significant breach of rules/guidelines/ legislations by any of the regulatory authorities.

## 11. VARIATION IN RESULTS

There was no variation in results (differing by 10% or more) from unaudited results announced.

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

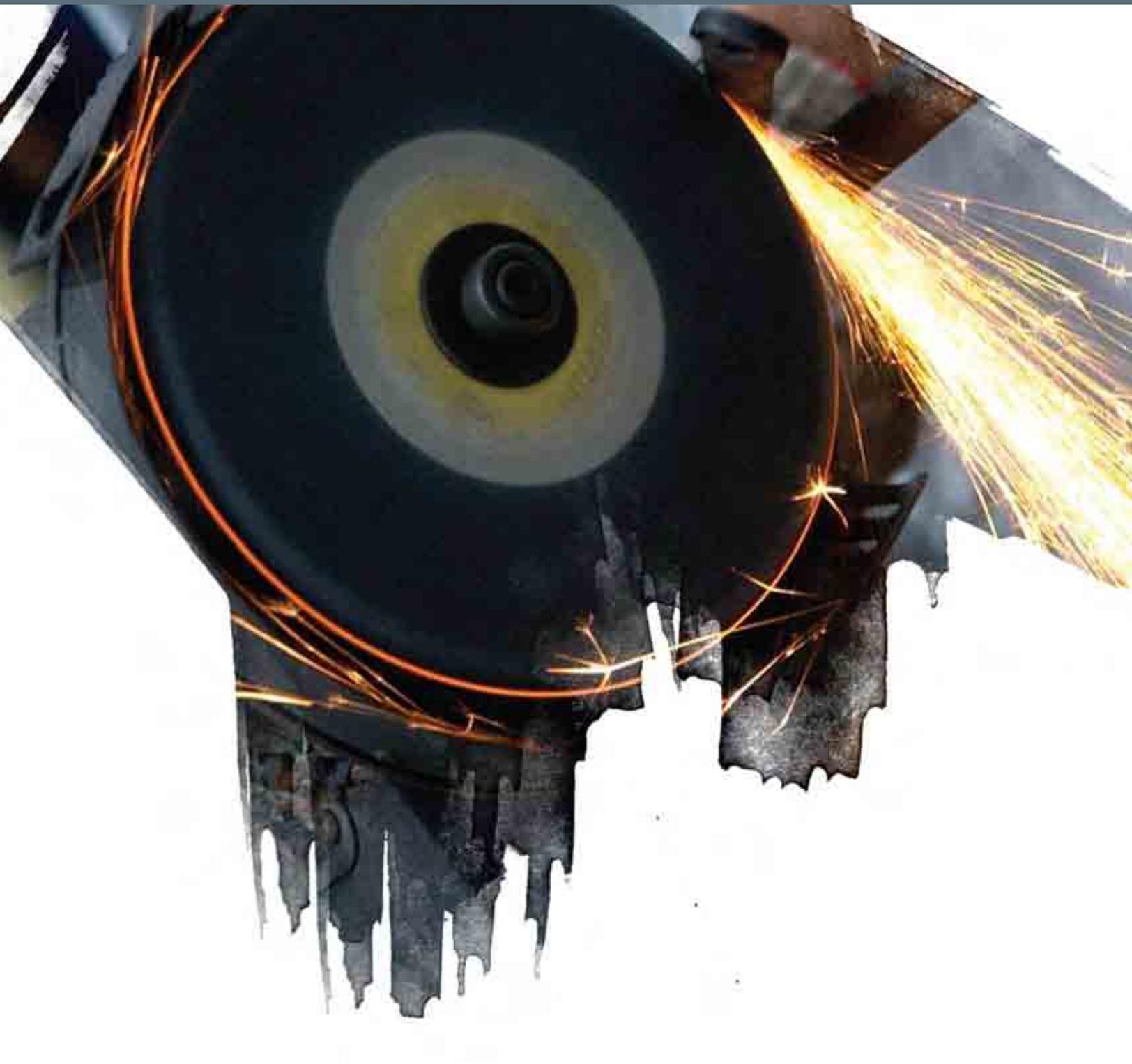
Pursuant to Paragraph 15.26(a) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors are responsible for the preparation of the audited financial statements for each financial year in accordance with the applicable approved accounting standards in Malaysia and give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year and of the results and the cash flow of the Group and of the Company for the financial year.

In preparing the financial statements of the Group and of the Company, the Directors have adopted appropriate accounting policies and applied them consistently and prudently. The Directors have also ensured that those applicable accounting standards have been followed and confirmed that the financial statements have been prepared on a going concern basis.

The Directors are responsible for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Group and of the Company and which enable them to ensure that the financial statements are in compliance with the provisions of the Companies Act, 1965.

The Directors are also responsible for taking such steps that are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.



# agile



We will constantly look for new business opportunities and capitalise on these opportunities quickly so that we can become an agile player that stays ahead of the competition.

A silver fountain pen with a dark, textured grip lies diagonally across the right side of the document. The document contains several rows of financial data, including positive and negative values in parentheses. The pen's nib is positioned over one of the rows.

2,689	7,817,883	155,207,167
56,782,689	1,409,590	11,736,500
9,636,532	(930,967)	(3,097,565)
(2,166,598)	(25,164)	(170,090)
(144,927)	71,342	163,676,000
144,107,696		
55		
6,412,754	109,153,548	
1,824,001	34,954,148	
8,236,755	144,107,696	
10,437	54,235,479	

## Financial Statements

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# Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 January 2012.

## PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and the provision of management services to its subsidiaries.

The principal activities of the subsidiaries are described in Note 15 to the financial statements.

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

## RESULTS

	Group RM	Company RM
Profit net of tax	22,027,756	11,065,982
Attributable to:		
Owners of the parent	22,030,895	11,065,982
Non-controlling interest	(3,139)	–
	<u>22,027,756</u>	<u>11,065,982</u>

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 amounts of dividends paid by the Company since 31 January 2011 were as follows:

In respect of the financial year ended 31 January 2011 as reported in the directors' report of that year:

	RM
Final tax exempt dividend of 13.8% on 72,775,737 ordinary shares, declared on 13 July 2011 and paid on 10 August 2011	<u>10,043,052</u>

At the forthcoming Annual General Meeting, a final single tier dividend in respect of the financial year ended 31 January 2012 of 15% on 72,775,737 ordinary shares, amounting to a dividend payable of RM10,916,361 (15 sen net per ordinary share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders will be accounted for in equity as an appropriation of distributable reserves in the financial year ending 31 January 2013.

## DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Tan Sri Dato' Seri Ir. Shamsuddin bin Abdul Kadir	(retired on 31 January 2012)
Dato' Seri Shahril bin Shamsuddin	
Shahriman bin Shamsuddin	
Dato' Azlan bin Hashim	
Datuk Kisai bin Rahmat	
Shah Hakim bin Zain	(resigned on 22 May 2012)
Ir. Md. Shah bin Hussin	
Wan Ahamad Sabri bin Wan Daud	
Azmi bin Hashim (alternate director to Dato' Azlan bin Hashim)	

## 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, other than as may arise from the share options to be granted pursuant to the Company's Employee Share Option Scheme.

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 9 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 30 to the financial statements.

## DIRECTORS' INTERESTS

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

	Number of ordinary shares of RM1 each			
	At 1.2.2011	Acquired	Sold	At 31.1.2012
<b>The Company</b>				
<b>Sapura Industrial Berhad</b>				
Direct interest:				
Tan Sri Dato' Seri Ir. Shamsuddin bin Abdul Kadir	1,661,250	—	—	1,661,250
Dato' Seri Shahril bin Shamsuddin	1,426,875	—	—	1,426,875
Shahriman bin Shamsuddin	663,175	—	—	663,175
Ir. Md. Shah bin Hussin (includes shares held by an associate)	90,498	—	—	90,498
Dato' Azlan bin Hashim	15,000	—	(15,000)	—
Indirect interest:				
Dato' Seri Shahril bin Shamsuddin	32,420,391	—	—	32,420,391
Shahriman bin Shamsuddin	32,420,391	—	—	32,420,391

## Directors' Report (continued)

### DIRECTORS' INTERESTS (CONTINUED)

	Number of ordinary shares of RM1 each			
	At 1.2.2011	Acquired	Sold	At 31.1.2012
<b>A fellow subsidiary</b>				
<b>Sapura Resources Berhad</b>				
Direct interest:				
Tan Sri Dato' Seri Ir. Shamsuddin bin Abdul Kadir	55,500	—	—	55,500
Dato' Seri Shahril bin Shamsuddin	83,250	—	—	83,250
Shahriman bin Shamsuddin	83,250	—	—	83,250
Indirect interest:				
Dato' Seri Shahril bin Shamsuddin	72,372,772	—	—	72,372,772
Shahriman bin Shamsuddin	72,372,772	—	—	72,372,772
<b>Holding company</b>				
<b>Sapura Holdings Sdn. Bhd.</b>				
Direct interest:				
Dato' Seri Shahril bin Shamsuddin	30,147,187	—	—	30,147,187
Shahriman bin Shamsuddin	30,147,187	—	—	30,147,187
Indirect interest:				
Dato' Seri Shahril bin Shamsuddin	11,165,626	—	—	11,165,626
Shahriman bin Shamsuddin	11,165,626	—	—	11,165,626

Dato' Seri Shahril bin Shamsuddin and Shahriman 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 and options over shares in the Company or its related corporations during the financial year.

### EMPLOYEE SHARE OPTION SCHEME

The Company's Employee Share Option Scheme ("ESOS") is governed by the New By-Laws approved by the shareholders at an Extraordinary General Meeting held on 12 January 2005.

The salient features and other terms of the ESOS are disclosed in Note 21(b) to the financial statements.

## 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 have 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 the 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 abilities 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 or of the Company for the financial year in which this report is made.

## AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the directors dated on 30 May 2012.

**Datuk Kisai bin Rahmat**

**Ir. Md. Shah bin Hussin**

## Statement by Directors

Pursuant to section 169(15) of the Companies Act, 1965

We, Datuk Kisai bin Rahmat and Ir. Md. Shah bin Hussin, being two of the directors of Sapura Industrial Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 66 to 121 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 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 2012 and of their financial performance and cash flows for the year then ended.

The information set out in Note 34 on page 121 to the financial statements have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 30 May 2012.

Datuk Kisai bin Rahmat

Ir. Md. Shah bin Hussin

## Statutory Declaration

Pursuant to section 169(16) of the Companies Act, 1965

I, Liyana Lee bte Abdullah, being the officer primarily responsible for the financial management of Sapura Industrial Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 66 to 121 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  
Liyana Lee bte Abdullah at  
Kajang in Selangor Darul Ehsan  
on 30 May 2012

Liyana Lee bte Abdullah

Before me,

Commissioner for Oaths

# Independent Auditors' Report

To the Members of Sapura Industrial Berhad (Incorporated in Malaysia)

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## REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Sapura Industrial Berhad, which comprise the statements of financial position as at 31 January 2012 of the Group and of the Company, and the statements of 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 a summary of significant accounting policies and other explanatory notes, as set out on pages 66 to 121.

### Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia, and for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 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 2012 and of their financial performance and cash flows for the year then ended.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- c) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

## OTHER MATTERS

The supplementary information set out in Note 34 on page 121 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 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

**Ismed Darwis Bahatlar**  
No. 2921/04/14(J)  
Chartered Accountant

Kuala Lumpur, Malaysia  
30 May 2012

# Statements of Comprehensive Income

For the year ended 31 January 2012

	Note	Group		Company	
		2012 RM	2011 RM	2012 RM	2011 RM
Revenue	4	284,844,191	284,551,330	31,547,558	42,954,654
Cost of sales		(225,394,589)	(231,923,856)	–	–
Gross profit		59,449,602	52,627,474	31,547,558	42,954,654
Other income	5	3,904,052	6,301,080	2,909,561	2,228,886
Administrative expenses		(29,311,661)	(26,748,724)	(21,735,058)	(22,660,953)
Selling and marketing expenses		(1,647,825)	(2,065,828)	(853,505)	(869,313)
Other expenses		(65,470)	(114,760)	–	(32,260)
Profit from operations		32,328,698	29,999,242	11,868,556	21,621,014
Finance costs	6	(3,389,426)	(3,918,203)	(802,574)	(1,201,803)
Profit before tax	7	28,939,272	26,081,039	11,065,982	20,419,211
Taxation	10	(6,911,516)	(5,540,498)	–	–
Profit net of tax, representing total comprehensive income for the year		22,027,756	20,540,541	11,065,982	20,419,211
Profit attributable to:					
Owners of the parent		22,030,895	20,542,212	11,065,982	20,419,211
Minority interests		(3,139)	(1,671)	–	–
		22,027,756	20,540,541	11,065,982	20,419,211
Earnings per share attributable to owners of the parent (sen):					
Basic	11	30.27	28.23		
Diluted	11	30.27	28.22		

