

Enhancing Competitiveness

Annual Report
2013

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RATIONALE

ENHANCING COMPETITIVENESS

The overall approach of the design is one of abstraction, with strong geometric overtones. It also bears traits that are synonymous with features of industrial connotations. Its hard edged and elemental composites simulate an industrial environment, in which Sapura Industrial has successfully thrived.

The vibrant colours adopted are derivatives of those of Sapura's corporate colours. Triangles forming woven-like tapestries are meshed in, within the design, reflecting the vast array of strategic endeavours the Company is involved in, that makes it a force to contend with, mainly by enhancing its competitiveness in the evolving marketplace.

HONOURABLE

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





NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 37th 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 Wednesday, 26 June 2013 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 2013. *Please refer to Note 1*
2. 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. Dato' Seri Shahril bin Shamsuddin *Ordinary Resolution 1*
 - ii. Datuk Kisai bin Rahmat *Ordinary Resolution 2*
3. 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 3*
4. 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 4*

SPECIAL BUSINESS

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

5. **DIRECTORS' FEES**
To approve the Directors' fees for the financial year ended 31 January 2013 *Ordinary Resolution 5*
6. **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 6*
7. **PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY**
"THAT the proposed amendments to the Articles of Association of the Company contained in the document marked as "Appendix 1" (Proposed Amendments) which is attached to the Annual Report 2013 be approved and adopted;
AND THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds and things as are necessary and/or expedient in order to give full effect to the Proposed Amendments with full powers to assent to any conditions, modifications and/or amendments as may be required by any relevant authorities." *Special Resolution 1*

BY ORDER OF THE BOARD

LIYANA LEE BINTI ABDULLAH

(MIA 10293)

Company Secretary

Bandar Baru Bangi, Selangor Darul Ehsan

4 June 2013

NOTES:**1. Audited Financial Statements**

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 18 June 2013 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 as to the qualification of the proxy.

Where a member is an authorised nominee (as defined under the Securities Industry (Central Depositories) Act 1991), it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

Where a member appoints two (2) proxies to attend and vote at the same meeting, such 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 duly authorised in writing 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 2013 amounted to RM277,366.

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 17 July 2012 which will lapse at the conclusion of the forthcoming 37th Annual General Meeting.

The proposed Ordinary Resolution 6, if passed, would, subject to the Main Market Listing Requirements of Bursa Malaysia, 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.

6. Special Resolution pursuant to Section 31 of the Companies Act 1965

The Proposed Amendments are made principally to ensure that the Articles of Association of the Company comply with the amended Main Market Listing Requirements of Bursa Malaysia.

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.

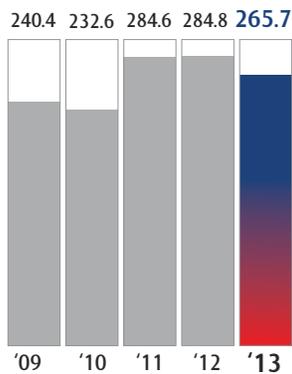
Sapura Industrial has earned its standing in the industry through sheer determination, far-sightedness and plain hard work. Backed by a solid track record and with all the prerequisites in place, Sapura Industrial is preparing for the next thrust forward. The Company is now set to take on the entrepreneurial 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.



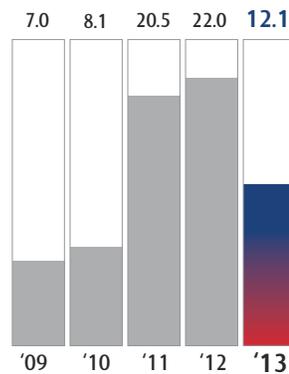


FINANCIAL HIGHLIGHTS

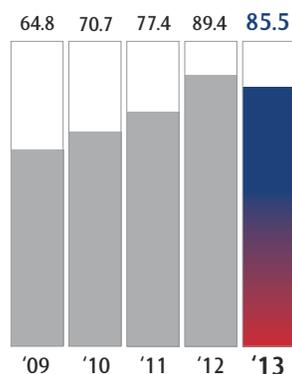
		← 31 January →				
		2009	2010	2011	2012	2013
Revenue	(RM'mil)	240.4	232.6	284.6	284.8	265.7
Profit after taxation	(RM'mil)	7.0	8.1	20.5	22.0	12.1
Profit attributable to equity holders of the Company	(RM'mil)	7.0	8.1	20.5	22.0	12.1
Shareholders' fund/Equity	(RM'mil)	64.8	70.7	77.4	89.4	85.5
Basic earnings per share	(sen)	9.58	11.13	28.23	30.27	18.54
Diluted earnings per share	(sen)	9.58	11.13	28.22	30.27	18.54
Net asset per share	(RM)	0.89	0.97	1.06	1.23	1.17
Number of ordinary shares at financial year end	('mil)	72.8	72.8	72.8	72.8	72.8



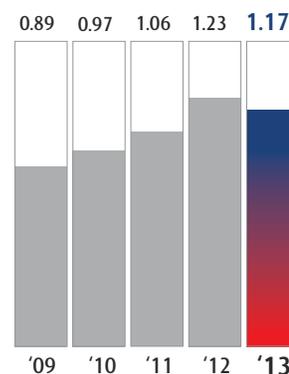
REVENUE (RM' Million)



PROFIT AFTER TAXATION
(RM' Million)



SHAREHOLDERS' FUND/EQUITY
(RM' Million)



NET ASSET PER SHARE
(RM)

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Dato' Shahrizan 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

Main Market
Bursa Malaysia Securities Berhad
Stock Name : SAPIND
Stock Code : 7811

CORPORATE STRUCTURE

As at 15 May 2013



Paid Up Capital : RM72.776 million

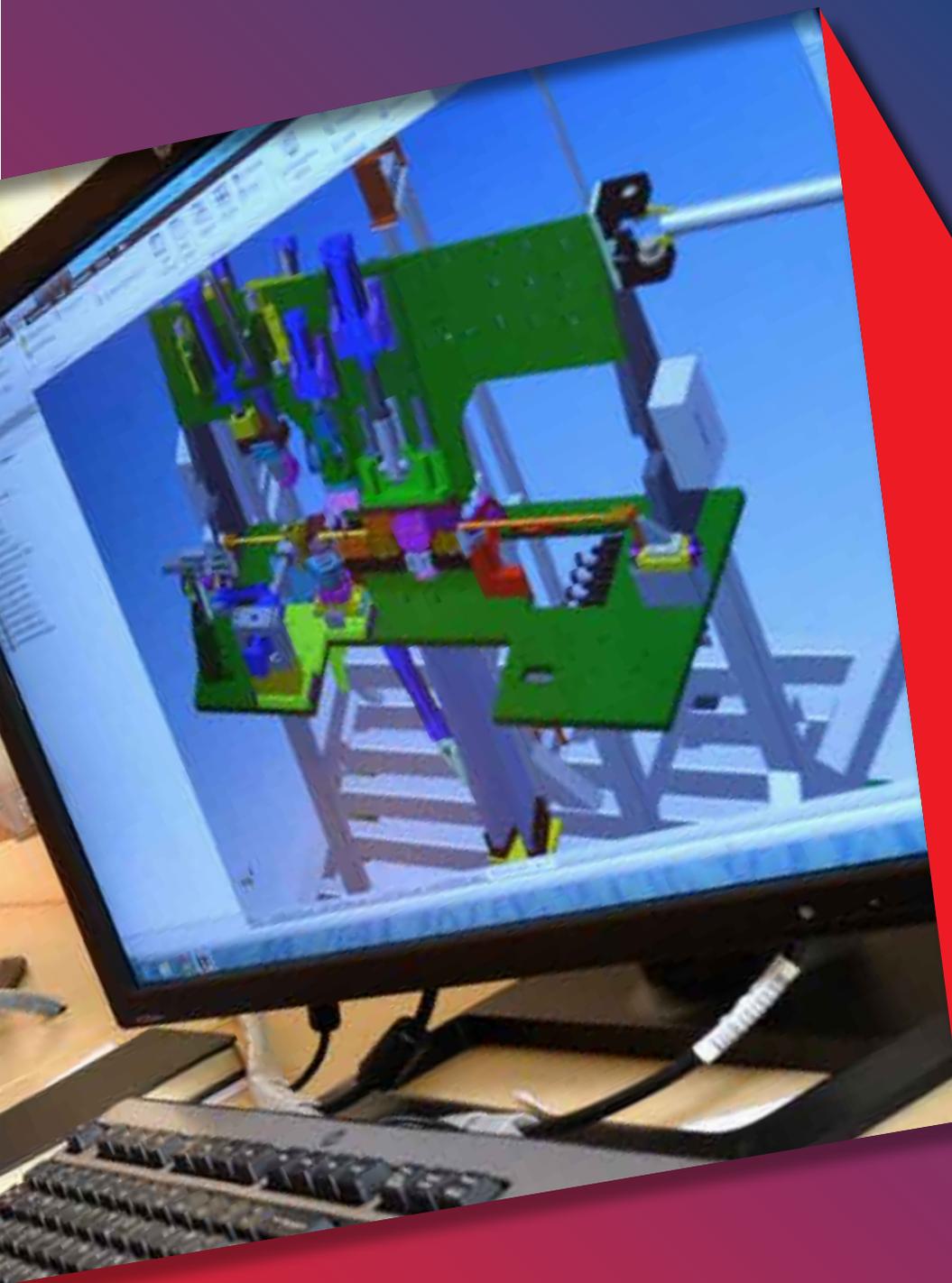




RESOURCEFUL

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





BOARD OF DIRECTORS



DATO' SERI SHAHRIL BIN SHAMSUDDIN
Deputy Chairman
Non-Independent Non-Executive Director

DATO' SHAHRIMAN BIN SHAMSUDDIN
Executive Director

DATO' AZLAN BIN HASHIM
Non-Independent Non-Executive Director



DATUK KISAI BIN RAHMAT
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 Director
PJN, SPTJ

Dato' Seri Shahril bin Shamsuddin, a Malaysian aged 52, is the President and Group Chief Executive Officer of the Sapura Group which is involved in provision of oil & gas support 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 subsequently took on a number of senior positions within the Group before assuming the leadership as President and Group CEO in 1997. He steered the Sapura Group through the restructuring of its business portfolio and financials and 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 to boost 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. He is also a member of the Universiti Teknologi Malaysia International Advisory Panel.