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

# Statements of Financial Position

As at 31 January 2012

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	Note	Group		Company	
		2012 RM	2011 RM	2012 RM	2011 RM
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	13	96,121,221	95,558,754	17,742,280	17,936,913
Development expenditure	14	3,220,300	3,322,812	–	–
Investment in subsidiaries	15	–	–	28,957,878	28,957,878
Investment in associate	16	–	–	–	–
		<u>99,341,521</u>	<u>98,881,566</u>	<u>46,700,158</u>	<u>46,894,791</u>
<b>Current assets</b>					
Inventories	17	25,162,712	24,544,312	–	–
Tax recoverable		479,423	46,047	–	–
Trade and other receivables	18	49,456,334	47,049,765	14,807,654	6,175,888
Other current assets	19	2,781,109	3,793,189	131,056	206,534
Dividend receivable		–	–	16,882,000	16,532,000
Cash and bank balances	20	20,915,172	22,969,736	509,755	104,402
		<u>98,794,750</u>	<u>98,403,049</u>	<u>32,330,465</u>	<u>23,018,824</u>
<b>Total assets</b>		<u>198,136,271</u>	<u>197,284,615</u>	<u>79,030,623</u>	<u>69,913,615</u>
<b>Equity and liabilities</b>					
<b>Current liabilities</b>					
Retirement benefit obligations	21(a)	41,624	143,386	2,499	118,253
Income tax payable		1,624,983	1,259,436	–	–
Trade and other payables	26	42,680,079	47,479,195	26,142,936	9,029,599
Loans and borrowings	23	32,678,183	44,764,536	5,492,963	13,190,789
		<u>77,024,869</u>	<u>93,646,553</u>	<u>31,638,398</u>	<u>22,338,641</u>
<b>Net current assets</b>		<u>21,769,881</u>	<u>4,756,496</u>	<u>692,067</u>	<u>680,183</u>
<b>Non-current liabilities</b>					
Retirement benefit obligations	21(a)	2,695,111	2,341,930	785,769	674,241
Provision	22	–	–	2,467,580	4,890,798
Loans and borrowings	23	21,527,191	16,876,463	2,998,603	1,892,592
Deferred tax liabilities	25	7,479,511	6,994,784	–	–
		<u>31,701,813</u>	<u>26,213,177</u>	<u>6,251,952</u>	<u>7,457,631</u>
<b>Total liabilities</b>		<u>108,726,682</u>	<u>119,859,730</u>	<u>37,890,350</u>	<u>29,796,272</u>
<b>Net assets</b>		<u>89,409,589</u>	<u>77,424,885</u>	<u>41,140,273</u>	<u>40,117,343</u>

## Statements of Financial Position (continued)

As at 31 January 2012

	Note	Group		Company	
		2012 RM	2011 RM	2012 RM	2011 RM
<b>Equity and liabilities (continued)</b>					
<b>Equity attributable to owners of the parent</b>					
Share capital	27	72,775,737	72,775,737	72,775,737	72,775,737
Share premium		2,200,126	2,200,126	2,200,126	2,200,126
Retained profit/(accumulated losses)		13,921,645	1,933,802	(33,835,590)	(34,858,520)
		<u>88,897,508</u>	<u>76,909,665</u>	<u>41,140,273</u>	<u>40,117,343</u>
Minority interests		512,081	515,220	–	–
<b>Total equity</b>		<u>89,409,589</u>	<u>77,424,885</u>	<u>41,140,273</u>	<u>40,117,343</u>
<b>Total equity and liabilities</b>		<u>198,136,271</u>	<u>197,284,615</u>	<u>79,030,623</u>	<u>69,913,615</u>

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

# Consolidated Statement of Changes in Equity

For the year ended 31 January 2012

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Note	← Attributable to owners of the parent →			Total RM	Minority interests RM	Total equity RM
	Share capital RM	Share premium RM	Distributable (Accumulated losses)/ retained profit RM			
<b>At 1 February 2010</b>	72,775,737	2,200,126	(4,781,020)	70,194,843	516,891	70,711,734
Total comprehensive income for the year	–	–	20,542,212	20,542,212	(1,671)	20,540,541
Dividends on ordinary shares	12	–	(13,827,390)	(13,827,390)	–	(13,827,390)
<b>At 31 January 2011</b>	72,775,737	2,200,126	1,933,802	76,909,665	515,220	77,424,885
<b>At 1 February 2011</b>	72,775,737	2,200,126	1,933,802	76,909,665	515,220	77,424,885
Total comprehensive income for the year	–	–	22,030,895	22,030,895	(3,139)	22,027,756
Dividends on ordinary shares	12	–	(10,043,052)	(10,043,052)	–	(10,043,052)
<b>At 31 January 2012</b>	72,775,737	2,200,126	13,921,645	88,897,508	512,081	89,409,589

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

# Company Statement of Changes in Equity

For the year ended 31 January 2012

		← Non-distributable →			
	Note	Share capital RM	Share premium RM	Accumulated losses RM	Total RM
<b>At 1 February 2010</b>		72,775,737	2,200,126	(41,450,341)	33,525,522
Total comprehensive income for the year		–	–	20,419,211	20,419,211
Dividends on ordinary shares	12	–	–	(13,827,390)	(13,827,390)
<b>At 31 January 2011</b>		72,775,737	2,200,126	(34,858,520)	40,117,343
<b>At 1 February 2011</b>		72,775,737	2,200,126	(34,858,520)	40,117,343
Total comprehensive income for the year		–	–	11,065,982	11,065,982
Dividends on ordinary shares	12	–	–	(10,043,052)	(10,043,052)
<b>At 31 January 2012</b>		72,775,737	2,200,126	(33,835,590)	41,140,273

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 2012

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	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
<b>Operating activities</b>				
Profit before tax	28,939,272	26,081,039	11,065,982	20,419,211
Adjustments for:				
Depreciation of property, plant and equipment	12,156,765	11,736,500	845,614	898,534
Property, plant and equipment written off	334,554	74,014	39,029	15,445
Amortisation of development expenditure	829,291	1,277,124	–	–
Short term accumulating compensated absences	(1,549)	(35,314)	2,692	(33,277)
Interest income	(513,356)	(921,366)	(261,285)	(406,728)
Bad debts written off	1,026,855	–	–	–
Impairment loss on financial assets:				
Trade receivables	17,629	3,606	–	–
Other receivables	–	357	4,254,316	5,423,972
Reversal of allowance for impairment:				
Trade receivables	–	(89,740)	–	–
Write back of corporate guarantee	–	–	(2,423,218)	(1,977,471)
Net unrealised gain on foreign exchange	87,128	(76,293)	–	–
Increase in liability for defined benefit plan	364,416	347,567	54,147	111,358
Loss/(gain) on disposal of property, plant and equipment	19,274	(728,947)	–	(12,600)
Dividend income	–	–	(14,250,000)	(26,670,000)
Write down of inventories	2,824,803	2,015,182	–	–
Interest expense	3,389,426	3,918,203	802,574	1,201,803
Development expenditure written off	31,190	115,317	–	–
Operating profit/(loss) before working capital changes	49,505,698	43,717,249	129,851	(1,029,753)
Increase in inventories	(3,443,203)	(6,448,067)	–	–
(Increase)/decrease in trade and other receivables	(3,451,053)	14,958,584	(12,886,082)	1,560,523
Decrease/(increase) in other current assets	1,012,080	(863,649)	75,478	(90,691)
(Decrease)/increase in trade and other payables	(4,884,695)	(11,501)	17,110,645	620,774
Cash generated from operations	38,738,827	51,352,616	4,429,892	1,060,853
Interest paid	(3,389,426)	(3,918,203)	(802,574)	(1,201,803)
Taxes paid	(6,494,618)	(3,592,396)	–	–
Retirement benefits paid	(112,997)	(47,231)	(58,373)	–
Net cash generated from/(used in) operating activities	28,741,786	43,794,786	3,568,945	(140,950)

## Statements of Cash Flows (continued)

For the year ended 31 January 2012

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
<b>Investing activities</b>				
Dividend received	–	–	13,900,000	27,220,000
Purchase of property, plant and equipment	(13,384,410)	(12,511,739)	(411,954)	(247,375)
Proceeds from government grants	–	1,284,519	–	–
Interest received	513,356	921,366	261,285	406,728
Proceeds from disposal of property, plant and equipment	745,617	3,330,977	–	13,823
Development expenditure incurred	(757,969)	(1,386,668)	–	–
Net cash (used in)/generated from investing activities	<u>(12,883,406)</u>	<u>(8,361,545)</u>	<u>13,749,331</u>	<u>27,393,176</u>
<b>Financing activities</b>				
Net drawdown/(repayment) of term loans	1,032,170	(6,523,291)	(3,104,533)	(6,272,652)
Net repayment of short term borrowings	(7,618,525)	(1,548,707)	(3,250,000)	(5,534,000)
Net repayment of hire purchase and lease financing	(1,082,067)	(1,087,034)	(515,338)	(611,415)
Dividends on ordinary shares	(10,043,052)	(13,827,390)	(10,043,052)	(13,827,390)
Net cash used in financing activities	<u>(17,711,474)</u>	<u>(22,986,422)</u>	<u>(16,912,923)</u>	<u>(26,245,457)</u>
Net (decrease)/increase in cash and cash equivalents	(1,853,094)	12,446,819	405,353	1,006,769
Cash and cash equivalents at beginning of year	21,871,596	9,424,777	104,402	(902,367)
Cash and cash equivalents at end of year (Note 20)	<u>20,018,502</u>	<u>21,871,596</u>	<u>509,755</u>	<u>104,402</u>

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

31 January 2012

## 1. CORPORATE INFORMATION

Sapura Industrial Berhad (“the Company”) is a public limited liability company incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad (“Bursa Malaysia”). The registered office of the Company is located at Lot 2 & 4, Jalan P/11 Seksyen 10, Kawasan Perindustrian Bangi, 43650 Bandar Baru Bangi, Selangor.

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

The principal activities of the Company are investment holding and the provision of management services to its subsidiaries. The principal activities of the subsidiaries are disclosed in Note 15.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards (“FRS”) in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1 March 2010, 1 July 2010 and 1 January 2011 as described fully in Note 2.2 to the financial statements.

The financial statements of the Group and of the Company have been prepared under the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia (“RM”) except when otherwise indicated.

### 2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group and the Company adopted the following new and amended FRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2011.

<u>Description</u>	<u>Effective for annual periods beginning on or after</u>
FRS 1 First-time Adoption of Financial Reporting Standards	1 July 2010
Amendments to FRS 2 Share-based Payment	1 July 2010
FRS 3 Business Combinations	1 July 2010
Amendments to FRS 5 Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
Amendments to FRS 127 Consolidated and Separate Financial Statements	1 July 2010
Amendments to FRS 138 Intangible Assets	1 July 2010
Amendments to IC Interpretation 9 Reassessment of Embedded Derivatives	1 July 2010
IC Interpretation 12 Service Concession Arrangements	1 July 2010
IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17 Distributions of Non-cash Assets to Owners	1 July 2010
Amendments to FRS 132: Classification of Rights Issues	1 March 2010
IC Interpretation 18 Transfers of Assets from Customers	1 January 2011
Amendments to FRS 7: Improving Disclosures about Financial Instruments	1 January 2011
Amendments to FRS 1: Limited Exemptions for First-time Adopters	1 January 2011
Amendments to FRS 1: Additional Exemptions for First-time Adopters	1 January 2011
IC Interpretation 4 Determining Whether an Arrangement contains a Lease	1 January 2011
Improvements to FRS issued in 2010	1 January 2011

## Notes to the Financial Statements (continued)

31 January 2012

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.2 Changes in accounting policies (continued)

Adoption of the above standards and interpretations did not have any significant effect on the financial performance and position of the Group and of the Company except for those discussed below:

##### Revised FRS 3 Business Combinations and Amendments to FRS 127 Consolidated and Separate Financial Statements

The revised standards are effective for annual periods beginning on or after 1 July 2010. The revised FRS 3 introduces a number of changes in accounting for business combinations occurring after 1 July 2010. These changes impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

The revised FRS 3 continues to apply the acquisition method to business combinations but with some significant changes. All payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

The amendments to FRS 127 require that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

##### Amendments to FRS 7: Improving Disclosures about Financial Instruments

The amended standard requires enhanced disclosure about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy (Level 1, Level 2 and Level 3), by class, for all financial instruments recognised at fair value. A reconciliation between the beginning and ending balance for Level 3 fair value measurements is required. Any significant transfers between levels of the fair value hierarchy and the reasons for those transfers need to be disclosed. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in Note 31(f). The liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 31(d).

#### 2.3 Malaysian Financial Reporting Standards

On 19 November 2011, the Malaysian Accounting Standards Board ("MASB") issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRS Framework").

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture and IC Interpretation 15 Agreements for Construction of Real Estate, including its parent, significant investor and venturer.

The Group will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 January 2013. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

The Group has established a project team to plan and manage the adoption of the MFRS Framework.

The Group has not completed its assessment of the financial effects of the differences between Financial Reporting Standards and accounting standards under the MFRS Framework. Accordingly, the consolidated financial performance and financial position as disclosed in these financial statements for the year ended 31 January 2012 could be different if prepared under the MFRS Framework.