Among the awards that Dato' Seri Shahril has been conferred 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 awarded the prestigious Malaysia's Ernst & Young Entrepreneur of the Year Award.

In May 2013, Dato' Seri Shahril was conferred an Honorary Doctorate in Technology Management by Universiti Teknologi Malaysia.

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

DATO' SHAHRIMAN BIN SHAMSUDDIN
Executive Director
DIMP



Dato' Shahriman bin Shamsuddin, a Malaysian aged 44, has been the Executive Director of Sapura Industrial Berhad since 29 January 2002.

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

Dato' Shahriman currently holds the position of Managing Director of Sapura Resources Berhad and Director of Sapura Technology Sdn. Bhd. and Sapura Holdings Sdn. Bhd. He was appointed to the Board of SapuraKencana Petroleum Berhad on 9 December 2011.

Dato' Shahriman has been conferred the Darjah Indera Mahkota Pahang ("DIMP") which carries the title "Dato" in October 2012.

Dato' Shahriman 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, a Malaysian aged 62, 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, a Malaysian aged 71, 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 also sits on the Boards of 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, a Malaysian aged 62, 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 Ahmad Sabri bin Wan Daud, a Malaysian aged 58, was first appointed to the Board of Sapura Industrial Berhad on 9 March 2011. Encik Wan Ahmad Sabri is the member of the Audit Committee and Board Nomination and Remuneration Committee of Sapura Industrial Berhad.

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

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 Dato' Shahrman bin Shamsuddin who are brothers and deemed to have an indirect interest of 44.55% in Sapura Industrial Berhad as at 15 May 2013 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 2013 can be found on page 42 of this Annual Report.

CHIEF EXECUTIVE OFFICER'S PROFILE

MOHAMAD RAZALI BIN OSMAN Chief Executive Officer

Encik Mohamad Razali bin Osman, a Malaysian aged 51, was appointed as the Chief Executive Officer of Sapura Industrial Berhad (SIB) on 1 April 2009.

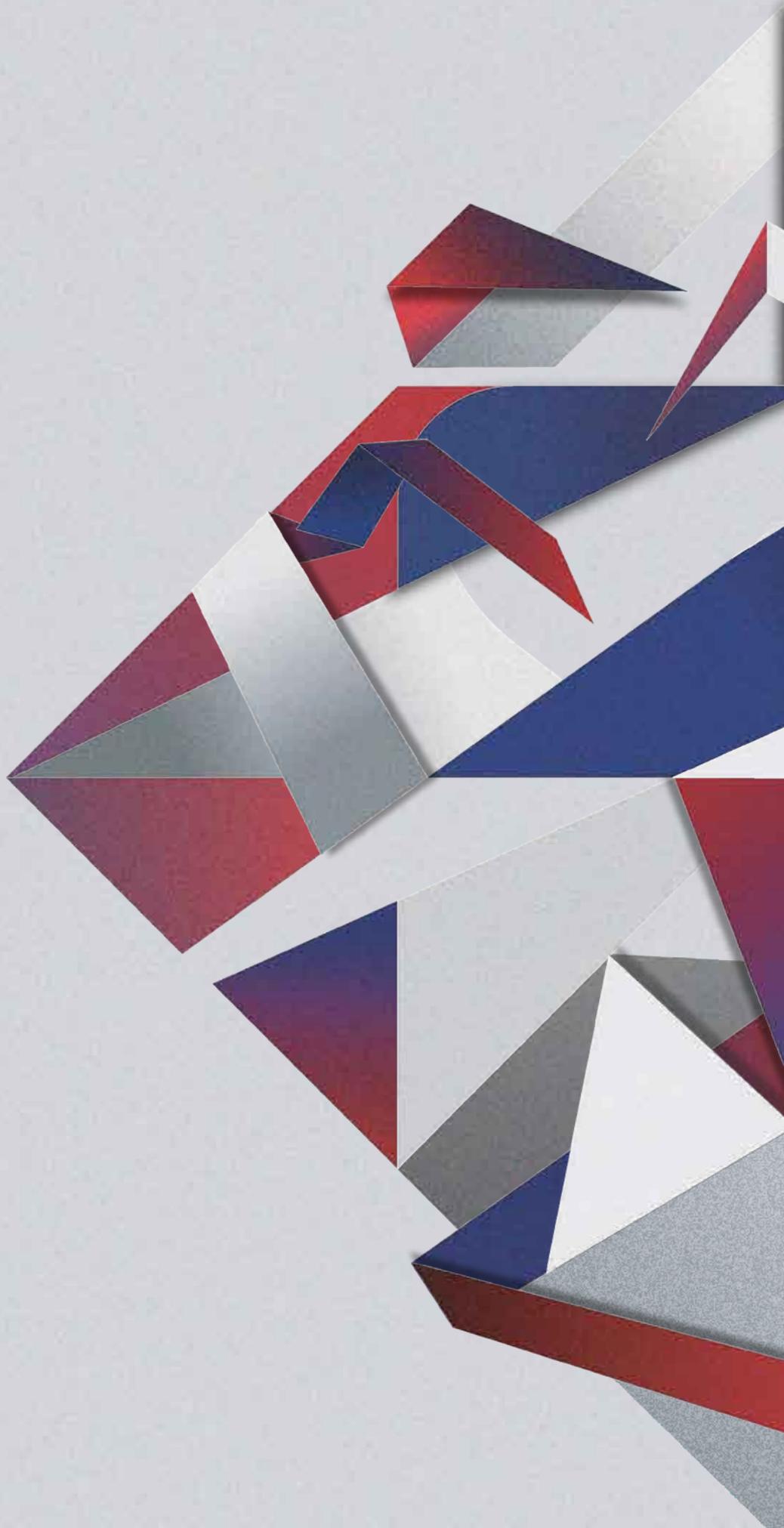
Encik Mohamad Razali holds a Bachelor of Science in Mechanical Engineering from University of Newcastle-upon-Tyne, United Kingdom.

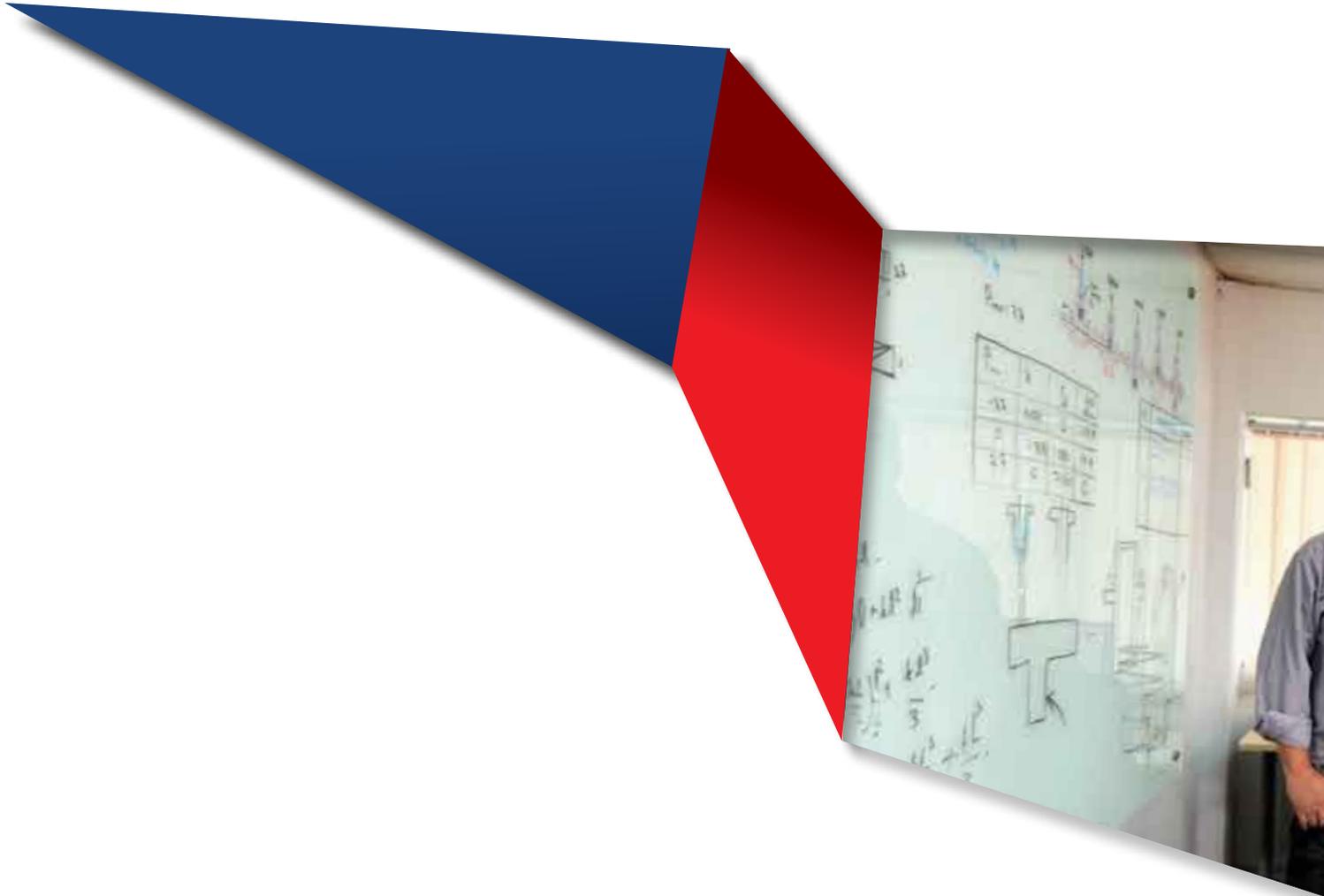
Encik Mohamad Razali began his career as an Engineer in an engine manufacturing company in 1985. With over 20 years of experience in the manufacturing sector he has held various senior positions in SIB Group since 1991, which includes General Manager (1994), Senior General Manager (1999) and Chief Operating 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 15 May 2013, Encik Mohamad Razali holds 82,401 shares in the Company.