The Group considers that it is achieving its scheduled milestones and expects to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 January 2013.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisitions of subsidiaries are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income. The cost of a business combination is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the business combination.

Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the statement of financial position. Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in profit or loss on the date of acquisition. When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Subsidiaries are 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.

### 2.5 Transactions with minority interests

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in profit or loss of the Group and within equity in the consolidated statement of financial position, separately from parent shareholders' equity. Transactions with minority interests are accounted for using the entity concept method, whereby, transactions with minority interests are accounted for as transactions with owners. On acquisition of minority interests, the difference between the consideration and book value of the share of the net assets acquired is recognised directly in equity. Gain or loss on disposal to minority interests is recognised directly in equity.

### 2.6 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, 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 (continued)

31 January 2012

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.7 Property, plant and equipment and depreciation

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 stated 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.

Leasehold lands are depreciated over the period of the respective leases of 99 years. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	2%
Plant, machinery, electrical installation, factory equipment and application tools	10% to 33%
Furniture, fixtures, office equipment, renovations, computers and motor vehicles	8% to 25%

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 financial 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.

#### 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 of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of 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 2.6.

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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.8 Intangible assets (continued)

#### (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.

#### Research and development costs

Research costs are expensed as incurred. Deferred development costs arising from development expenditures on an individual project are recognised when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditures during development. Deferred development costs have a finite useful life and are amortised over the period of expected sales from the related project (not exceeding five years) on a straight line basis.

### 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.

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 (continued)

31 January 2012

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.10 Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

#### 2.11 Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associates is measured in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to associates is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the 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 profit or loss for the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates 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.

In the Company's separate financial statements, investment in associates are stated 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.

#### 2.12 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.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.12 Financial assets (continued)

#### Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date, the date that the Group and the Company commit to purchase or sell the asset.

### 2.13 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

#### (a) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

### 2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

## Notes to the Financial Statements (continued)

31 January 2012

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.15 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 as follows:

- Raw materials, spares and tools and consumables: purchase costs on a weighted average basis.
- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average 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.

#### 2.16 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.

#### 2.17 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all conditions attached will be met. Where the grant relates to an asset, the fair value is recognised as deferred capital grant in the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual installments.

Alternatively, government grants related to an asset may be presented in the statement of financial position by deducting the grants in arriving at the carrying amount of the asset.

#### 2.18 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.18 Financial liabilities (continued)

#### Other financial liabilities

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

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. 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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

### 2.19 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.

### 2.20 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.

## Notes to the Financial Statements (continued)

31 January 2012

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.21 Employee benefits

##### (a) 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. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

##### (b) 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 Employees 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.

##### (c) Defined benefit plan

The Group operates an unfunded, defined benefit Retirement Benefit Scheme ("the Scheme") for its eligible employees. The Group's obligation under the Scheme, calculated using the Projected Unit Credit Method, is determined based on actuarial computations by independent actuaries, through which the amount of benefit that employees have earned in return for their service in the current and prior years is estimated. That benefit is discounted in order to determine its present value. Actuarial gains and losses are recognised as income or expense over the expected average remaining working lives of the participating employees when the cumulative unrecognised actuarial gains or losses for the Scheme exceed 10% of the higher of the present value of the defined benefit obligation and the fair value of plan assets. Past service costs are recognised immediately to the extent that the benefits are already vested, and otherwise are amortised on a straight-line basis over the average period until the amended benefits become vested.

The amount recognised in the statements of financial position represents the present value of the defined benefit obligations adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the net total of any unrecognised actuarial losses and past service costs, and the present value of any economic benefits in the form of refunds or reductions in future contributions to the plan.

##### (d) Employee share option plans

Employees of the Group receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted. This cost is recognised in profit or loss, with a corresponding increase in the employee share option reserve over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised at the beginning and end of that period.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. The employee share option reserve is transferred to retained earnings upon expiry of the share options. When the options are exercised, the employee share option reserve is transferred to share premium.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.22 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. The accounting policy for rental income is set out in Note 2.23 (e).

### 2.23 Revenue

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) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

#### (b) Interest income

Interest income is recognised using the effective interest method.

#### (c) Management fees

Management fees are recognised when services are rendered.

#### (d) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

#### (e) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

## Notes to the Financial Statements (continued)

31 January 2012

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.24 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.

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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.25 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 33, including the factors used to identify the reportable segments and the measurement basis of segment information.

### 2.26 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of 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.

### 2.27 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statement of financial position of the Group.

## 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

In the process of preparing the financial statements, there were no significant judgements made in applying the accounting policies of the Group which 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) Write down of inventories

Inventories are written down to reflect the current net realisable value based on estimated selling price less selling and distribution costs and all other estimated costs to completion. In arriving at the net realisable value, due allowance was made for slow-moving and obsolete items.

#### (b) Useful lives of property, plant and machinery

The cost of property, plant and equipment is depreciated on a straight-line basis over the assets' estimated economic useful lives. The useful lives and annual depreciation rates of these assets are disclosed in Notes 2.7. These are common life expectancies applied in the respective industries. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of the Group's property, plant and equipment at the reporting date are disclosed in Notes 13.

## Notes to the Financial Statements (continued)

31 January 2012

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

#### 3.2 Key sources of estimation uncertainty (continued)

##### (c) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses, capital allowances and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The total carrying value of recognised tax losses, capital allowances and other deductible temporary differences of the Group and of the Company were approximately RM7,571,000 (2011: RM7,350,000) and RM185,000 (2011: RM225,000) respectively. The unrecognised tax losses, capital allowances, reinvestment allowances and provisions of the Group and of the Company were approximately RM95,345,000 (2011: RM93,205,000) and RM27,527,000 (2011: RM29,158,000) respectively.

##### (d) Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivable at the reporting date is disclosed in Note 18.

### 4. REVENUE

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Sales of goods	284,844,191	284,551,330	–	–
Management fees from subsidiaries	–	–	17,297,558	16,284,654
Dividends from subsidiaries	–	–	14,250,000	26,670,000
	<u>284,844,191</u>	<u>284,551,330</u>	<u>31,547,558</u>	<u>42,954,654</u>

### 5. OTHER INCOME

Included in other income are:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Rental income	350,699	290,178	1,646,079	1,653,527
Interest income from:				
Deposits	513,356	921,366	–	–
Subsidiaries	–	–	261,285	406,728
Gain on disposal of property, plant and equipment	54,468	728,947	–	12,600
Income from sales of scrap	2,200,780	1,831,047	–	–
Reversal of allowance for impairment of trade receivables	–	89,740	–	–
Bad debts recovered	–	254,568	880,106	36,297
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

## 6. FINANCE COSTS

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Interests expense on:				
Term loans	1,423,919	1,652,124	227,443	457,875
Overdrafts	212,685	169,921	9,674	24,036
Revolving credit	874,523	912,872	383,612	478,560
Obligations under finance lease	154,330	188,814	85,977	102,726
Bankers' acceptances	369,979	408,159	–	–
Letter of credits	194,381	227,279	–	–
Advances from subsidiaries	–	–	74,909	120,182
Others	159,609	359,034	20,959	18,424
	<u>3,389,426</u>	<u>3,918,203</u>	<u>802,574</u>	<u>1,201,803</u>

## 7. PROFIT BEFORE TAX

The following items have been included in arriving at profit before tax:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Employee benefits expense (Note 8)	33,509,344	31,484,224	11,360,234	9,397,311
Non-executive directors' remuneration (Note 9)	413,209	332,639	413,209	332,639
Amortisation of development expenditure	829,291	1,277,124	–	–
Auditors' remuneration				
– Statutory audit	124,000	124,000	30,000	30,000
– Other services	5,000	5,000	5,000	5,000
Tax agent fee	91,500	91,500	11,000	11,000
Depreciation of property, plant and equipment	12,156,765	11,736,500	845,614	898,534
Foreign exchange loss/(gain)				
– Unrealised	87,128	(76,293)	–	–
– Realised	169,135	(209,542)	(216)	–
Development expenditure written off	31,190	115,317	–	–
Write down of inventories	2,824,803	2,015,182	–	–
Bad debts written off	1,026,855	–	–	–
Property, plant and equipment written off	334,554	74,014	39,029	15,445
Loss on disposal of property, plant and equipment	73,742	–	–	–
Write back for corporate guarantee	–	–	(2,423,218)	(1,977,471)
Impairment loss on financial assets:				
– Trade receivables	17,629	3,606	–	–
– Other receivables	–	357	4,254,316	5,423,972
Rental expense:				
– Premises	485,285	98,215	1,273,572	1,190,829
– Motor vehicles	–	–	12,771	15,707
– Equipment	65,541	65,541	34,416	–
	<u></u>	<u></u>	<u></u>	<u></u>

## Notes to the Financial Statements (continued)

31 January 2012

### 8. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Wages and salaries	25,297,209	24,140,818	8,567,179	6,723,785
Social security contribution	252,796	254,165	52,808	48,237
Contributions to defined contribution plan	2,414,800	2,386,394	954,272	904,079
Increase in liability for defined benefit plan	364,416	347,567	54,147	111,358
Short term accumulating compensated absences	(1,549)	(35,314)	2,692	(33,277)
Other benefits	5,181,672	4,390,594	1,729,136	1,643,129
	<u>33,509,344</u>	<u>31,484,224</u>	<u>11,360,234</u>	<u>9,397,311</u>

Included in employee benefits expense of the Group and of the Company are remuneration of an executive director of the Company amounting to RM724,360 (2011: RM604,128) and RM724,360 (2011: RM604,128) respectively as further disclosed in Note 9.

### 9. DIRECTORS' REMUNERATION

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
<b>Directors of the Company</b>				
Executive:				
Salaries and other emoluments	457,900	419,400	457,900	419,400
Bonus	192,600	120,000	192,600	120,000
Contributions to defined contribution plan	73,860	64,728	73,860	64,728
Benefits-in-kind	32,200	42,165	32,200	42,165
	<u>756,560</u>	<u>646,293</u>	<u>756,560</u>	<u>646,293</u>
Non-Executive:				
Fees	358,709	300,139	358,709	300,139
Other emoluments	54,500	32,500	54,500	32,500
	<u>413,209</u>	<u>332,639</u>	<u>413,209</u>	<u>332,639</u>
	<u>1,169,769</u>	<u>978,932</u>	<u>1,169,769</u>	<u>978,932</u>
Analysis excluding benefits-in-kind:				
Total executive director's remuneration, excluding benefits-in-kind (Note 8)	724,360	604,128	724,360	604,128
Total non-executive directors' remuneration, excluding benefits-in-kind (Note 7)	413,209	332,639	413,209	332,639
Total directors' remuneration excluding benefits-in-kind	<u>1,137,569</u>	<u>936,767</u>	<u>1,137,569</u>	<u>936,767</u>

## 9. DIRECTORS' REMUNERATION (CONTINUED)

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	
	2012	2011
Executive directors:		
RM750,001 - RM800,00	1	–
RM600,001 - RM650,000	–	1
Non-executive directors:		
RM50,001 - RM100,000	3	2
Below RM50,000	5	6
	<hr/>	<hr/>

## 10. TAXATION

### Major components of income tax expense

Major components of income tax expense for the years ended 31 January 2012 and 2011 are:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
<b>Statement of comprehensive income:</b>				
Current income tax:				
Malaysia income tax	6,511,326	5,275,458	–	–
Overprovision in prior years	(84,537)	(119,684)	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
	6,426,789	5,155,774	–	–
Deferred tax (Note 25):				
Relating to origination and reversal of temporary differences	492,083	1,032,223	–	(57,989)
(Over)/underprovision in prior years	(7,356)	(647,499)	–	57,989
	<hr/>	<hr/>	<hr/>	<hr/>
	484,727	384,724	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
	6,911,516	5,540,498	–	–

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2011: 25%) of the estimated assessable profit for the year.

## Notes to the Financial Statements (continued)

31 January 2012

### 10. TAXATION (CONTINUED)

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 January 2012 and 2011 are as follows:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Profit before tax	28,939,272	26,081,039	11,065,982	20,419,211
Tax at Malaysian statutory tax rate of 25% (2011: 25%)	7,234,818	6,520,260	2,766,496	5,104,803
Income not subject to tax	–	–	(3,562,500)	(6,667,500)
Expenses not deductible for tax purposes	670,434	702,879	1,203,844	1,864,170
Utilisation of reinvestment allowances	(1,436,922)	(1,163,838)	–	–
Deferred tax assets not recognised during the year	867,724	464,084	–	–
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(332,645)	(215,704)	(197,095)	(43,820)
Deferred tax assets recognised during the year	–	–	(210,745)	(315,642)
(Over)/underprovision of deferred tax expense in prior years	(7,356)	(647,499)	–	57,989
Overprovision of income tax expense in prior years	(84,537)	(119,684)	–	–
	<u>6,911,516</u>	<u>5,540,498</u>	<u>–</u>	<u>–</u>

### 11. EARNINGS PER SHARE

#### (a) Basic

Basic earnings per share amounts are calculated by dividing profit for the year, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial year.