PROFESSIONAL

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



MESSAGE TO OUR SHAREHOLDERS

ENHANCING COMPETITIVENESS



Dear Shareholders,

Sapura Industrial Berhad (SIB) continued to turn in a commendable performance in line with expectations for the year under review ended 31 January 2013 (FY 2013). In the face of rapidly evolving market dynamics, tougher competition and impending policy changes with the New Automotive Policy (NAP), FY 2013 presented both challenges and opportunities for SIB.

Having been in the automotive business for over 25 years, we have always adopted a positive approach in taking on challenges. As the contours of the domestic automotive industry are being redefined, we see the challenges of the new marketplace as exciting opportunities to further unlock the value-creating potential inherent in our businesses.

Challenges compel us to think outside the box, bringing to the fore the considerable powers of innovation and creativity that are present within the Group. This has translated into improved home-grown technology, work processes, higher productivity, cost savings and new business lines that transcend our operations at different levels. With rising customer and shareholder expectations,

the management and staff of SIB have bonded closely to sharpen our competitive edge to meet market expectations. SIB continues to evolve into a more intensely customer-focused and market-oriented business and in doing so, we are meeting our overriding goals in providing long-term growth for all our stakeholders.

In line with our mission, "To be technology competent and distinctive in our area of business by providing solutions that exceeds customers' expectations through professional leadership and by consistently delivering improved performance", we have charted a clear way forward, by consolidating the Group's entrenched position as a significant player in an industry that continues to grow.



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 2013.

OPERATING ENVIRONMENT

While global economic growth moderated to 3.2% amid a more challenging environment, the Malaysian economy performed better than expected in 2012 to record a strong growth of 5.6%. Malaysia's overall growth was driven by domestic demand, underpinned by higher consumption and investment spending. In a survey conducted by Bank Negara Malaysia (BNM), average nominal salary in the private sector increased by 5% in 2012, while civil servants and pensioners also received higher incomes under the improved Malaysian Remuneration Scheme. Although households were subjected to stricter criteria for loan applications following the introduction of the Guidelines on Responsible Financing which came into effect on 1 January 2012, by and large, financing conditions remained supportive of consumer spending in 2012. (Source : BNM Annual Report 2012).

The Malaysian auto industry benefitted from robust consumer confidence in the second half of the year, which was helped by the launch of a number of attractive new models. Resultantly, 2012 was a record-breaking year for the Malaysian auto industry with total industry volume (TIV) increasing 4.6% to 627,753 units registered, the second highest recorded in the history of Malaysian new vehicle sales.

According to the Malaysian Automotive Association (MAA), the passenger vehicle segment accounted for 88% of the TIV, with Perodua retaining its number one spot with a 30.1% market share and Proton accounting for another 22.5%. In the non-national car segment, Toyota had a 16.8% market share, followed by Nissan and Honda at 5.8% and 5.6% respectively, while Volkswagen was the best performing European brand. Despite stricter approval processes for new loan applications imposed by BNM, car companies were able to work closely with financial institutions to find solutions and this contributed towards higher TIV.

FINANCIAL PERFORMANCE

For the financial year ended 31 January 2013, SIB recorded revenue of RM265.2 million from RM284.4 million posted in the previous financial year. The 7% dip in revenue was attributed mainly to reduced domestic volume recorded for certain models and changing product mix, which impacted on margins. In consequence, profit after tax fell to RM12.1 million from RM22.0 million registered previously.

The decline in net profit was mainly due to provision made for an arbitration claim of approximately RM5.2 million against Sapura-Schulz Hydroforming Sdn Bhd (SSHSB), a subsidiary of the Group, and lower volume achieved by the Group's manufacturing activities. In October 2012, SIB and SSHSB lodged an Original Summons in the Singapore High Court to set aside the award, which is now pending a decision by the Court.

DIVIDEND

A tax exempt dividend of 7 sen per ordinary share, totaling approximately RM5.1 million in respect of the financial year ended 31 January 2013 was paid on 30 October 2012.

MESSAGE TO OUR SHAREHOLDERS (CONTINUED)

ENHANCING COMPETITIVENESS

SIB operates in a very challenging environment, characterised by increasing competition, changing market dynamics, rising material costs and decreasing margins. Taking a critical and holistic view of market developments, where we stand in the industry, and in line with our overall business strategy, SIB has addressed these challenges and enhanced its competitiveness in three main areas: Commercial Competitiveness, Technical Competitiveness and Operational Competitiveness.

Commercial Competitiveness

Diversifying our customer base. Our growing customer base comprises both local and foreign players in the original equipment manufacturers (OEM) and automotive replacement equipment (RE) markets. The national car segment comprising Proton and Perodua continued to be our main customers. During the year under review, SIB supplied suspension as well as engine and transmission components for various new national models launched.

In a strategic move that began three years ago, concerted efforts were made to diversify SIB's customer base to include non-national automobile manufacturers and assemblers engaged in the Malaysian market. From only two non-national customers, our list of clients has now expanded to include international well-known marques such as Honda, Mazda, Suzuki and Volkswagen. To become listed as a supplier to these international giants is no mean feat. Before we can secure a contract from these companies, our plants, equipments, systems, processes and products are subjected to rigorous scrutiny by their own audit and quality teams to ensure conformance to their exacting standards and specifications.

While supplying components to the local assembly plants of these international marques, we are currently being considered for their global sourcing programme as well, opening doors of opportunity for SIB to move further down the path as an international player.

Broadening our product offerings. Keeping pace with the market, the range of our product offerings has grown over the years to include a wide array of suspension, engine and transmission and modular component parts. For the year under review, we have enhanced our in-house capabilities in at least seven process and product technologies, including the development of a new cold

coiling process for the production of variable or special spring shapes. This has facilitated the development of 62 products for the local and export markets, a two-fold increase from 36 new products developed in FY 2012.

Looking to global markets. Whilst diversifying our customer base, SIB is increasingly looking to global markets as a source of future growth and profitability. The Group has already established a firm foothold in regional export markets such as Thailand, Singapore and The Philippines. Since then, our export market has been expanded to include Ecuador and India. We continue to aggressively pursue various prospective customers to add to our list and in FY 2013, our overseas customer base has grown to include Indonesia.

Technical Competitiveness

Enhancing In-house Capabilities. SIB has been successful in enhancing its in-house capabilities to keep pace with market demand. From raw material processing, we have steadily progressed





up the value-added chain to become a manufacturer of finished modules. In product development, our competitive strength lies in our home-grown research and development (R&D) capabilities nurtured as an integral part of the Group's Technical Development Plan. As a result, we can now count among our strengths, our capabilities in product design and analysis as well as the development of software to produce components with enhanced performance and features.

During the year under review, SIB acquired design capabilities for the development of side-load springs designated for Proton's Preve (Hatchback) and Volkswagen's Polo and Jetta. Consolidating a solid technical base we have been building over the years, we now also have the design and manufacturing capabilities to produce hollow stabiliser bars, which have the advantage of being lighter and less expensive whilst providing equivalent functionality as conventional stabiliser bars.

In line with the Government's emphasis on the hybrid and electric vehicle segment and development of green technology for the auto sector, we are continuously looking at producing components catering to this niche market. We have also embarked on a research project with Universiti Malaysia Pahang (UMP) and in collaboration with a foreign partner to look into the viability of this project.

Our ultimate goal is to reach global competitiveness in the area of product R&D. In this regard, we are able to leverage on the partnerships forged with some of the biggest names in the auto industry. Through collaborations with our technical partners spread across the Asia-Pacific region and the Euro Zone, we have benefitted not only in the areas of R&D, but also in terms of enhancing our design capabilities as well as expertise in product development and management.

Operational Competitiveness

Human capital development. We recognise that our people are a source of our biggest competitive advantage in shaping our corporate future. One of the most important goals of our long-range plans for SIB is to develop a talent pool of qualified and experienced personnel at the same time that we increase the scope, reach and capabilities of our operations. Each year, we allocate a portion of our operating budget for training and development of human capital. SIB has an agreement with UMP for our staff to participate in the university's tertiary programme. Under this arrangement, several of our staff members have been admitted to UMP's Masters programmes in various disciplines and are expected to graduate soon.

It is SIB's training objective to ensure that each employee receives the required number of training hours each year. A mainstay of the training curriculum includes a series of motivational programmes to get people to pull together and work as a team to better manage the challenges that we encounter as well as inculcate a more positive learning attitude. Talks are also organised regularly focusing on health, safety and environmental issues at the workplace.

In a competitive business such as ours, an ongoing emphasis of our training curriculum is the up-skilling of our people to keep pace with the Group's business growth. Given the nature of our business, it is to be expected that many of the courses offered in FY 2013 have a technical-bias, which included courses related to the physical and chemical behaviour of metals, microstructures, engineering tolerance, computer numerical control, computer aided design and manufacturing.

MESSAGE TO OUR SHAREHOLDERS (CONTINUED)

Our people were also able to benefit from the knowledge and experience of four Japanese advisors, whose expertise is in process improvement, refurbishment of machinery and heat treatment process technology, which is used in three of our plants. The knowledge imparted to the initial core group of employees undergoing training with these advisors will be cascaded to their colleagues down the line thereby expanding our talent pool and ensuring a continuous learning cycle.

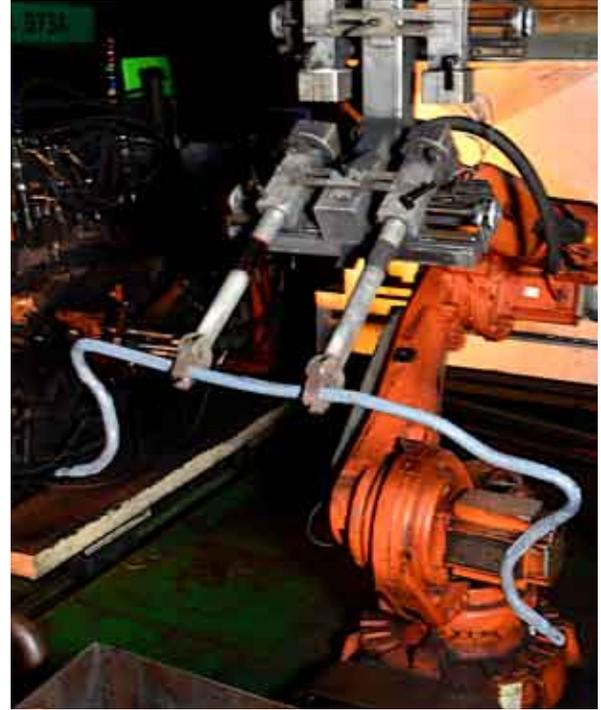
Raising the bar on quality. As one of the main players in the business, SIB has become a name that is synonymous with quality, reliability and service excellence and we have won many industry awards and accolades. In our on-going efforts to make further in-roads into global markets, all of our manufacturing divisions are currently operating under ISO 9001, TS 16949, ISO 14001, and OHSAS 18001 environment.

Within SIB, we continue to practise other quality improvement initiatives such as those advocated by Kaizen and Lean Production System. We have also adopted Kanban as a scheduling system for lean and just-in-time production and we have inculcated a “5S” culture so that the work space can be better organised for efficiency and effectiveness. For the past several years, SIB has benefitted from the Malaysia Japan Automotive Industries Cooperation (MAJAICO) programme that was launched to help the Malaysian automotive industry to become more competitive as global players.

Many of our operating units (OPUs) have their own quality campaigns, with a different theme selected for each year in an effort to improve in-coming, in-process and outgoing quality performance.

Managing costs. Our cost-reduction and cost-saving measures have helped offset the impact of declining volumes and increasing costs of raw materials. SIB is already a lean organisation but with ingenuity and resourcefulness, there is always room for improvement when it comes to managing costs, without necessarily impeding on quality, safety or operational efficiency.

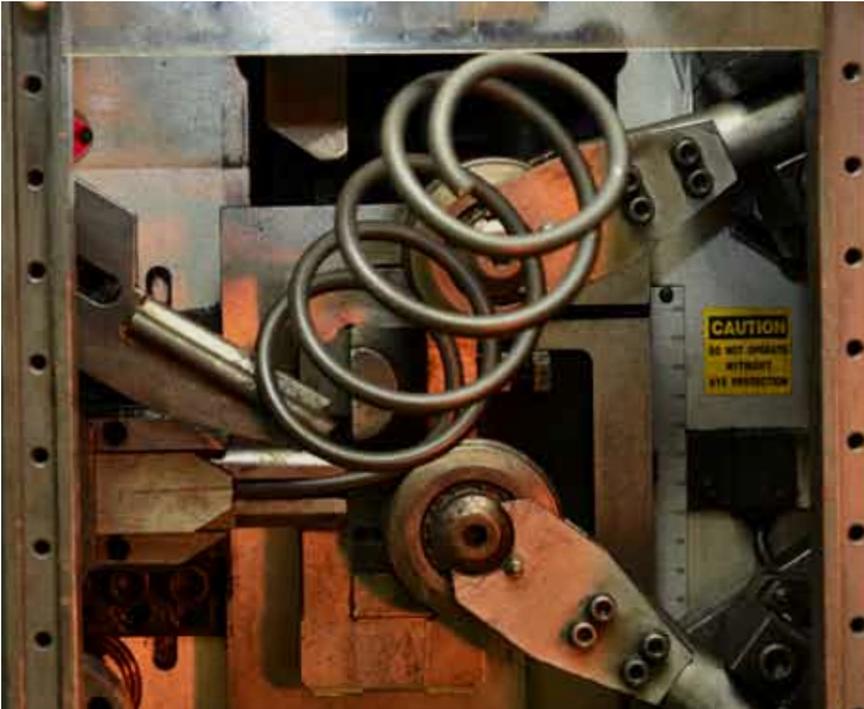
All our OPUs are looking at ways to manage the rising costs of raw materials by improving process flows, operation rates and stock control in line with ‘supply per production requirement’. We have also imposed a stricter regime on quality control to achieve zero defects, reduce rejects and customer complaints and hence improve overall customer satisfaction. With the centralisation of our support functions in 2009, we have also achieved greater economies of



scale through our supply management chain, notably in the areas of procurement and logistics.

Another area that merit our attention was the reduction of waste. Taking a leaf from the Japanese experience and with the assistance of four advisors from Japan, SIB has initiated a refurbishment programme for our existing machineries. Under this programme that was started in mid-2012, older machineries have been retrofitted and recalibrated to meet current requirements. Given a new lease of life, our own experience has proven that such refurbished machinery has all the functionality of any new equivalent, without compromising on performance or safety standards. Apart from obvious cost savings, we have also enhanced the internal capabilities of our people, in the areas of mechanical, electrical, electronics and control engineering.

Although SIB started out with the intention of refurbishing old machinery for its own use so as to be more cost competitive, we are now planning to expand our refurbishment project to serve SIB’s existing supply chain network and thereafter, the external market. We now have the capabilities to meet a growing demand from local car manufacturers, which will mean a possible new revenue stream for SIB.



STRATEGISING THE FUTURE

We are already one of the main players in the local market and with a solid reputation for quality products and premier customer service, SIB as a brand continues to gain resonance in the international marketplace. There is little question that our current standing in the industry has come about through years of carefully laid out strategies that serve as the foundation to meet our longer term growth objectives. As we look forward to an exciting future, we have mapped out key strategies for moving forward on the commercial, technical and operational fronts.

Commercial Strategies. On the commercial front, we will continue to consolidate our position in the domestic OEM market as a Tier-1 supplier for Proton and Perodua. With its internal reorganisation exercise completed, Proton is expected to introduce a new Preve variant in 2013 and a Perdana replacement in 2014. Perodua is also scheduled to roll-out several new models and a new facility has been set up to produce electronic automatic transmission (EAT) systems, which is currently incorporated in two Perodua models. As one of the front-liners, we are participating in Perodua's EAT programme.

Simultaneously, we are aggressively pursuing opportunities to expand our domestic market share, ensuring timely delivery of our contractual obligations with new players such as Mazda, Suzuki, Volkswagen and Honda. Greater emphasis will be placed on customer relationship management, not only to retain existing customers but also secure new ones in a win-win partnership. To keep track of our progress in this important area, we match our performance against a Customer Satisfaction Index

to determine our strengths and weaknesses in key areas such as pricing, delivery, quality and services.

We will continue to actively seek out new OEM customers in the overseas markets. In an increasingly inter-connected world, many international companies are harnessing the potential of global sourcing as part of their procurement strategy in order to reduce costs. Having proven our capabilities, we are hopeful of being considered for the global sourcing programmes of Mazda, Suzuki and Volkswagen.

As TIV of the Malaysian market continues to rise, we are re-strategising our approach for the replacement (RE) market. The plan is to make further in-roads into the RE market and increase its overall contribution to Group revenue.

Looking to the future, SIB may consider diversifying its business activities to include the non-automotive sector. If we do decide to embark on this move, we will venture into technological and engineering-based areas that are related to our existing businesses. Various possibilities are open to us and they include areas such as oil and gas, green technology, new materials and their applications.

Technical Strategies. Technically, our goal is to continue to build our strengths in production engineering and enhance our technical and design capabilities by leveraging on the knowledge and experience of our technical partners. Moving forward, the plan is also to expand our R&D activities under the Industrial Centre of Excellence Programme initiated by the Ministry of Higher Education (MOHE).

Our machine refurbishment project has already proven itself viable and we are ready to take it to the next phase, having concluded

MESSAGE TO OUR SHAREHOLDERS (CONTINUED)

machine refurbishment contracts with a local auto company. We are continuously promoting VAVE activities (Value-Added Value Engineering) for solving problems, reduce costs and improve performance.

Operational Strategies. We are looking to enhance our competitiveness in four main areas, summed up under the general headings of Material, Machine, Man and Method. Under "Material", our primary objectives are to reduce material costs, improve our numbers of Grade A suppliers and ensure on-time delivery for imported materials. From the "Machine" angle, our strategy is to step up efforts to improve capacity utilisation and overall efficiency, whilst reducing machine down-time. Under "Man", we will continue to focus on up-skilling to create a larger talent pool whilst reducing the staff turnover rate. As part of our ongoing efforts to promote safety at the workplace, we will continue to strive to achieve a zero lost-time incident rate. The "Methods" that we have in place are continually reviewed and upgraded through quality audits conducted internally or by external certification bodies and customers. One of our objectives under this parameter is to weed out process rejects and warranty claims, both of which represent a cost that can be avoided by ensuring that we provide premium quality parts.