	2012 RM	2011 RM
Profit net of tax attributable to owners of the parent	<u>22,030,895</u>	<u>20,542,212</u>
Weighted average number of ordinary shares in issue	<u>72,775,737</u>	<u>72,775,737</u>
Basic earnings per share (sen)	<u>30.27</u>	<u>28.23</u>

## 11. EARNINGS PER SHARE (CONTINUED)

### (b) Diluted

Diluted earnings per share amounts are calculated by dividing the profit for the year, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares in issue during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

	2012 RM	2011 RM
Profit net of tax attributable to owners of the parent	22,030,895	20,542,212
Weighted average number of ordinary shares in issue	72,775,737	72,775,737
Effect of dilution:		
Share options	–	28,500
Adjusted weighted average number of ordinary shares in issue and issuable	<u>72,775,737</u>	<u>72,804,237</u>
Diluted earnings per share (sen)	<u>30.27</u>	<u>28.22</u>

\* The effect of dilution arising from the assumed conversion of options under the Company's ESOS is anti-dilutive.

## 12. DIVIDENDS

	Amount		Net dividends per share	
	2012 RM	2011 RM	2012 Sen	2011 Sen
Recognised during the year:				
Final tax exempt dividend for 31 January 2010 of 5% on 72,775,737 ordinary shares approved by shareholders on 21 July 2010 and paid on 19 August 2010	–	3,638,787	–	5
Interim tax exempt dividend for 31 January 2011 of 14% on 72,775,737 ordinary shares declared on 1 December 2010 and paid on 30 December 2010	–	10,188,603	–	14
Final tax exempt dividend for 31 January 2011 of 13.8% on 72,775,737 ordinary shares approved by shareholders on 13 July 2011 and paid on 10 August 2011	<u>10,043,052</u>	–	<u>14</u>	–
	<u>10,043,052</u>	<u>13,827,390</u>	<u>14</u>	<u>19</u>

At the forthcoming Annual General Meeting, a final single tier dividend in respect of the financial year ended 31 January 2012 of 15% on 72,775,737 ordinary shares, amounting to a dividend payable of RM10,916,361 (15 sen net per ordinary share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders will be accounted for in equity as an appropriation of distributable reserves in the financial year ending 31 January 2013.

## Notes to the Financial Statements (continued)

31 January 2012

### 13. PROPERTY, PLANT AND EQUIPMENT

	Long term leasehold land RM	Buildings RM	Plant, machinery, electrical installation, factory equipment and application tools RM	Furniture, fixtures, equipment, renovation, computers and motor vehicles RM	Total RM
<b>Group</b>					
<b>At 31 January 2012</b>					
<b>Cost</b>					
At 1 February 2011	24,454,624	23,707,192	198,343,175	12,729,774	259,234,765
Additions	–	–	12,599,015	1,219,662	13,818,677
Disposals	–	–	(3,550,216)	(593,519)	(4,143,735)
Write offs	–	–	(1,530,825)	(1,027,859)	(2,558,684)
At 31 January 2012	<u>24,454,624</u>	<u>23,707,192</u>	<u>205,861,149</u>	<u>12,328,058</u>	<u>266,351,023</u>
<b>Accumulated depreciation and impairment</b>					
At 1 February 2011	3,060,218	8,236,755	144,107,696	8,271,342	163,676,011
Depreciation charge for the year	249,574	399,730	10,169,459	1,338,002	12,156,765
Disposals	–	–	(2,839,365)	(539,479)	(3,378,844)
Write offs	–	–	(1,237,593)	(986,537)	(2,224,130)
Reclass	(360,640)	360,640	–	–	–
At 31 January 2012	<u>2,949,152</u>	<u>8,997,125</u>	<u>150,200,197</u>	<u>8,083,328</u>	<u>170,229,802</u>
Analysed as:					
Accumulated depreciation	2,949,152	6,812,484	115,246,049	7,907,312	132,914,997
Accumulated impairment losses	–	2,184,641	34,954,148	176,016	37,314,805
	<u>2,949,152</u>	<u>8,997,125</u>	<u>150,200,197</u>	<u>8,083,328</u>	<u>170,229,802</u>
<b>Net carrying amount</b>	<u>21,505,472</u>	<u>14,710,067</u>	<u>55,660,952</u>	<u>4,244,730</u>	<u>96,121,221</u>

## 13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Long term leasehold land RM	Buildings RM	Plant, machinery, electrical installation, factory equipment and application tools RM	Furniture, fixtures, equipment, renovation, computers and motor vehicles RM	Total RM
<b>Group (continued)</b>					
<b>At 31 January 2011</b>					
<b>Cost</b>					
At 1 February 2010	24,454,624	23,415,956	192,577,454	11,597,194	252,045,228
Additions	–	291,236	11,457,562	2,174,868	13,923,666
Disposals	–	–	(4,767,291)	(932,304)	(5,699,595)
Write offs	–	–	(203,511)	(40,594)	(244,105)
Transfer from development expenditure	–	–	494,090	–	494,090
Receive government grant	–	–	(1,215,129)	(69,390)	(1,284,519)
At 31 January 2011	24,454,624	23,707,192	198,343,175	12,729,774	259,234,765
<b>Accumulated depreciation and impairment</b>					
At 1 February 2010	2,810,647	7,795,948	136,782,689	7,817,883	155,207,167
Depreciation charge for the year	249,571	440,807	9,636,532	1,409,590	11,736,500
Disposals	–	–	(2,166,598)	(930,967)	(3,097,565)
Write offs	–	–	(144,927)	(25,164)	(170,091)
At 31 January 2011	3,060,218	8,236,755	144,107,696	8,271,342	163,676,011
Analysed as:					
Accumulated depreciation	3,060,218	6,412,754	109,153,548	8,095,326	126,721,846
Accumulated impairment losses	–	1,824,001	34,954,148	176,016	36,954,165
	3,060,218	8,236,755	144,107,696	8,271,342	163,676,011
<b>Net carrying amount</b>	<b>21,394,406</b>	<b>15,470,437</b>	<b>54,235,479</b>	<b>4,458,432</b>	<b>95,558,754</b>

## Notes to the Financial Statements (continued)

31 January 2012

### 13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Long term leasehold land RM	Building RM	Plant, machinery, and factory equipment RM	Furniture, fixtures, equipment, renovation, computers and motor vehicles RM	Total RM
<b>Company</b>					
<b>At 31 January 2012</b>					
<b>Cost</b>					
At 1 February 2011	16,571,044	2,265,637	73,532	4,742,343	23,652,556
Additions	–	–	–	690,010	690,010
Transfer from subsidiaries	–	–	–	55,751	55,751
Write offs	–	–	(62,251)	(336,934)	(399,185)
At 31 January 2012	<u>16,571,044</u>	<u>2,265,637</u>	<u>11,281</u>	<u>5,151,170</u>	<u>23,999,132</u>
<b>Accumulated depreciation and impairment</b>					
At 1 February 2011	2,091,116	1,080,796	55,555	2,488,176	5,715,643
Charge for the year	168,921	4,239	236	672,218	845,614
Transfer from subsidiaries	–	–	–	55,751	55,751
Write offs	–	–	(52,011)	(308,145)	(360,156)
Reclass	(360,640)	360,640	–	–	–
At 31 January 2012	<u>1,899,397</u>	<u>1,445,675</u>	<u>3,780</u>	<u>2,908,000</u>	<u>6,256,852</u>
Analysed as:					
Accumulated depreciation	1,899,397	694,167	3,780	2,908,000	5,505,344
Accumulated impairment loss	–	751,508	–	–	751,508
	<u>1,899,397</u>	<u>1,445,675</u>	<u>3,780</u>	<u>2,908,000</u>	<u>6,256,852</u>
<b>Net carrying amount</b>	<u>14,671,647</u>	<u>819,962</u>	<u>7,501</u>	<u>2,243,170</u>	<u>17,742,280</u>

## 13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Long term leasehold land RM	Building RM	Plant, machinery, and factory equipment RM	Furniture, fixtures, equipment, renovation, computers and motor vehicles RM	Total RM
<b>Company (continued)</b>					
<b>At 31 January 2011</b>					
<b>Cost</b>					
At 1 February 2010	16,571,044	2,265,637	73,532	3,317,996	22,228,209
Additions	–	–	–	1,490,016	1,490,016
Transfer from subsidiaries	–	–	–	26,514	26,514
Disposals	–	–	–	(76,008)	(76,008)
Write offs	–	–	–	(16,175)	(16,175)
At 31 January 2011	16,571,044	2,265,637	73,532	4,742,343	23,652,556
<b>Accumulated depreciation and impairment</b>					
At 1 February 2010	1,922,182	1,035,482	45,253	1,883,066	4,885,983
Charge for the year	168,934	45,314	10,302	673,984	898,534
Transfer from subsidiaries	–	–	–	6,641	6,641
Disposals	–	–	–	(74,785)	(74,785)
Write offs	–	–	–	(730)	(730)
At 31 January 2011	2,091,116	1,080,796	55,555	2,488,176	5,715,643
Analysed as:					
Accumulated depreciation	2,091,116	689,928	55,555	2,488,176	5,324,775
Accumulated impairment loss	–	390,868	–	–	390,868
	2,091,116	1,080,796	55,555	2,488,176	5,715,643
<b>Net carrying amount</b>	<b>14,479,928</b>	<b>1,184,841</b>	<b>17,977</b>	<b>2,254,167</b>	<b>17,936,913</b>

## Notes to the Financial Statements (continued)

31 January 2012

### 13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

- (a) During the financial year, the Group and the Company acquired property, plant and equipment at aggregate costs of RM13,818,677 (2011: RM13,923,666) and RM 690,010 (2011: RM1,490,016) respectively, of which RM434,267 (2011: RM1,411,927) and RM278,056 (2011: RM1,242,641) respectively were acquired by means of finance leases.

The net carrying amounts of property, plant and equipment held under finance leases are as follows:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Factory equipment and machinery	1,258,097	1,503,395	–	–
Office equipment and computers	–	35,145	–	35,145
Motor vehicles	2,053,559	1,526,336	1,562,124	957,810
	<u>3,311,656</u>	<u>3,064,876</u>	<u>1,562,124</u>	<u>992,955</u>

Details of the terms and conditions of the finance leases are disclosed in Note 24.

- (b) The net carrying amounts of property, plant and equipment pledged as securities for borrowings (Note 23) are as follows:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Buildings	–	7,065,340	–	844,732
Leasehold land	1,520,909	7,469,202	–	3,762,755
Plant and machinery	33,651,870	26,167,124	–	–
	<u>35,172,779</u>	<u>40,701,666</u>	<u>–</u>	<u>4,607,487</u>

- (c) Included in property, plant and equipment of the Group and of the Company are the following cost of fully depreciated assets which are still in use:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Plant, machinery, electrical installation, factory equipment and application tools	<u>55,506,061</u>	<u>56,684,771</u>	<u>–</u>	<u>–</u>
Furniture, fixtures, equipment, renovation, computers and motor vehicles	<u>5,781,332</u>	<u>4,563,918</u>	<u>1,205,878</u>	<u>957,757</u>

## 14. DEVELOPMENT EXPENDITURE

	Group	
	2012	2011
	RM	RM
<b>Cost</b>		
At beginning of year	6,862,707	17,043,237
Incurred during the year	757,969	1,386,668
Transfer to property, plant and equipment	–	(494,090)
Written off	(31,190)	(115,317)
Adjustment for completed projects	(2,911,530)	(10,957,791)
At end of year	<u>4,677,956</u>	<u>6,862,707</u>
<b>Accumulated amortisation</b>		
At beginning of year	3,539,895	13,220,562
Amortisation	829,291	1,277,124
Adjustment for completed projects	(2,911,530)	(10,957,791)
At end of year	<u>1,457,656</u>	<u>3,539,895</u>
<b>Net carrying amount</b>	<u>3,220,300</u>	<u>3,322,812</u>

## 15. INVESTMENT IN SUBSIDIARIES

	Company	
	2012	2011
	RM	RM
Unquoted shares, at cost	61,439,524	61,439,524
Less: Accumulated impairment losses	(32,481,646)	(32,481,646)
	<u>28,957,878</u>	<u>28,957,878</u>

## Notes to the Financial Statements (continued)

31 January 2012

### 15. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries, all of which are incorporated in Malaysia and audited by Ernst & Young Malaysia, are as follows:

Name of subsidiaries	Principal activities	Equity interest held	
		2012 %	2011 %
<b>Held by the Company</b>			
Sapura Machining Corporation Sdn. Bhd.	Manufacture and sale of high value added machined products for the automotive industry.	100	100
Asian Automotive Steels Sdn. Bhd.	Manufacture and sale of stabiliser bar and cold drawn high grade structured steel bars used in the automotive, electronics and electrical industries.	100	100
Sapura Automotive Industries Sdn. Bhd.	Manufacture and sale of coil springs, shock absorbers and strut assemblies, constant velocity joint, axle module and front corner module assemblies for the automotive industry.	100	100
International Autoparts Sdn. Bhd.	Trading of auto parts in retail/after sales market.	100	100
Automotive Specialist Centre Sdn. Bhd.	Dormant.	100	100
Sapura Brake Technologies Sdn. Bhd.	Manufacture, supply and sale of brake systems for the automotive industry.	100	100
Sapura Technical Centre Sdn. Bhd.	Computer aided design and computer aided manufacture of tools, jigs and dies and engineering services in design, modifications and fabrications of sub-system/system for the application in production and testing.	100	100
Isencorp Sdn. Bhd.	Dormant	100	100
Sapura-Schulz Hydroforming Sdn. Bhd.	Manufacture and sale of butt-weld fittings for oil and gas industries.	75	75
Subang Properties Sdn. Bhd.	Dormant	51.68	51.68
<b>Held by International Autoparts Sdn. Bhd.</b>			
Awaltek Sdn. Bhd.	Dormant	100	100