OUTLOOK AND PROSPECTS

The domestic automotive industry has remained progressive over the years and Malaysia is one of a handful of developing countries that has capabilities to design and manufacture a complete vehicle. For the past several years, the automotive industry's contribution to Gross Domestic Product (GDP) has been in the range of 3% to 4% and in 2013, will account for 3.4% of the nation's GDP (Source : Malaysia Automotive Institute). It may also be noted that the industry currently employs around 180,000 people directly and 70,000 people indirectly. Within the ASEAN region, Malaysia is currently ranked third behind Thailand and Indonesia in terms of production and vehicle sales. The sales volume of components and parts has registered a steady growth over the past decade propelling Malaysia into becoming one of the main producers and exporters of vehicle parts, components and accessories in the region. These products have gained acceptance in Japan, Germany and United Kingdom on the strength of their high quality, compliance with international standards and competitive prices.



We are moving into the new financial year with greater enthusiasm. The Malaysian economy is expected to remain on a steady growth path, expanding by between 5% and 6% in 2013. Although private consumption is projected to grow at a more moderate pace, it will continue to be supported by sustained income growth and positive labour market conditions (Source: BNM Annual Report 2012). These are positive signs to support the Malaysian automotive industry's growth trajectory, which may end up as another record high in terms of TIV.

MAA has forecast that TIV for the year 2013 will increase to 640,000 units, having factored in Malaysia's expected GDP growth, a stable interest rate environment, pent-up demand, multiplier effects of the Government's Economic Transformation Programme, stability in the employment market and the introduction of new models and promotional campaigns by car companies to generate buying interest. MAA expects more than 200 new car models, including variants to be introduced to the Malaysian market in the course of 2013. Malaysia will also play host to the Kuala Lumpur International Motor Show 2013, an event that is expected to provide a further boost to the auto industry.

We are also encouraged by the gradual opening up of the Malaysian automotive industry and the impending unveiling of the long-awaited NAP. From the industry stand-point, this will further encourage fresh strategic investments by new OEMs, while existing OEMs will expand their operations in Malaysia. Honda has already pledged a RM1.0 billion investment plan while Perodua has announced plans to invest RM790.0 million to set up a new manufacturing plant adjacent to its existing factory. The new plant will add a further 100,000 units to Perodua's annual production capacity. Under the new regime of the revised NAP, the industry would also strive towards an increase in component localisation, whilst emphasising the development of technology and human capital.

With various strategies in place and against the backdrop of these developments, SIB is well positioned to benefit from the significant upside potential of an industry that continues to grow. Our evolution from a company with local operations into an international market-driven business will continue to accelerate in the coming years, driven by new investment opportunities around the world. In a very dynamic industry, one of our greatest strengths is our ability

to anticipate the new directions of the industry, seizing unfolding opportunities to expand our customer base, enhance our market position and improve our financial performance.

As we have demonstrated time and again, we will relentlessly pursue every opportunity to develop our earnings potential by enhancing our manufacturing processes, design capabilities as well as machine engineering capabilities and performance.

Our task in the coming financial year is to ensure that we live up to our promise to continue to deliver value for the benefit of our employees, our customers and all our stakeholders. We have enhanced our competitiveness across the spectrum of our business and with the right strategies in place, we are confident that we will achieve even more.

ACKNOWLEDGEMENTS

Given the challenges of the past year, maintaining our growth momentum was no mean feat and once again, our people have proven their mettle. Pooling their intellectual and creative capabilities, management and staff worked closely as a team to turn what seemed at first to be challenges into opportunities. As a result of their work ethics, team spirit and dedication, we have achieved our goal of making SIB a more competitive entity equal to the challenges of the new marketplace. We thank them for a job well done.

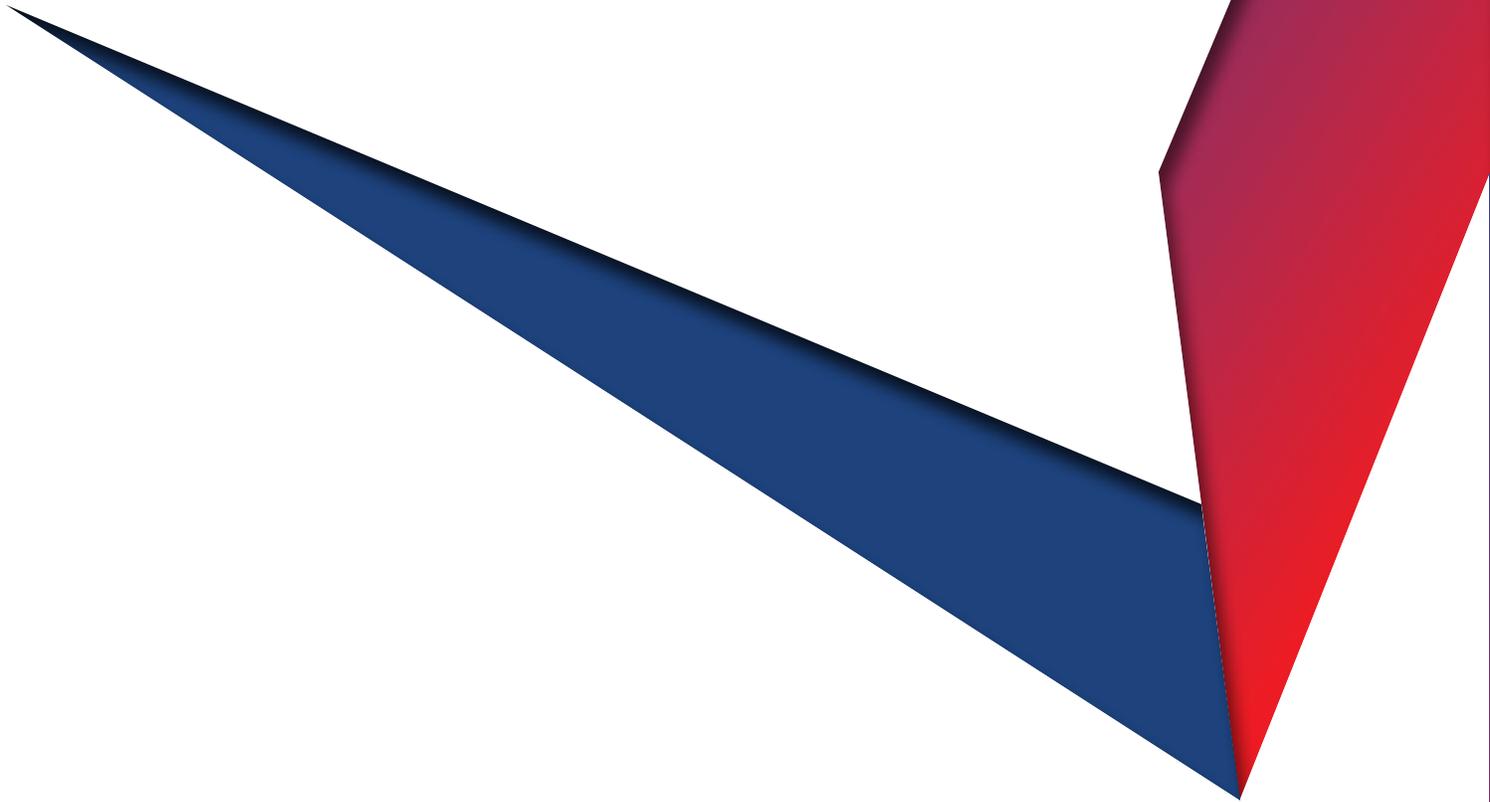
We wish to record our gratitude to our growing list of customers who have chosen us for our products and to our suppliers, financiers and business associates who have always been supportive and understanding of all we were trying to achieve. We also wish to express our sincere appreciation to you, our shareholders for the confidence and trust you have shown as you continue to journey with us.

SIB is positioned to face the future with confidence. It is an exciting future of unfolding opportunities and possibilities waiting to be tapped. With your continuing support, we can achieve all we set out to do.

Board of Directors

RESILIENT

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





CORPORATE SOCIAL RESPONSIBILITY



Caring comes naturally for Sapura Group. We have always believed that the way towards a sustainable business is to strike a balance between profitability and our social obligations.

Sapura Group's road-map to sustainability is reflected by our emphasis on employee welfare, fulfilling our responsibilities to various constituencies in the marketplace, improving the quality of life in the community and ensuring that the benefits of our business activities are not negated by any adverse effects on the environment.

A holistic Corporate Social Responsibility (CSR) is something we practise on a daily basis and has been embraced as an essential part of our Sapura culture.

Our CSR initiatives are carried out at both the Sapura Group and subsidiary levels. At Sapura Group level, *Yayasan Shamsuddin Abdul Kadir* and *Yayasan Siti Sapura Husin* are platforms to look after the welfare of orphans, the sick and those in need.

This is further complemented by *Sapura Community* which engages employees across Sapura in various welfare and social initiatives.

WORKPLACE DEVELOPMENT

Charity begins at home and Sapura Group demonstrates this commitment in many ways. The Group has always focused on the development of youth, and where better to start than with the kids of our own people, whom we affectionately call the Sapura children. Sapura Community's annual Anugerah Cendekiawan was held for the third successive year in FY 2013 to acknowledge the outstanding academic achievements of 82 recipients. Our Sapura children are also exposed to motivational sessions aimed at providing inspiration and guidance to equip them with skills to stay ahead in life.



colleagues and their families to come together in an atmosphere of celebration to strengthen and renew ties.

Sports and recreational activities have always been mainstays of our corporate calendar and serve as a useful platform for team-building. Sapura Community organised several activities during the year, which included white-water rafting, ATV and Go-Kart racing. At SIB, our employees get together on a regular basis to pit their skills in a variety of sports. It is in a convivial setting such as these, away from daily routines of the workplace, that positive inter-departmental cooperation is fostered.

(UMP) to participate in its tertiary education programmes. Several SIB employees have taken this opportunity to pursue their master's degree in various disciplines.

MARKET DEVELOPMENT

Good corporate governance is core to ensuring the creation, protection and enhancement of shareholder value. We are committed to maintaining a sound risk management framework and internal control system to safeguard shareholders' investment and the Group's assets.

In Sapura Industrial (SIB), we continue to provide assistance to children of employees who have passed in service. These children are 'adopted' by SIB and receive a monthly allowance to assist with their expenses. Together with other children of deserving staff, these children also receive financial support every year-end in preparation for the new school year.

During the month of Ramadhan, Sapura Group continued a tradition that began nearly twenty years ago, as we sponsored 45 employees to perform Umrah. The Group also came together to share the blessings of Ramadhan during our annual iftar with a congregation of close to 700 staff.

Every year, the Sapura Group Hari Raya Open House grows in scale and attendance in tandem with the Group's growth. It is an opportunity for



We recognise that our workforce is the Group's most important asset and we demonstrate this commitment by ensuring a safe and conducive work environment. The Group's commitment to its people also involves the development of our human capital through continuous upskilling towards a qualified and experienced workforce.

To foster a learning environment, SIB has an arrangement with Universiti Malaysia Pahang

SIB's success can be attributed to its core corporate values, which form the basis of a performance-based culture. We take pride that SIB has become synonymous with quality, reliability and service excellence and as a brand, it continues to gain resonance in the local and global markets.

CORPORATE SOCIAL RESPONSIBILITY (CONTINUED)



Our contributions to the marketplace can also be seen through our home-grown research and development efforts, which is being nurtured under SIB's Technical Development Plan. Apart from collaborating with UMP, we are also able to tap the knowledge and expertise of our technical partners from the Asia-Pacific region as well as the Euro Zone. In this way, we contribute to strengthen the technology base of the country's automotive industry.

With a growing community of vendors supporting our business, we strive towards their development by supporting their accreditation efforts apart from providing technical and operational support to ensure they deliver up to our customers' expectations.

COMMUNITY DEVELOPMENT

Sapura Group has a tradition of being involved in community development and during the year, we reinforced this



commitment through a number of high profile events. We supported the Malaysian Aids Foundation (MAF) as well as the Global Poverty Project (GPP) through the sponsorship of a fund-raising event, The Red Ribbon Ball 2012.

Extending our long involvement in the promotion of sporting excellence, Sapura Group was once again the title sponsor of the CIMB Classic 2012. We took the

opportunity to extend the experience of this world-class event to our local Malaysian Golf Association (MGA) Juniors as they participated in various clinics with the professional players as well as a chance to play on the tournament course.

Meanwhile, our very own Sapura Junior Hockey Team has given the Group something to shout about when they emerged as the Division Two champion of the Malaysian



Junior Hockey League 2012. This is no mean feat considering the fact that our team, comprising players below 19 years of age, was only formed in November 2011.

Our people continue to demonstrate their generosity in contributing their time and effort towards various welfare initiatives. Under Sapura Community we organise visits to bring cheer to the children of the Paediatric Ward of Hospital Kuala Lumpur.

A blood donation drive was also organised during the year with more than 200 staff members turning up to donate to the National Blood Bank. Subsidiaries like SIB has also taken the initiative to launch their own CSR programmes. Besides visiting orphanages where Hari Raya gifts and money were distributed, SIB also made donations in cash and kind to mosques and welfare homes and hosted iftar sessions with the local communities.

ENVIRONMENTAL PRESERVATION

To demonstrate our responsibility towards the environment, apart from conserving energy and resources, we take measures to reduce the environmental impact of emissions and waste materials. We ensure that all products that we supply to Proton conform to the 3R rules of “Reusability, Recyclability and Recoverability”. This is a regulation that all automotive manufacturers must meet to export to the European Union. Perodua has also introduced the concept of “Clean, Bright & Beautiful” applicable to the manufacturing plants of vendors, who are encouraged to install cooling systems and a transparent roof to conserve energy.

Our CSR emphasis continues to evolve with the times. A great deal of thought and planning is given to ensure that new programmes introduced are relevant and meaningful. Wherever possible, we strive to ensure that our CSR efforts benefit not only the present but future generations to come.

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 to ensure the sustainability and the long-term growth of the Group's businesses. Accordingly, the stakeholders' expectations must be assessed and managed, and not assumed.

In line with the Principles and Recommendations set out in the Malaysian Code on Corporate Governance 2012 ("the Code"), the Board has been consistently enhancing and improving the Group's corporate governance standards. The Board believes the Code sets a strong foundation for boards and committees to carry out their roles effectively, promote timely and balanced disclosure, safeguard the integrity of financial reporting, emphasise the importance of risk management and internal controls and encourage shareholder participation in general meetings.

The Board is pleased to report to shareholders the manner in which the Company has applied the Code.

A. DIRECTORS

The Board

The Board is responsible and committed to adopting good corporate governance practices as part of its continuing obligations. In retaining full and effective control of the Group, it guides and monitors the affairs of the Group on behalf of shareholders. Its principal responsibilities as prescribed under the Code cover a review of the strategic plan and direction for the Group, overseeing the conduct of the business operations of the Group, and evaluating whether these are being properly and effectively managed. It also includes



identifying the principal risks affecting the Group, ensuring the implementation of appropriate systems to manage succession planning, developing and implementing an investor relations programme and shareholder communications policy, as well as reviewing the adequacy and the integrity of management information and internal controls system of the Group.

Board Balance

The composition of the Company's current Board of Directors is well balanced, with an effective mix of executive director, independent and non-executive directors. The Board's composition comprises one (1) executive director, three (3) non-independent non-executive directors and two (2) independent non-executive directors. A brief profile of the directors is presented on pages 16 to page 21 of this Annual Report. The diverse backgrounds of the directors provides the Board with an effective mix of members with industry-specific knowledge and broad business and commercial experience.

The Board continually assesses the composition of its Independent Directors to ensure they have the appropriate balance of skills, expertise and experience to bring an independent view in the consideration of Board issues and provide the appropriate advice to maintain the highest level of corporate ethics. The independent directors are professionals of credibility and repute who demonstrate independent judgement 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. They also ensure that the strategies proposed by the management are fully discussed and examined, and take into account the long term interest not only of the shareholders, but also of employees, customers and suppliers. 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 directors of the Company do not hold more than five (5) directorships in public listed companies as prescribed by the Main Market Listing Requirements.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

The Chairman and Chief Executive Officer (CEO)

The roles and responsibilities of the Chairman are separate and distinct from those of the CEO to ensure that there is check and balance and authority at the helm. The Chairman is primarily responsible for leadership, effective conduct and workings of the Board whilst the CEO 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 CEO is supported by the Senior Management team and Group Functional teams with vast experience, skill and knowledge of the industry.

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 discussions, 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 eight (8) meetings. Details of attendance at Board meetings are as follows:-

No.	Name of Directors	Position	Attendance
1.	Dato' Seri Shahril bin Shamsuddin	Deputy Chairman	6
2.	Dato' Shahrman bin Shamsuddin	Executive Director	8
3.	Dato' Azlan bin Hashim	Non-Independent Non-Executive	7
4.	Datuk Kisai bin Rahmat	Independent Non-Executive	8
5.	Ir. Md. Shah bin Hussin	Non-Independent Non-Executive	8
6.	Wan Ahamad Sabri bin Wan Daud	Independent Non-Executive	8

Note: Encik Shah Hakim bin Zain resigned on 22 May 2012

To facilitate an effective discharge of responsibilities, dedicated Board Committees were established guided by clear terms of reference. 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 47 to 50.

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. The BNRC, in recommending candidates for appointment to the Board, assesses the candidates' experience, background, capabilities and skills required by the Board. The Board believes that individuals with diverse backgrounds, independence, competencies and diversity represented on the Board could improve its effectiveness and bring differing perspectives in its deliberations and decision making processes.

The BNRC, in determining candidates for appointment to the Board Committees, considers various factors which includes time commitment of the Board Committee members in discharging their roles and responsibilities through attendance at their respective meetings.

The BNRC is also responsible to propose, consider and recommend to the Board the remuneration packages for the Directors and the CEO. The remuneration of the Directors and the CEO is competitive and attractive as it has been benchmarked against the industry.

Currently, the composition of the BNRC complies with the Main Market Listing Requirements. 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 one (1) meeting during the financial year.

The proceedings and resolutions passed at each Board and Board Committee meeting are minuted and kept in the statutory register at the registered office of the Company. In the event of any potential conflict of interests, 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 involved.

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 sufficient time for review. In most instances, senior management of the Company as well as external advisors are invited to be in attendance at Board meetings to provide fresh insights and to furnish clarification on issues that may be raised by the Board.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Company Secretary

The Board is supported by a qualified Company Secretary who plays an advisory role to the Board in relation to the Board's policies and procedures and ensures compliance with the relevant regulatory requirements, codes, guidance and legislations. The Directors have full and unrestricted access to the advice and services of the Company Secretary.

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 seek 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 of developments in the Group's operating environment and business and will need to enhance their knowledge and business acumen to meet challenging commercial risks.

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

- Business & Brand Leadership : A New Approach to Success for Asian Business
- Strategy Execution : The Role of Culture and Organisation
- Emerging Issues on Corporate Governance
- Directors' Duties

Re-election and Re-appointment of Directors

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. The Board makes recommendations concerning the re-election of any Director by the shareholders at the AGM.

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 successfully lead the Company.