### 16. INVESTMENT IN AN ASSOCIATE

	Group	
	2012 RM	2011 RM
Unquoted shares, at cost	300,000	300,000
Share of post-acquisition loss	(300,000)	(300,000)
	—	—
	—	—

Details of associate, which is incorporated in Malaysia, are as follows:

Name of associate	Principal activities	Group's effective interest	
		2012 %	2011 %
Ciri Tegap Sdn. Bhd.*		33	33

\* Audited by a firm of auditors other than Ernst & Young

## 17. INVENTORIES

	Group	
	2012 RM	2011 RM
<b>At cost:</b>		
Materials and component parts	13,027,887	14,589,416
Work-in-progress	1,241,479	2,094,743
Finished goods	5,324,460	4,012,441
Spares and tools	5,358,752	3,586,125
Consumables	210,134	261,587
	<u>25,162,712</u>	<u>24,544,312</u>

## 18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
<b>Trade receivables</b>				
Third parties	46,278,180	44,611,422	–	–
Less: Allowance for impairment				
Third parties	(81,119)	(63,490)	–	–
Trade receivables, net	<u>46,197,061</u>	<u>44,547,932</u>	<u>–</u>	<u>–</u>
<b>Other receivables</b>				
Amounts due from subsidiaries	–	–	47,789,942	35,784,975
Amounts due from related companies	56,650	12,000	–	–
Amounts due from affiliate	5,816,770	5,816,770	–	–
Refundable deposits	331,919	280,344	81,044	82,344
Other receivables	3,533,171	3,313,343	36,512	34,203
	<u>9,738,510</u>	<u>9,422,457</u>	<u>47,907,498</u>	<u>35,901,522</u>
Less: Allowance for impairment				
Amounts due from subsidiaries	–	–	(33,099,844)	(29,725,634)
Amounts due from related companies	(56,650)	(12,000)	–	–
Amounts due from affiliate	(5,816,770)	(5,816,770)	–	–
Other receivables	(605,817)	(1,091,854)	–	–
	<u>(6,479,237)</u>	<u>(6,920,624)</u>	<u>(33,099,844)</u>	<u>(29,725,634)</u>
Other receivables, net	<u>3,259,273</u>	<u>2,501,833</u>	<u>14,807,654</u>	<u>6,175,888</u>
Total trade and other receivables	<u>49,456,334</u>	<u>47,049,765</u>	<u>14,807,654</u>	<u>6,175,888</u>
Total trade and other receivables	49,456,334	47,049,765	14,807,654	6,175,888
Add: Cash and bank balances (Note 20)	20,915,172	22,969,736	509,755	104,402
Total loans and receivables	<u>70,371,506</u>	<u>70,019,501</u>	<u>15,317,409</u>	<u>6,280,290</u>

## Notes to the Financial Statements (continued)

31 January 2012

### 18. TRADE AND OTHER RECEIVABLES (CONTINUED)

#### (a) Trade receivables

Trade receivables are non-interest bearing and the Group's normal trade credit terms range from 30 to 90 (2011: 30 to 90) days. Other credit terms are assessed and approved on a case-by-case basis. 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 trade receivables is as follows:

	Group	
	2012	2011
	RM	RM
Neither past due nor impaired	43,613,361	41,871,466
1 to 30 days past due not impaired	1,510,101	2,023,234
31 to 60 days past due not impaired	177,849	323,942
61 to 90 days past due not impaired	895,750	329,290
Impaired	2,583,700	2,676,466
	81,119	63,490
	<u>46,278,180</u>	<u>44,611,422</u>

#### Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy customers with long term relationship and no history of default.

None of the Group'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 has trade receivables amounting to RM2,583,700 (2011: RM2,676,466) that are past due at the reporting date but not impaired. These relate mostly to customers with slower repayment patterns, with no history of default.

The trade receivables that are past due but not impaired are unsecured.

## 18. TRADE AND OTHER RECEIVABLES (CONTINUED)

### (a) Trade receivables (continued)

#### Receivables that are impaired

The Group'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	
	2012	2011
	RM	RM
Trade receivables:		
Nominal value	81,119	63,490
Less: Allowance for impairment:		
- individually impaired	(81,119)	(63,490)
	<u>          </u>	<u>          </u>
	-	-

Movement in allowance accounts:

	Group	
	2012	2011
	RM	RM
At 1 February	63,490	262,563
Charge for the year (Note 7)	17,629	3,606
Written off	-	(112,939)
Reversal of impairment losses	-	(89,740)
	<u>          </u>	<u>          </u>
At 31 January	81,119	63,490

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

### (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	
	2012	2011	2012	2011
	RM	RM	RM	RM
Other receivables:				
Nominal value	6,479,237	6,920,624	33,099,844	29,725,634
Less: Allowance for impairment	(6,479,237)	(6,920,624)	(33,099,844)	(29,725,634)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	-	-	-	-

## Notes to the Financial Statements (continued)

31 January 2012

### 18. TRADE AND OTHER RECEIVABLES (CONTINUED)

#### (b) Other receivables (continued)

Movement in allowance accounts:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
At the beginning of year	6,920,624	6,920,267	29,725,634	24,301,662
Charge for the year (Note 7)	–	357	4,254,316	5,423,972
Written off	(441,387)	–	–	–
Bad debts recovered	–	–	(880,106)	–
At the end of year	<u>6,479,237</u>	<u>6,920,624</u>	<u>33,099,844</u>	<u>29,725,634</u>

#### Other receivables that are impaired

At the reporting date, the Group and the Company have provided an allowance of RM6,479,237 (2011: RM6,920,624) and RM33,099,844 (2011: RM29,725,634) respectively. These mainly relate to balances due from related parties which have been significantly long outstanding.

#### (c) Related party balances

Related companies refer to companies in the Sapura Holdings Sdn. Bhd. group of companies.

An affiliate refers to Schulz Export GmbH, a fellow subsidiary of Sophisticated Pipe Industry Production Sdn. Bhd., a corporate shareholder of a subsidiary of the Company, Sapura-Schulz Hydroforming Sdn. Bhd.

The amounts due from related parties are unsecured, non-interest bearing and are repayable upon demand, except for an amount due from subsidiaries of RM521,014 (2011: RM4,187,861) which attract interest rate of 4.64% (2011: 4.55%) per annum.

#### (d) Credit risk

As at the reporting date, the Group has significant concentration of credit risk in the form of outstanding balances due from 2 (2011: 2) groups of debtors representing 94% (2011: 93%) of the total net trade receivables.

### 19. OTHER CURRENT ASSETS

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Prepayments	<u>2,781,109</u>	<u>3,793,189</u>	<u>131,056</u>	<u>206,534</u>

## 20. CASH AND BANK BALANCES

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Cash on hand and at banks	4,961,272	4,925,293	509,755	104,402
Deposits with licensed banks	15,953,900	18,044,443	–	–
Cash and bank balances	20,915,172	22,969,736	509,755	104,402
Less: Bank overdrafts (Note 23)	(896,670)	(1,098,140)	–	–
Cash and cash equivalents	<u>20,018,502</u>	<u>21,871,596</u>	<u>509,755</u>	<u>104,402</u>

The weighted average effective interest rates and average maturities of deposits with licensed banks at balance sheet date of the Group were 2.83% (2011: 2.68%) per annum and 30 days (2011: 30 days) respectively.

## 21. EMPLOYEE BENEFITS

### (a) Retirement benefit obligations

The Group operates an unfunded, defined benefit Retirement Benefit Scheme (“the Scheme”) for its eligible employees. The Group’s obligation under the Scheme is determined based on the latest actuarial valuation by an independent valuer for the financial year 2011 until 2012. Under the Scheme, eligible employees are entitled to retirement benefits varying between 46% and 100% of their final salary on attainment of the retirement age of 55.

The amounts recognised on the statement of financial position are determined as follows:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Present value of unfunded defined benefit obligations, representing net liabilities	<u>2,736,735</u>	<u>2,485,316</u>	<u>788,268</u>	<u>792,494</u>
Analysed as:				
Current	41,624	143,386	2,499	118,253
Non-current	2,695,111	2,341,930	785,769	674,241
	<u>2,736,735</u>	<u>2,485,316</u>	<u>788,268</u>	<u>792,494</u>

The amount recognised in the statement of comprehensive income are as follows:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Current service costs	221,037	215,751	33,090	69,101
Interest cost	143,379	131,816	21,057	42,257
Total, included in employee benefits expense	<u>364,416</u>	<u>347,567</u>	<u>54,147</u>	<u>111,358</u>

## Notes to the Financial Statements (continued)

31 January 2012

### 21. EMPLOYEE BENEFITS (CONTINUED)

#### (a) Retirement benefit obligations (continued)

Movements in the net liability in the current year were as follows:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
At beginning of year	2,485,316	2,184,980	792,494	681,136
Recognised in profit or loss	364,416	347,567	54,147	111,358
Benefits paid	(112,997)	(47,231)	(58,373)	–
At end of year	<u>2,736,735</u>	<u>2,485,316</u>	<u>788,268</u>	<u>792,494</u>

Principal actuarial assumptions used:

	2012 %	2011 %
Discount rate	5.5	5.5
Expected rate of salary increases		
- Executives	5.5	5.5
- Non executives	5.5	5.5

Assumptions regarding future mortality are based on published statistics and mortality tables.

#### (b) Employee share option scheme (“ESOS”)

The ESOS is governed by the new By-Laws approved by the shareholders at an Extraordinary General Meeting held on 12 January 2005.

The salient features of the new By-Laws are as follows:

- (i) The total number of shares to be issued under the ESOS shall not exceed in aggregate 15% of the issued and paid-up share capital of the Company at any point of time during the duration of the ESOS.
- (ii) The total number of options granted to eligible employees who are executive directors and senior management of the Group shall not exceed 50% of the total share options available under ESOS.
- (iii) The total number of options granted to eligible employees who holds 20% or more of the Company’s issued and paid-up capital, either singly or collectively through connected person, shall not exceed 10% of the total share options available under ESOS.
- (iv) The effective date of the ESOS was 10 May 2001 and shall be in force for a period of five (5) years subject however to an extension at the discretion of the ESOS Committee for a period of up to five (5) years commencing from the date of expiration of the original five (5) year period.
- (v) Each option granted entitles the eligible employee to subscribe for new ordinary shares of RM1 each in the Company. The price at which the eligible employee is entitled to subscribe for each share under an option shall be the average of the mean market quotation of the shares of the Company as shown in the Daily Official List issued by Bursa Malaysia Securities Berhad for the five market days immediately preceding the offer date.

## 21. EMPLOYEE BENEFITS (CONTINUED)

### (b) Employee share option scheme ("ESOS") (continued)

- (vi) The number of ESOS shares relating to the option, the option price, the minimum number of shares to be exercised in a year and the method of exercise of the option so far as the option remains unexercised may be adjusted following any variation in the issued share capital of the Company by way of rights issues, bonus issues, consolidation, sub-division or reduction of the Company's share capital made by the Company during the option period.
- (vii) The ESOS shares under option shall remain unissued until the option is exercised and shall on allotment rank pari passu in all respects with the existing shares of the Company at the time of allotment save that they will not entitle the holders thereof to receive any rights or to any dividend or allotment or other distribution declared to the shareholders of the Company as at a date prior to the allotment of such ESOS shares.

Information with respect to the number of options under the ESOS at exercise price of RM1.00 per share which is exercisable between 10 May 2001 and 9 May 2011 is as follows:

	Number of Share Options	
	2012	2011
At the beginning of year	313,500	313,500
Expired during the year	(313,500)	—
At the end of year	—	313,500

The options under the ESOS not exercised by 9 May 2011 have expired on the same date.

## 22. PROVISION

	Provision for corporate guarantee RM
At 1 February 2010	6,868,269
Unused amount reversed	(1,977,471)
At 1 February 2011	4,890,798
Unused amount reversed	(2,423,218)
At 31 January 2012	2,467,580

The provision relates to a proportionate share of corporate guarantee extended by the Company to a bank for credit facilities granted to a subsidiary.