Remuneration Procedure

During the financial year, the remuneration package for the Executive Director and Chief Executive Officer was 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 shareholders at the Annual General Meeting. The Details of the directors' remuneration for the financial year ended 31 January 2013 are as follows:

	Executive RM	Non-Executive RM	Total RM
Fees	–	277,366	277,366
Salaries and other emoluments	1,085,000	–	1,085,000
Bonus	210,000	–	210,000
Other emoluments	–	89,500	89,500
Benefits in kind	15,533	–	15,533
Contributions to defined contribution plan	155,400	–	155,400
Total	1,465,933	366,866	1,832,799

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

Bands	Executive	Non-Executive*	Total
Below RM50,000	–	3	3
RM50,001 – RM100,000	–	4	4
RM1,450,001 – RM1,500,000	1	–	1
Total	1	7	8

Note: Remuneration for Non-Executive Directors include an Alternate Director and a Director who had resigned during the financial year

C. SHAREHOLDERS

The Annual General Meeting

The Company has been using the 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 suggestions 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 report and the quarterly announcements on the Group's business, activities and financial performance are the primary mode of communication to all its shareholders.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

The key objective of the Company's dialogue with its shareholders at the Annual General Meeting is to provide an opportunity for a two-way communication process between the Company and its private and institutional investors. In a process of engaging our stakeholders, the Company is able to answer any questions that may be raised while gaining insights into their views and perspectives. At the Annual General Meeting, shareholders are also encouraged to ask questions about the resolutions being proposed as well as the Group's operations in general.

The Company has established a website at 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.

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 announcements and the Annual Report. In discharging its fiduciary responsibility, the Board is assisted by the Audit Committee whose primary responsibility is to oversee the Group's financial reporting processes and ensure the quality of its financial reporting.

Risk Management and Internal Control

The Board acknowledges its overall responsibility for maintaining a sound system of internal control and a risk management framework to safeguard shareholders' investment and Group assets and for reviewing the effectiveness of these systems. The Statement on Risk Management and Internal Control is presented on page 51 of the Annual Report providing an overview of the risk management and status of internal control system 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 Report on pages 47 to 50 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 Report on pages 47 to 50 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.

Statement made in accordance with a resolution of the Board of Directors dated 15 May 2013.

AUDIT COMMITTEE'S REPORT

The Audit Committee of Sapura Industrial Berhad is pleased to present their report for the financial year ended 31 January 2013.

MEMBERSHIP

The present members of the Audit Committee are:

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 any vacancy in the Audit Committee resulting in non-compliance of the provisions of MMLR, the Board shall fill the vacancy within three (3) months.

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.

AUDIT COMMITTEE'S REPORT (CONTINUED)

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 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 statements.
4. Review 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 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.

MEETINGS HELD FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2013

The Audit Committee held five (5) meetings during the financial year ended 31 January 2013 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 companies 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 2013 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)	3
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:

- Reviewed 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 Auditor.
- 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 Auditor's 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 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.

AUDIT COMMITTEE'S REPORT (CONTINUED)

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 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 RM455,472.

DATUK KISAI BIN RAHMAT

Chairman

Audit Committee

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The “Malaysian Code on Corporate Governance 2012” requires the Board to maintain a sound risk management framework and internal control system to safeguard shareholders’ investment and the Group’s assets.

The Board is pleased to provide the following statement, which outlines the nature and scope of its risk management and internal control during the financial year under review and up to the date of approval of this statement for inclusion in the annual report.

RESPONSIBILITY

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

However, due to inherent limitations the Board recognises that such a system is designed to manage rather than eliminate the risks of failure in achieving business objectives and they can only provide reasonable and not absolute assurance against material misstatement or loss.

In pursuing its responsibility, the Board has an ongoing process for identifying, evaluating and managing 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 this statement for inclusion in the annual report and is in accordance with the “Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers”.

RISK MANAGEMENT

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 to assist the Board in identifying, prioritising and managing the risks.

INTERNAL CONTROL

The Audit Committee assists the Board in reviewing the adequacy and integrity of the system of internal control of the Group. The Audit Committee, assisted by the Internal Audit Department carries out regular and systematic review of the system of risk management and 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

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.
- A manual called the Limit of Authority ("LoA") is used throughout the Group and set out the authority limits in the areas 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 on a quarterly basis.
- Weekly Group Management Committee Meetings attended by Senior Management Team and 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.
- Monthly Operational Performance Meetings at Group and Company levels attended by respective Business Unit Heads and chaired by the Chief Executive Officer/Chief Operating Officer to review operational performance and issues including progress of ongoing initiatives.

ADEQUACY AND EFFECTIVENESS OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Chief Executive Officer and Group Financial Controller have provided assurance to the Board that the Group's risk management and internal control systems are operating adequately and effectively in all material aspects, to ensure the achievement of its business objectives. Taking into consideration the assurance from the Management Team, the Board is of the view that the system of risk management and internal control is satisfactory and adequate to safeguard shareholders' investment and the Group's assets. The Group will continue to take measures to strengthen the internal control and risk management environment.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in this Annual Report 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 15 May 2013.

ADDITIONAL COMPLIANCE INFORMATION

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

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 shareholder's interests during the financial year under review.

3. RECURRENT RELATED PARTY TRANSACTIONS ENTERED INTO DURING FINANCIAL YEAR ENDED 31 JANUARY 2013 PURSUANT TO SHAREHOLDERS' MANDATE

Shareholder's mandate was not required to be procured for recurrent related party transactions entered into during financial year ended 31 January 2013.

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.

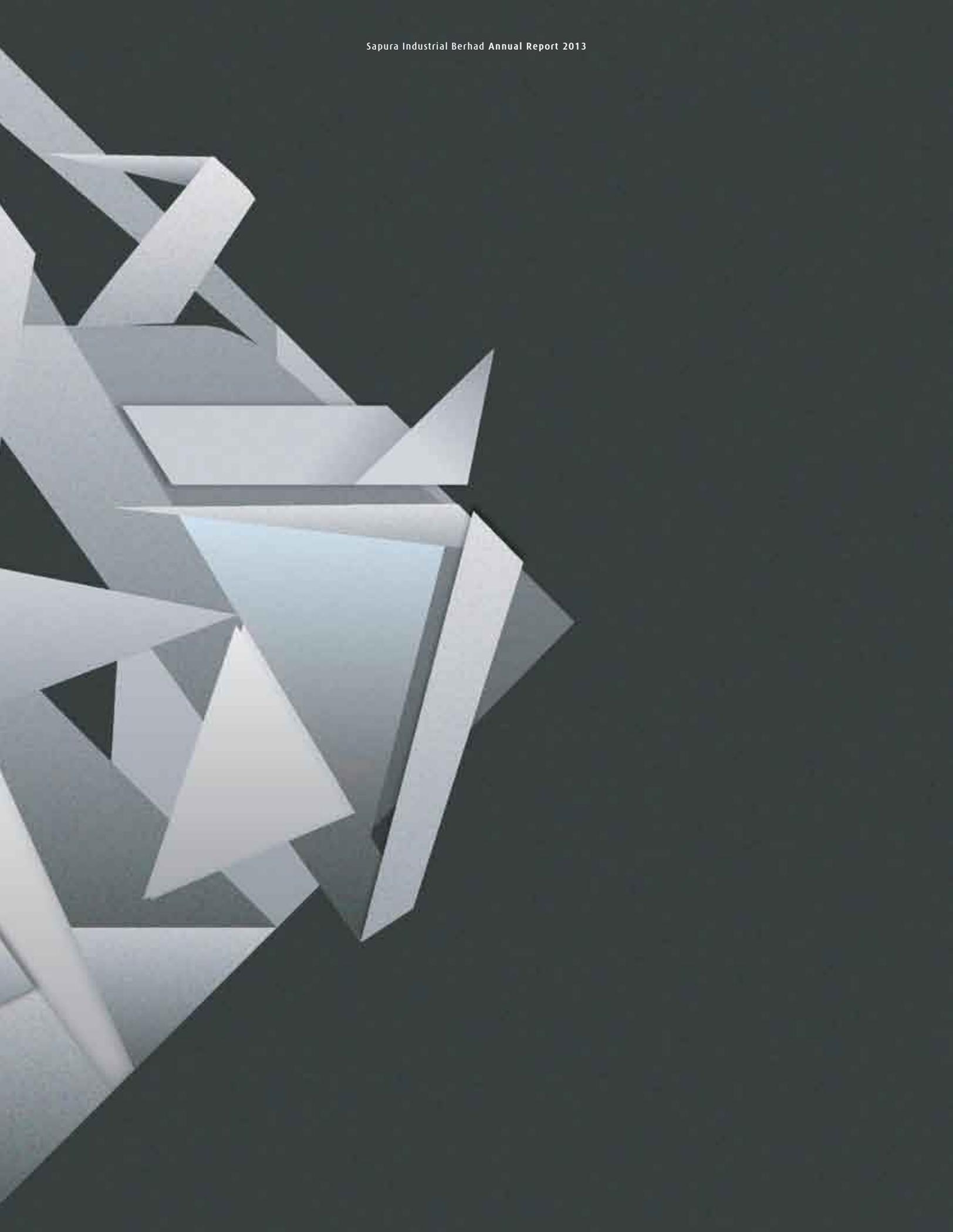


AGILE

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







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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 2013.

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	12,059,765	5,225,511
Attributable to:		
Owners of the parent	13,489,226	5,225,511
Non-controlling interests	(1,429,461)	–
	<u>12,059,765</u>	<u>5,225,511</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 except for significant event as disclosed in Note 33 to the financial statements.