## Notes to the Financial Statements (continued)

31 January 2012

### 23. LOANS AND BORROWINGS

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
<b>Current</b>				
<b>Secured:</b>				
Bank overdrafts	896,670	1,098,140	–	–
Revolving credits	–	3,250,000	–	450,000
Term loans	7,365,952	6,429,306	–	2,250,000
Obligations under finance leases (Note 24)	349,597	–	–	–
	<u>8,612,219</u>	<u>10,777,446</u>	<u>–</u>	<u>2,700,000</u>
<b>Unsecured:</b>				
Bankers' acceptances	10,425,514	10,994,039	–	–
Revolving credits	11,700,000	15,500,000	3,700,000	6,500,000
Term loan	1,333,344	6,537,309	1,333,344	3,525,309
Obligations under finance leases (Note 24)	607,106	955,742	459,619	465,480
	<u>24,065,964</u>	<u>33,987,090</u>	<u>5,492,963</u>	<u>10,490,789</u>
	<u>32,678,183</u>	<u>44,764,536</u>	<u>5,492,963</u>	<u>13,190,789</u>
<b>Non-current</b>				
<b>Secured:</b>				
Term loans	18,026,150	14,064,093	–	–
Obligations under finance leases (Note 24)	187,410	–	–	–
	<u>18,213,560</u>	<u>14,064,093</u>	<u>–</u>	<u>–</u>
<b>Unsecured:</b>				
Term loan	1,999,984	662,552	1,999,984	662,552
Obligations under finance leases (Note 24)	1,313,647	2,149,818	998,619	1,230,040
	<u>3,313,631</u>	<u>2,812,370</u>	<u>2,998,603</u>	<u>1,892,592</u>
	<u>21,527,191</u>	<u>16,876,463</u>	<u>2,998,603</u>	<u>1,892,592</u>
<b>Total</b>				
Bank overdrafts (Note 20)	896,670	1,098,140	–	–
Revolving credits	11,700,000	18,750,000	3,700,000	6,950,000
Bankers' acceptances	10,425,514	10,994,039	–	–
Term loans	28,725,430	27,693,260	3,333,328	6,437,861
Obligations under finance leases	2,457,760	3,105,560	1,458,238	1,695,520
	<u>54,205,374</u>	<u>61,640,999</u>	<u>8,491,566</u>	<u>15,083,381</u>

### 23. LOANS AND BORROWINGS (CONTINUED)

The remaining maturities of the loans and borrowings as at 31 January 2012 are as follows:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Within 1 year	32,678,183	44,764,536	5,492,963	13,190,789
More than 1 year and less than 2 years	12,186,783	7,838,066	1,815,581	968,594
More than 2 years and less than 5 years	9,340,408	9,038,397	1,183,022	923,998
	<u>54,205,374</u>	<u>61,640,999</u>	<u>8,491,566</u>	<u>15,083,381</u>

The weighted average effective interest rates per annum at the reporting date for the borrowings, excluding finance leases, were as follows:

	Group		Company	
	2012 %	2011 %	2012 %	2011 %
Bank overdrafts	8.21	7.80	–	–
Revolving credits	4.60	4.49	4.50	4.21
Bankers' acceptances	3.99	3.48	–	–
Term loans	<u>4.45</u>	<u>4.93</u>	<u>4.64</u>	<u>4.08</u>

The secured bank overdrafts and revolving credits of the Group are secured by certain assets of the Group (Note 13(b)).

The term loans are secured by a first legal charge over certain leasehold land, buildings and certain plant and machinery of the Group and/or the Company (Note 13(b)).

The unsecured borrowings are guaranteed by the Company and certain subsidiaries and a negative pledge over all fixed and other assets of the Company.

The Company has extended corporate guarantees amounting to RM107,434,500 (2011: RM65,666,500) as at the reporting date to banks and financial institutions for banking facilities granted to certain subsidiaries.

## Notes to the Financial Statements (continued)

31 January 2012

### 24. HIRE PURCHASE AND FINANCE LEASE LIABILITIES

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
<b>Minimum lease payments:</b>				
Not later than 1 year	1,075,986	1,133,830	529,068	580,351
Later than 1 year and not later than 2 years	897,759	1,023,249	527,225	472,044
Later than 2 years and not later than 5 years	699,138	1,288,414	537,743	827,664
	<u>2,672,883</u>	<u>3,445,493</u>	<u>1,594,036</u>	<u>1,880,059</u>
Less: Finance charges	(215,123)	(339,933)	(135,798)	(184,539)
	<u>2,457,760</u>	<u>3,105,560</u>	<u>1,458,238</u>	<u>1,695,520</u>
<b>Analysis of present value of finance lease liabilities:</b>				
Not later than 1 year	956,703	955,742	459,619	465,480
Later than 1 year and not later than 2 years	829,415	925,771	482,237	414,605
Later than 2 years and not later than 5 years	671,642	1,224,047	516,382	815,435
	<u>2,457,760</u>	<u>3,105,560</u>	<u>1,458,238</u>	<u>1,695,520</u>
Less: Amount due within 12 months (Note 23)	(956,703)	(955,742)	(459,619)	(465,480)
	<u>1,501,057</u>	<u>2,149,818</u>	<u>998,619</u>	<u>1,230,040</u>

The Group and the Company have finance leases for various items of plant and equipment (Note 13(a)). These leases do not have terms of renewal, but have purchase options at nominal values at the end of the lease term.

The finance leases of the Group and of the Company attract interest rate during the year varying between 2.20% to 4.00% (2011: 2.20% to 5.86%) and 2.20% to 3.65% (2011: 2.21% to 4.80%) per annum respectively.

Other information of financial risks of finance leases are disclosed in Note 31.

### 25. DEFERRED TAX

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
At the beginning of year	6,994,784	6,610,060	–	–
Recognised in profit or loss (Note 10)	484,727	384,724	–	–
	<u>7,479,511</u>	<u>6,994,784</u>	<u>–</u>	<u>–</u>

## 25. DEFERRED TAX (CONTINUED)

## Deferred tax assets of the Group:

	Unutilised reinvestment and investment tax allowances RM	Unabsorbed capital allowances RM	Provisions RM	Total RM
At 1 February 2010	(2,573,984)	184,777	(1,364,673)	(3,753,880)
Recognised in profit or loss	1,200,525	575,795	139,969	1,916,289
At 31 January 2011	(1,373,459)	760,572	(1,224,704)	(1,837,591)
Recognised in profit or loss	255,516	(445,847)	135,277	(55,054)
At 31 January 2012	(1,117,943)	314,725	(1,089,427)	(1,892,645)

## Deferred tax liabilities of the Group:

	Accelerated capital allowances RM	Development expenditure capitalised RM	Total RM
At 1 February 2010	9,432,145	931,795	10,363,940
Recognised in profit or loss	(1,430,551)	(101,014)	(1,531,565)
At 31 January 2011	8,001,594	830,781	8,832,375
Recognised in profit or loss	560,527	(20,746)	539,781
At 31 January 2012	8,562,121	810,035	9,372,156

## Deferred tax asset of the Company:

	Unabsorbed capital allowances RM
At 1 February 2010	(396,717)
Recognised in profit or loss	340,526
At 31 January 2011	(56,191)
Recognised in profit or loss	9,911
At 31 January 2012	(46,280)

## Notes to the Financial Statements (continued)

31 January 2012

### 25. DEFERRED TAX (CONTINUED)

Deferred tax liability of the Company:

	Accelerated capital allowances RM
At 1 February 2010	396,717
Recognised in profit or loss	(340,526)
At 31 January 2011	56,191
Recognised in profit or loss	(9,911)
At 31 January 2012	<u>46,280</u>

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Unused tax losses	43,621,299	43,232,875	18,648,949	19,437,330
Unabsorbed capital allowances	37,495,082	36,997,312	2,535,770	2,142,908
Unabsorbed reinvestment and investment tax allowances	1,772,191	1,778,043	–	–
Other temporary differences	12,456,460	11,196,487	6,342,346	7,578,188
	<u>95,345,032</u>	<u>93,204,717</u>	<u>27,527,065</u>	<u>29,158,426</u>

Deferred tax assets have not been recognised in respect of the above items as it is not probable that future taxable profits will be available against which they may be utilised.

The unused tax losses and unabsorbed capital allowances of the Group and of the Company are available for offsetting against future taxable profits of the respective entities within the Group, subject to no substantial changes in shareholdings of those entities under the Income Tax Act, 1967 and guidelines issued by the tax authority.

## 26. TRADE AND OTHER PAYABLES

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Trade payables - third parties	14,806,790	20,019,169	—	—
<b>Other payables</b>				
Accruals	132,145	59,241	1,776	9,705
Other payables	27,526,353	26,586,003	6,047,760	4,867,526
Amount due to subsidiaries	—	—	19,899,128	3,358,103
Amount due to related companies	214,791	814,782	194,272	794,265
	<u>27,873,289</u>	<u>27,460,026</u>	<u>26,142,936</u>	<u>9,029,599</u>
Total trade and other payables	<u>42,680,079</u>	<u>47,479,195</u>	<u>26,142,936</u>	<u>9,029,599</u>
Total trade and other payables	42,680,079	47,479,195	26,142,936	9,029,599
Add: Loans and borrowings (Note 23)	54,205,374	61,640,999	8,491,566	15,083,381
Total other financial liabilities carried at amortised cost	<u>96,885,453</u>	<u>109,120,194</u>	<u>34,634,502</u>	<u>24,112,980</u>

## (a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 60 (2011: 30 to 60) days.

## (b) Other payables

These amounts are non-interest bearing. Other payables are normally settled on an average term range from 30 to 60 (2011: 30 to 60) days.

## (c) Amounts due to subsidiaries and related companies

The amounts due to subsidiaries and related companies are unsecured, non-interest bearing and are repayable upon demand, except for an amount due to a subsidiary of RM2,800,000 in previous year which attracted interest rate of 4.19% per annum.

## 27. SHARE CAPITAL

	Number of ordinary shares of RM1 each		Amount	
	2012	2011	2012 RM	2011 RM
Authorised	100,000,000	100,000,000	100,000,000	100,000,000
Issued and fully paid	<u>72,775,737</u>	<u>72,775,737</u>	<u>72,775,737</u>	<u>72,775,737</u>

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.

## Notes to the Financial Statements (continued)

31 January 2012

### 28. COMMITMENTS

#### (a) Capital commitments

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
<b>Capital expenditure</b>				
Property, plant and equipment:				
Approved and contracted for	–	8,544,000	–	–
Approved but not contracted for	4,704,078	10,782,060	807,900	502,500
	<u>4,704,078</u>	<u>19,326,060</u>	<u>807,900</u>	<u>502,500</u>

#### (b) Operating lease commitment - Group as lessee

The Group and the Company have entered into operating lease agreements for the use of buildings and certain plant and equipment. These leases have an average life of between 1 and 2 years with renewal but no purchase option included in the contracts. The Group and the Company are required to give, on an average, a 3-month notice for the termination of these leases.

The future aggregate minimum lease payments under operating leases contracted for as at the reporting date but not recognised as liabilities are as follows:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Future minimum lease payables:				
Not later than 1 year	2,605,524	1,389,900	1,148,424	1,148,424
Later than 1 year and not later than 5 years	2,605,524	913,500	1,148,424	–
	<u>5,211,048</u>	<u>2,303,400</u>	<u>2,296,848</u>	<u>1,148,424</u>

### 29. CONTINGENT LIABILITIES

(a) On 20 November 2007, Schulz Export GmbH (“Schulz Export”), a fellow subsidiary of Sophisticated Pipe Industry Production Sdn. Bhd. (formerly known as Schulz (Manufacturing) Sdn. Bhd.) (“SPIP”), a corporate shareholder of Sapura-Schulz Hydroforming Sdn. Bhd. (“Sapura-Schulz”), through Schulz Export’s solicitors filed a Statement of Claim (which was amended on 13 January 2009 and re-amended on 6 February 2009) against Sapura-Schulz, a 75% subsidiary of Sapura Industrial Berhad (“the Company” or “SIB”) for breach of a Business Operations Agreement (“BOA”) dated 3 April 2004 and a License Agreement dated 3 April 2004 (“LA”) entered into between Sapura-Schulz and Schulz Export, for inter alia:

- (i) EUR500,377 for loss of profits;
- (ii) EUR424,168 and USD43,109 for rectification works; and
- (iii) Anti-dumping cost amounting to USD140,000.

## 29. CONTINGENT LIABILITIES (CONTINUED)

- (b) On 20 November 2007, SPIP, a 25% shareholder in Sapura-Schulz, through SPIP's solicitors filed a Statement of Claim against SIB for breach of a Shareholders Agreement ("SA") dated 3 April 2004 entered into between SIB and SPIP, for inter alia:
- (i) RM26,000,000; and
  - (ii) damages for breach of fiduciary duties.

The SA, BOA and LA were executed along with an Asset Sale Agreement dated 13 October 2003 (together with two supplemental agreements dated 14 November 2003 and 3 April 2004 respectively) ("ASA") between Sapura-Schulz and SPIP and an Assignment Agreement dated 23 June 2005 between Wilh Schulz GmbH ("Wilh Schulz"), Schulz Export, SPIP and Sapura-Schulz ("AA") (collectively referred to "the Agreements") which all stem from a Heads of Agreement ("HOA") dated 3 July 2003 entered into between SIB and Wilh Schulz setting out the understanding between the parties with regard to the joint venture between Wilh Schulz and SIB.

In order to inter alia enable SIB to bring all claims arising under the Agreements and under the HOA against inter alia Wilh Schulz and Wolfgang Leonhard Schulz (the alter ego of Wilh Schulz) and to confer jurisdiction on the arbitrator to hear all related matters under the above two arbitration proceedings, the arbitrator directed that SIB, Sapura-Schulz, Wilh Schulz, Schulz Export, SPIP and Wolfgang Leonhard Schulz executed an Ad Hoc Arbitration Agreement ("Ad Hoc Agreement") on 22 February 2008.

These two arbitration proceedings are by consent heard together by one arbitrator and various directions were given by the arbitrator on 1 October 2007 whereupon these matters were fixed for hearing from 12 January 2009 to 23 January 2009.

On 29 May 2008, SIB and Sapura-Schulz, through their solicitors, filed their respective defences and the following counterclaims to these matters:

- (i) Sapura-Schulz counterclaimed against Schulz Export for breach of contract for RM5,838,956 and general damages of RM97,034,078; and
- (ii) SIB counterclaimed against SPIP for breach of contract for RM24,000,000 and general damages of RM91,988,862.

On 12 January 2009, the Claimant's solicitors submitted their request to amend Schulz Export's previous claim against Sapura-Schulz for rectification works from USD40,771 to USD43,108 and to include an additional claim by Schulz Export against Sapura-Schulz for anti-dumping cost amounting to USD140,000. SIB's solicitors objected to the inclusion of the additional claim. The Arbitrator allowed the amendments after hearing submissions by both counsels and Sapura-Schulz is given liberty to amend its Defence and Counterclaim on such claims by Schulz Export.

This matter was partly heard from 12 January 2009 to 15 January 2009 and was then scheduled to be reheard from 20 to 28 July 2009. The hearing dates on 16 to 23 January 2009, 20, 21, 27 and 28 July 2009 were vacated by the Arbitrator.

Following the conclusion of the hearing from 22 to 24 July 2009, SIB filed their Written Submissions dated 30 October 2009 and the Written Submissions In Reply dated 20 November 2009. The Claimants also served their Written Submissions dated 2 November 2009 and Written Submissions In Reply dated 20 November 2009.

These arbitration matters were then fixed for hearing of oral submissions on 25 and 26 November 2009 and the hearing was concluded.

SIB now awaits the arbitrator's decision of these arbitration.

## Notes to the Financial Statements (continued)

31 January 2012

### 30. RELATED PARTY DISCLOSURES

#### (a) 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	
	2012 RM	2011 RM	2012 RM	2011 RM
<b>Holding company</b>				
Corporate service fee	1,760,220	1,659,549	1,760,220	1,659,549
<b>Subsidiaries</b>				
Interest expense	–	–	74,909	120,182
Rental expense	–	–	1,273,572	1,206,536
Interest income	–	–	(261,285)	(406,728)
Management fees	–	–	(17,297,558)	(16,284,654)
Dividend income	–	–	(14,250,000)	(26,670,000)
Rental income	–	–	(1,453,873)	(1,428,373)
<b>Companies within Sapura Holdings Sdn. Bhd. Group</b>				
Sapura Resources Berhad				
- Rental expense	89,621	80,279	89,621	80,279

Information regarding outstanding balance arising from related party transactions as at 31 January 2012 are disclosed in Notes 18 and 26.

The directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are mutually agreed between parties.

#### (b) Compensation of key management personnel

The remuneration of members of key management during the year including directors of subsidiary companies under the Group was as follows:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Wages and salaries	3,467,915	3,130,584	3,012,676	2,726,216
Contributions to defined contribution plan	411,372	371,364	356,580	322,704
Benefits-in-kind	342,755	106,374	325,989	97,126
	<u>4,222,042</u>	<u>3,608,322</u>	<u>3,695,245</u>	<u>3,146,046</u>

## 31. FINANCIAL INSTRUMENTS

### (a) Financial risk management objectives and policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate risk (both fair value and cash flow), foreign currency risk, liquidity risk and credit risk. It is, and has been throughout the year under review, the Group's policy that no trading in derivative financial instruments shall be undertaken.

### (b) Interest rate risk

The Group's primary interest rate risk relates to interest-bearing debts as the Group had no substantial long term interest-bearing assets as at 31 January 2012. The investment in financial assets are mainly short term in nature and they are not held for speculative purposes but have been mostly placed in fixed deposits or occasionally, in short term commercial papers which yield better returns than cash at bank.

The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes.

The information on maturity dates and effective interest rates of financial assets and liabilities are disclosed in their respective notes.

#### Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 25 basis points lower/higher, with all other variables held constant, the Group's profit net of tax and total equity would have been RM53,900 (2011: RM80,031) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings.

The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

### (c) Foreign exchange risk

The Group is exposed to various currencies, mainly United States Dollar ("USD"), Japanese Yen ("JPY") and Euro ("Euro"). Foreign currencies denominated assets and liabilities together with expected cashflows from highly probable purchases and sales give rise to foreign exchange exposures.

Foreign exchange exposures in transactional currencies other than functional currency of the Company and all its subsidiaries are kept to an acceptable level.

#### Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the USD, JPY and Euro exchange rates against the respective functional currencies of the Group's entities, with all other variables held constants.

		Group Profit net of tax	
		2012	2011
		RM	RM
USD/RM	- strengthened 5%	(127,148)	(143)
	- weakened 5%	127,148	143
JPY/RM	- strengthened 5%	(120,728)	(950)
	- weakened 5%	120,728	950
Euro/RM	- strengthened 5%	(39,652)	(81,621)
	- weakened 5%	39,652	81,621

## Notes to the Financial Statements (continued)

31 January 2012

### 31. FINANCIAL INSTRUMENTS (CONTINUED)

#### (d) Liquidity risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from financial institutions and prudently balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

#### 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.

	← 2012 →		
	On demand or within one year RM	One to five years RM	Total RM
<b>Group</b>			
<b>Financial liabilities:</b>			
Trade and other payables	42,680,079	–	42,680,079
Loans and borrowings	36,607,960	21,971,054	58,579,014
Total undiscounted financial liabilities	79,288,039	21,971,054	101,259,093
<b>Company</b>			
<b>Financial liabilities:</b>			
Trade and other payables	26,142,936	–	26,142,936
Loans and borrowings	5,630,221	3,372,459	9,002,680
Total undiscounted financial liabilities	31,773,157	3,372,459	35,145,616
	← 2011 →		
	On demand or within one year RM	One to five years RM	Total RM
<b>Group</b>			
<b>Financial liabilities:</b>			
Trade and other payables	47,479,195	–	47,479,195
Loans and borrowings	47,526,594	19,656,114	67,182,708
Total undiscounted financial liabilities	95,005,789	19,656,114	114,661,903
<b>Company</b>			
<b>Financial liabilities:</b>			
Trade and other payables	9,029,599	–	9,029,599
Loans and borrowings	13,940,282	2,264,667	16,204,949
Total undiscounted financial liabilities	22,969,881	2,264,667	25,234,548

### 31. FINANCIAL INSTRUMENTS (CONTINUED)

#### (e) Credit risk

Credit risk is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors as at 31 January 2012, other than as disclosed in Note 18.

#### (f) Fair values

- A. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value.

	Group		Company	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
<b>Financial liabilities</b>				
At 31 January 2012:				
Obligations under finance leases (non-current)	1,501,057	1,421,778	998,619	1,080,411
Term loans (non-current)	20,026,134	19,264,457	1,999,984	2,088,061
At 31 January 2011:				
Obligations under finance leases (non-current)	2,149,818	2,213,585	1,230,040	1,243,635
Term loans (non-current)	14,726,645	15,060,242	662,552	889,806

- B. Determination of fair value

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	<u>Note</u>
Trade and other receivables	18
Loans and borrowings (current)	23
Trade and other payables	26

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values due to their short-term nature.

The carrying amount of the current portion of loans and borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

The fair value of current loans and borrowings are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending or borrowing arrangements at the reporting date.

## Notes to the Financial Statements (continued)

31 January 2012

### 32. 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 2012 and 2011.

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 limit. 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 share premium.

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Loans and borrowings	54,205,374	61,640,999	8,491,566	15,083,381
Trade and other payables	42,680,079	47,479,195	26,142,936	9,029,599
Less: Cash and bank balances	(20,915,172)	(22,969,736)	(509,755)	(104,402)
Net debt	75,970,281	86,150,458	34,124,747	24,008,578
Equity attributable to the owners of the parent, representing total capital	88,897,508	76,909,665	41,140,273	40,117,343
Capital and net debt	164,867,789	163,060,123	75,265,020	64,125,921
Gearing ratio	46%	53%	45%	37%

### 33. SEGMENT INFORMATION

#### (a) Business segments:

The Group is organised into three major business segments:

- (i) Manufacturing - the manufacture and supply of products for the automotive, electronics and electrical industries and manufacture of butt-weld fittings for oil and gas industries;
- (ii) Investment holding - the holding of investments and provision of management services to subsidiaries; and
- (iii) Others - trading of autoparts in retail and after sales market, providing computer aided design and manufacture of sub-systems and systems for applications in production and testing and other dormant companies.

#### (b) Geographical segments:

The Group's operations are carried out solely in Malaysia.

#### (c) Allocation basis

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, liabilities and expenses.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

#### (d) Information on major customers

Included in the manufacturing segment are two major customers contributing RM187,401,860 (2011: RM193,991,056) and RM83,154,410 (2011: RM68,548,841) of revenue in the current financial year.

## 33. SEGMENT INFORMATION (CONTINUED)

## Business segments

	Manufacturing RM	Investment Holding RM	Others RM	Eliminations RM	Notes	Consolidated RM
<b>31 January 2012</b>						
<b>Revenue</b>						
External	280,867,360	–	3,976,831			284,844,191
Inter-segment	–	31,547,558	–	(31,547,558)	A	–
Total revenue	280,867,360	31,547,558	3,976,831	(31,547,558)		284,844,191
<b>Results</b>						
Segment results, representing profit/(loss) from operations	34,214,369	11,868,556	(119,026)	(13,635,200)		32,328,698
Finance costs						(3,389,426)
Taxation						(6,911,516)
Profit net of tax						22,027,756
<b>Assets</b>						
Consolidated segment assets	198,369,620	79,030,623	5,952,377	(85,216,349)		198,136,271
<b>Liabilities</b>						
Consolidated segment liabilities	142,287,238	37,890,350	20,973,817	(92,424,723)		108,726,682
<b>Other information</b>						
Capital expenditure	13,771,386	690,010	115,250		B	14,576,646
Depreciation	11,198,248	845,614	112,903			12,156,765
Amortisation	829,291	–	–			829,291
Non cash expenses other than depreciation, amortisation and interest	4,418,867	4,293,129	33,614	(4,254,316)	C	4,491,294

## Notes to the Financial Statements (continued)

31 January 2012

### 33. SEGMENT INFORMATION (CONTINUED)

#### Business segments (continued)

	Manufacturing RM	Investment Holding RM	Others RM	Eliminations RM	Notes	Consolidated RM
<b>31 January 2011</b>						
<b>Revenue</b>						
External	278,996,939	–	5,554,391			284,551,330
Inter-segment	–	42,954,654	–	(42,954,654)	A	–
Total revenue	278,996,939	42,954,654	5,554,391	(42,954,654)		284,551,330
<b>Results</b>						
Segment results, representing profit/(loss) from operations	31,319,031	21,621,014	809,603	(23,750,406)		29,999,242
Finance costs						(3,918,203)
Taxation						(5,540,498)
Profit net of tax						20,540,541
<b>Assets</b>						
Consolidated segment assets	189,461,377	73,305,254	6,933,914	(72,415,930)		197,284,615
<b>Liabilities</b>						
Consolidated segment liabilities	143,845,547	33,187,911	21,499,488	(78,673,216)		119,859,730
<b>Other information</b>						
Capital expenditure	13,396,385	1,491,045	422,904		B	15,310,334
Depreciation	10,742,776	898,534	95,190			11,736,500
Amortisation	1,277,124	–	–			1,277,124
Non cash expenses other than depreciation, amortisation and interest	1,720,504	5,439,417	96,952	(5,423,972)	C	1,832,901

### 33. SEGMENT INFORMATION (CONTINUED)

#### Business segments (continued)

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 Capital expenditure consist of:

	2012 RM	2011 RM
Property, plant and equipment	13,818,677	13,923,666
Development expenditure	757,969	1,386,668
	<u>14,576,646</u>	<u>15,310,334</u>

C Other material non-cash expenses consist of the following items as presented in the respective notes to the financial statements:

	Note	2012 RM	2011 RM
Reversal of allowance for impairment of trade and other receivables	5	–	(89,740)
Foreign exchange gain:			
- Unrealised	7	87,128	(76,293)
- Realised	7	169,135	(209,542)
Development expenditure written off	7	31,190	115,317
Write down of inventories	7	2,824,803	2,015,182
Bad debts written off	7	1,026,855	–
Property, plant and equipment written off	7	334,554	74,014
Impairment loss on financial assets:			
Trade receivables	7	17,629	3,606
Other receivables	7	–	357
		<u>4,491,294</u>	<u>1,832,901</u>

### 34. SUPPLEMENTARY INFORMATION - BREAKDOWN OF RETAINED PROFITS/(ACCUMULATED LOSSES) INTO REALISED AND UNREALISED

The breakdown of the retained profits/(accumulated losses) of the Group and of the Company as at 31 January 2012 into realised and unrealised profits/(losses) is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Total retained profits/(accumulated losses) of the Company and its subsidiaries				
- Realised	(72,858,102)	(84,540,052)	(34,858,520)	(33,835,590)
- Unrealised	(7,566,639)	(6,918,491)	–	–
	<u>(80,424,741)</u>	<u>(91,458,543)</u>	<u>(34,858,520)</u>	<u>(33,835,590)</u>
Less: Consolidation adjustments	94,346,386	93,392,345	–	–
Retained profits/(accumulated losses) as per financial statements	<u>13,921,645</u>	<u>1,933,802</u>	<u>(34,858,520)</u>	<u>(33,835,590)</u>

# Analysis of Shareholdings

As at 25 May 2012

Authorised Share Capital : RM100,000,000  
 Issued and Paid-up Share Capital : RM72,775,737 Comprising of 72,775,737 Ordinary Shares of RM1.00 each  
 No. of Shareholders : 4,096

## DISTRIBUTION OF ORDINARY SHARES

Based on Record of Depositors as at 25 May 2012

Size of Holdings	No. of Shares	% Over Total Shares	No. of Holders	% Over Total Shareholders
Less than 100	2,306	0	73	1.78
100 to 1,000	217,306	0.29	302	7.37
1,001 to 10,000	10,368,103	14.25	3,275	79.96
10,001 to 100,000	11,103,231	15.26	413	10.08
100,001 to 3,638,785	13,664,400	18.78	31	0.76
3,638,786 & above	37,420,391	51.42	2	0.05
<b>Total</b>	<b>72,775,737</b>	<b>100.00</b>	<b>4,096</b>	<b>100.00</b>

## DIRECTORS' SHAREHOLDINGS

Based on Register of Directors' Shareholdings as at 25 May 2012

Director	No. of ordinary shares of RM1.00 each			
	Direct Interest		Deemed Interest	
	No. of Shares Held	%	No. of Shares Held	%
Dato' Seri Shahril bin Shamsuddin	1,426,875	1.96	32,420,391 <sup>1</sup>	44.55
Shahriman bin Shamsuddin	663,175	0.91	32,420,391 <sup>1</sup>	44.55
Datuk Kisai bin Rahmat	–	–	–	–
Dato' Azlan bin Hashim	–	–	–	–
Ir. Md. Shah bin Hussin (includes shares held by an associate)	90,498	0.12	–	–
Wan Ahamad Sabri bin Wan Daud	–	–	–	–

### Note :

<sup>1</sup> Deemed interested by virtue of his direct and indirect interests in Sapura Holdings Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965.

**THIRTY (30) LARGEST SHAREHOLDERS**

Based on Record of Depositors as at 25 May 2012

No.	Name of Shareholders	No. of Shares Held	%
1	Sapura Holdings Sdn. Bhd.	32,420,391	44.55
2	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Puncak Exotika Sdn. Bhd.	5,000,000	6.87
3	Citigroup Nominees (Asing) Sdn. Bhd. Exempt An for Citibank NA, Singapore (Julius Baer)	3,000,000	4.12
4	Tan Sri Dato' Seri Ir. Shamsuddin bin Abdul Kadir	1,661,250	2.28
5	Dato' Seri Shahril bin Shamsuddin	1,426,875	1.96
6	Yeoh Kean Hua	1,263,400	1.74
7	RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Su Ming Yaw	697,100	0.96
8	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB for Shahrizan bin Shamsuddin (PB)	663,175	0.91
9	Lee Siew Hoon	459,700	0.63
10	Leong Hon Wah	394,700	0.54
11	Chua Kok Sian	346,000	0.48
12	Tan Yee Kong	344,000	0.47
13	Tan Yee Seng	280,000	0.39
14	Lee Kim Seng	261,300	0.36
15	Wong Chiap You	233,500	0.32
16	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Boon Huat	210,000	0.29
17	Lam Pun Ying	200,000	0.27
18	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Yoong Yet Onn	192,200	0.26
19	Wong Chuan Keong	156,200	0.21
20	CIMSEC Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Shanmughalingam A/L Murugasu (Lucky GDN-CL)	155,900	0.21
21	HSBC Nominees (Asing) Sdn. Bhd. BNYM SA/NV for Ilirika Azija Delniski	154,000	0.21
22	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Tian Sang @ Tan Tian Song (E-PPG)	150,000	0.21
23	Ang Kai Chan	145,000	0.20
24	Saw Guat Ngoh	141,000	0.19
25	Tan Kai Li	139,000	0.19
26	Chua Kok Yong	137,000	0.19
27	Universal Trustee (Malaysia) Berhad Ronfield Limited	135,000	0.19
28	Ananda Krishna A/L Sithamberam Pillay	133,500	0.18
29	Wong Lay Heong	130,000	0.18
30	Teoh Yen Ping	120,000	0.16
	<b>Total</b>	<b>50,750,191</b>	<b>69.72</b>

## Analysis of Shareholdings (continued)

As at 25 May 2012

### SUBSTANTIAL SHAREHOLDERS

As at 25 May 2012

Director	No. of ordinary shares of RM1.00 each			
	Direct Interest		Deemed Interest	
	No. of Shares Held	%	No. of Shares Held	%
1. Sapura Holdings Sdn. Bhd.	32,420,391	44.55	—	—
2. Dato' Seri Shahril bin Shamsuddin	1,426,875	1.96	32,420,391 <sup>1</sup>	44.55
3. Shahrizan bin Shamsuddin	663,175	0.91	32,420,391 <sup>1</sup>	44.55
4. Puncak Exotika Sdn. Bhd.	5,100,000	7.01	—	—

**Note :**

<sup>1</sup> Deemed interested by virtue of his direct and indirect interests in Sapura Holdings Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965.

# Particulars of Properties

Location	Description / Existing Use	Land Area	Tenure/Year of Expiring	Approximate Age of Building (years)	Net Book Value As at 31.01.2012 RM'000 / Date of Last Revaluation/ *Acquisition
HS (M) 9725, PT No 11556 Mukim Kajang, Daerah Hulu Langat Selangor Darul Ehsan  Postal address: No. 11, Jalan P/1, Seksyen 13 Kawasan Perindustrian Bangi 43650 Bandar Baru Bangi Selangor Darul Ehsan	Industrial land / factory cum office	1.2141 ha.	99-year lease expiring 29.09.2086	21	8,312/ 08.03.1994
HS (D) 52700 & 52701 PT No 40849 & 40850 Bandar Baru Bangi Daerah Hulu Langat Selangor Darul Ehsan  Postal address: Lot 2 & 4, Jalan P/11 Seksyen 10 Kawasan Perindustrian Bangi 43650 Bandar Baru Bangi Selangor Darul Ehsan	Industrial land / factory cum office	6,552m <sup>2</sup> & 7,241m <sup>2</sup>	99-year lease expiring 19.08.2098	17	6,614/ *05.06.1992
HS (D) 87682, PT No 56915 Seksyen 9, Bandar Baru Bangi Daerah Hulu Langat Selangor Darul Ehsan  Postal address: Lot 5, Persiaran Usahawan Taman IKS, Seksyen 9 43650 Bandar Baru Bangi Selangor Darul Ehsan	Vacant industrial land	20,460.5m <sup>2</sup>	99-year lease expiring 18.07.2103	Nil	5,355 / *12.06.2002
HS (D) 87683, PT No 56916 Seksyen 9, Bandar Baru Bangi Daerah Hulu Langat Selangor Darul Ehsan  Postal address: Lot 7, Persiaran Usahawan Taman IKS, Seksyen 9 43650 Bandar Baru Bangi Selangor Darul Ehsan	Vacant industrial land	20,502.6m <sup>2</sup>	99-year lease expiring 18.07.2103	Nil	5,245/ *01.11.2001

## Particulars of Properties (continued)

Location	Description / Existing Use	Land Area	Tenure/Year of Expiring	Approximate Age of Building (years)	Net Book Value As at 31.01.2012 RM'000 / Date of Last Revaluation / *Acquisition
HS (D) 25354, PT No 6733 Mukim Gurun, Daerah Kuala Muda Kedah Darul Aman  Postal address: Lot 58, Kawasan Perindustrian Berat Gurun 08300 Gurun Kedah Darul Aman	Industrial land / factory cum office	49,824m <sup>2</sup>	99-year lease expiring 06.02.2104	7	4,277 / 08.05.2007
HS (M) 549, PT 98 Mukim Bukit Katil Daerah Melaka Tengah, Melaka  Postal address: Lot 98, Jalan Usaha 7 Kawasan Perindustrian Ayer Keroh 75450 Melaka	Industrial land / factory cum office	5a.1r.15.2p	99-year lease expiring 30.05.2072	32	2,642 / *30.01.1995
HS (D) 52726 & 52727, PT No 40875 & 40876 Bandar Baru Bangi Daerah Hulu Langat Selangor Darul Ehsan  Postal address: Lot 1 & 3, Jalan P/14, Seksyen 10 Kawasan Perindustrian Bangi 43650 Bandar Baru Bangi Selangor Darul Ehsan	Industrial land / factory cum office	2,326m <sup>2</sup> & 1,833m <sup>2</sup>	99-year lease expiring 19.08.2098	16	2,250 / *15.11.1994
HS (D) 23239, PT 1755, Seksyen 20 Bandar & Daerah Kuala Selangor Selangor Darul Ehsan  Postal address: Lot No 6, Jalan Perusahaan 6 Kawasan Perusahaan Kuala Selangor 45000 Kuala Selangor Selangor Darul Ehsan	Industrial land / factory cum office	11,800m <sup>2</sup>	99-year lease expiring 11.10.2108	16	1,521 / 19.01.2005
<b>Total</b>					<b>36,216</b>

# Proxy Form



Sapura Industrial Berhad (17547-W)

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

I/We \_\_\_\_\_ NRIC No. \_\_\_\_\_  
(FULL NAME IN CAPITAL LETTERS)

of \_\_\_\_\_  
(FULL ADDRESS)

being a Member of SAPURA INDUSTRIAL BERHAD, do hereby appoint \_\_\_\_\_  
(FULL NAME IN CAPITAL LETTERS)

NRIC No. \_\_\_\_\_ of \_\_\_\_\_  
(FULL ADDRESS)

or failing him/her, \_\_\_\_\_ NRIC 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 and on my/our behalf at the 36th Annual General Meeting 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 Tuesday, 17 July 2012 at 11.00 a.m. or at any adjournment thereof.

Please indicate with an "X" in the space provided below 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.

Resolutions		For	Against
Ordinary Resolution 1	Payment of a single tier first and final dividend		
Ordinary Resolution 2	Re-election of Encik Shahrman bin Shamsuddin		
Ordinary Resolution 3	Re-election of Encik Ir. Md. Shah bin Hussin		
Ordinary Resolution 4	Re-appointment of Dato' Azlan bin Hashim		
Ordinary Resolution 5	Re-appointment of Messrs Ernst & Young as Auditors of the Company		
Ordinary Resolution 6	Payment of Directors' fees		
Ordinary Resolution 7	To authorise the Directors under Section 132D of the Companies Act, 1965, to allot and issue new shares in the Company.		

\_\_\_\_\_  
Signature/Common Seal of Shareholder

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2012

#### Notes:

- A member whose name appears in the Record of Depositors of the Company as at 11 July 2012 shall be entitled to attend, speak and vote at this Meeting.
- A member of the Company who is entitled to attend and vote at this Meeting is entitled to appoint not more than two (2) proxies to attend and vote on a show of hands or on a poll in his stead. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation.
- Where a member is an authorised nominee, 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 appoints two (2) proxies to attend and vote, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
- An instrument appointing a proxy shall be in writing and in the case of an individual shall be signed by the appointor or by his attorney and in the case of a corporate member, shall be either under its Common Seal or signed by its attorney or an officer of the corporation duly authorised.
- The instrument appointing a proxy must be deposited at the Registered Office of the Company at Lot 2 & 4, Jalan P/11, Seksyen 10, Kawasan Perindustrian Bangi, 43650 Bandar Baru Bangi, Selangor Darul Ehsan, not less than forty eight (48) hours before the time set for holding the Meeting or any adjournment thereof.

FOLD HERE

FOLD HERE

STAMP

The Company Secretary  
Sapura Industrial Berhad (17547-W)  
Lot 2 & 4, Jalan P/11, Seksyen 10  
Kawasan Perindustrian Bangi  
43650 Bandar Baru Bangi  
Selangor Darul Ehsan



Sapura Industrial Berhad (17547-W)  
Lot 2 & 4, Jalan P/11, Seksyen 10, Kawasan Perindustrian Bangi,  
43650 Bandar Baru Bangi, Selangor Darul Ehsan, Malaysia  
Tel: 603 8925 6011 Fax: 603 8925 8292

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