DIVIDENDS

The amounts of dividends paid by the Company since 31 January 2012 were as follows:

	RM
In respect of the financial year ended 31 January 2012 as reported in the directors' report of that year:	
Final tax exempt dividend of 15.0% on 72,775,737 ordinary shares, declared on 17 July 2012 and paid on 9 August 2012	<u>10,916,361</u>
In respect of the financial year ended 31 January 2013:	
Interim tax exempt dividend of 7.0% on 72,775,737 ordinary shares, declared on 26 September 2012 and paid on 31 October 2012	<u>5,094,302</u>

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

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:

Dato' Seri Shahril bin Shamsuddin
 Dato' Shahrizan bin Shamsuddin
 Dato' Azlan bin Hashim
 Datuk Kisai bin Rahmat
 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.

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 29 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 31.1.2013
	At 1.2.2012	Acquired	Sold	
The Company				
Sapura Industrial Berhad				
Direct interest:				
Dato' Seri Shahril bin Shamsuddin	1,426,875	—	—	1,426,875
Dato' Shahrizan bin Shamsuddin	663,175	—	—	663,175
Ir. Md. Shah bin Hussin (includes shares held by spouse)	90,498	—	—	90,498
Indirect interest:				
Dato' Seri Shahril bin Shamsuddin	32,420,391	—	—	32,420,391
Dato' Shahrizan bin Shamsuddin	32,420,391	—	—	32,420,391

DIRECTORS' REPORT (CONTINUED)**DIRECTORS' INTERESTS (CONTINUED)**

	Number of ordinary shares of RM1 each			At 31.1.2013
	At 1.2.2012	Acquired	Sold	
A fellow subsidiary				
Sapura Resources Berhad				
Direct interest:				
Dato' Seri Shahril bin Shamsuddin	83,250	–	–	83,250
Dato' Shahriman bin Shamsuddin	83,250	–	–	83,250
Indirect interest:				
Dato' Seri Shahril bin Shamsuddin	72,372,772	–	–	72,372,772
Dato' Shahriman bin Shamsuddin	72,372,772	–	–	72,372,772
Holding company				
Sapura Holdings Sdn. Bhd.				
Direct interest:				
Dato' Seri Shahril bin Shamsuddin	30,147,187	–	–	30,147,187
Dato' Shahriman bin Shamsuddin	30,147,187	–	–	30,147,187
Indirect interest:				
Dato' Seri Shahril bin Shamsuddin	11,165,626	–	–	11,165,626
Dato' Shahriman bin Shamsuddin	11,165,626	–	–	11,165,626

	Number of preference shares of RM1 each			At 31.1.2013
	At 1.2.2012	Acquired	Sold	
Sapura Holdings Sdn. Bhd.				
Dato' Seri Shahril bin Shamsuddin	–	10,000	–	10,000
Dato' Shahriman bin Shamsuddin	–	10,000	–	10,000

Dato' Seri Shahril bin Shamsuddin and Dato' 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.

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 there were no known bad debts 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) it necessary to write off any bad debts or the amount of the provision for doubtful debts 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 15 May 2013.

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 67 to 128 are drawn up in accordance with Malaysian Financial Reporting Standards, International 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 2013 and of their financial performance and cash flows for the year then ended.

The information set out in Note 34 on page 128 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 15 May 2013.

DATUK KISAI BIN RAHMAT

IR. MD. SHAH BIN HUSSIN

STATUTORY DECLARATION

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

I, Liyana Lee binti 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 67 to 128 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 binti Abdullah at
Kajang in Selangor Darul Ehsan
on 15 May 2013

LIYANA LEE BINTI ABDULLAH

Before me,

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

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

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 2013 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 67 to 128.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirement of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is 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 give a true and fair view of the financial position of the Group and of the Company as of 31 January 2013 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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

OTHER REPORTING RESPONSIBILITY

The supplementary information set out in Note 34 on page 128 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.

OTHER MATTERS

- (1) As stated in Note 2.2 to the financial statements, Sapura Industrial Berhad adopted the Malaysian Financial Reporting Standards on 1 February 2012 with a transition date of 1 February 2011. These standards were applied retrospectively by directors to the comparative information in these financial statements, including the statements of financial position as at 31 January 2012 and 1 February 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31 January 2012 and related disclosures. We were not engaged to report on the comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Company for the year ended 31 January 2013 have, in these circumstances, include obtaining sufficient appropriate audit evidence that the opening balances as at 1 February 2012 do not contain misstatements that materially affect the financial position as of 31 January 2013 and the financial performance and cash flows for the year then ended.
- (2) 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

Kuala Lumpur, Malaysia
15 May 2013

TEOH SOO HOCK
No. 2477/10/13(J)
Chartered Accountant

STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 January 2013

	Note	Group		Company	
		2013 RM	2012 RM	2013 RM	2012 RM
Revenue	4	265,650,077	284,844,191	28,654,116	31,547,558
Cost of sales		(213,221,940)	(225,394,589)	–	–
Gross profit		52,428,137	59,449,602	28,654,116	31,547,558
Other income	5	4,018,060	3,904,052	2,102,826	2,909,561
Administrative expenses		(33,897,518)	(29,311,661)	(23,225,879)	(21,735,058)
Selling and marketing expenses		(2,164,341)	(1,647,825)	(1,610,820)	(853,505)
Other expenses		(355,810)	(65,470)	(53,007)	–
Profit from operations		20,028,528	32,328,698	5,867,236	11,868,556
Finance costs	6	(2,648,033)	(3,389,426)	(641,725)	(802,574)
Profit before tax	7	17,380,495	28,939,272	5,225,511	11,065,982
Taxation	10	(5,320,730)	(6,911,516)	–	–
Profit net of tax, representing total comprehensive income for the year		12,059,765	22,027,756	5,225,511	11,065,982
Profit attributable to:					
Owners of the parent		13,489,226	22,030,895	5,225,511	11,065,982
Non-controlling interests		(1,429,461)	(3,139)	–	–
		12,059,765	22,027,756	5,225,511	11,065,982
Earnings per share attributable to owners of the parent (sen):					
Basic	11	18.54	30.27		
Diluted	11	18.54	30.27		

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 January 2013

	Note	Group		
		2013 RM	2012 RM	2011 RM
Assets				
Non-current assets				
Property, plant and equipment	13	88,419,587	96,121,221	95,558,754
Development expenditure	14	2,623,010	3,220,300	3,322,812
Investment in associate	16	–	–	–
		<u>91,042,597</u>	<u>99,341,521</u>	<u>98,881,566</u>
Current assets				
Inventories	17	26,646,518	25,162,712	24,544,312
Tax recoverable		370,235	479,423	46,047
Trade and other receivables	18	50,477,899	49,456,334	47,049,765
Other current assets	19	2,771,017	2,781,109	3,793,189
Cash and bank balances	20	10,066,376	20,915,172	22,969,736
		<u>90,332,045</u>	<u>98,794,750</u>	<u>98,403,049</u>
Total assets		<u>181,374,642</u>	<u>198,136,271</u>	<u>197,284,615</u>
Equity and liabilities				
Current liabilities				
Retirement benefit obligations	21(a)	85,711	41,624	143,386
Income tax payable		1,377,299	1,624,983	1,259,436
Trade and other payables	26	36,710,345	42,680,079	47,479,195
Loans and borrowings	23	33,139,056	32,678,183	44,764,536
		<u>71,312,411</u>	<u>77,024,869</u>	<u>93,646,553</u>
Net current assets		<u>19,019,634</u>	<u>21,769,881</u>	<u>4,756,496</u>
Non-current liabilities				
Retirement benefit obligations	21(a)	3,102,519	2,695,111	2,341,930
Loans and borrowings	23	14,462,319	21,527,191	16,876,463
Deferred tax liabilities	25	7,038,702	7,479,511	6,994,784
		<u>24,603,540</u>	<u>31,701,813</u>	<u>26,213,177</u>
Total liabilities		<u>95,915,951</u>	<u>108,726,682</u>	<u>119,859,730</u>
Net assets		<u>85,458,691</u>	<u>89,409,589</u>	<u>77,424,885</u>

	Note	2013 RM	Group 2012 RM	2011 RM
Equity and liabilities (continued)				
Equity attributable to owners of the parent				
Share capital	27	72,775,737	72,775,737	72,775,737
Share premium		2,200,126	2,200,126	2,200,126
Retained profits		11,400,208	13,921,645	1,933,802
		<u>86,376,071</u>	<u>88,897,508</u>	<u>76,909,665</u>
Non-controlling interests		(917,380)	512,081	515,220
Total equity		<u>85,458,691</u>	<u>89,409,589</u>	<u>77,424,885</u>
Total equity and liabilities		<u>181,374,642</u>	<u>198,136,271</u>	<u>197,284,615</u>

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

STATEMENT OF FINANCIAL POSITION

As at 31 January 2013

	Note	2013 RM	Group 2012 RM	2011 RM
Assets				
Non-current assets				
Property, plant and equipment	13	17,113,242	17,742,280	17,936,913
Investment in subsidiaries	15	28,957,878	28,957,878	28,957,878
		<u>46,071,120</u>	<u>46,700,158</u>	<u>46,894,791</u>
Current assets				
Trade and other receivables	18	14,070,427	14,807,654	6,175,888
Other current assets	19	313,868	131,056	206,534
Dividend receivable		10,132,000	16,882,000	16,532,000
Cash and bank balances	20	528,532	509,755	104,402
		<u>25,044,827</u>	<u>32,330,465</u>	<u>23,018,824</u>
Total assets		<u>71,115,947</u>	<u>79,030,623</u>	<u>69,913,615</u>
Equity and liabilities				
Current liabilities				
Retirement benefit obligations	21(a)	45,381	2,499	118,253
Trade and other payables	26	30,383,715	26,142,936	9,029,599
Loans and borrowings	23	7,723,384	5,492,963	13,190,789
		<u>38,152,480</u>	<u>31,638,398</u>	<u>22,338,641</u>
Net current assets		<u>(13,107,653)</u>	<u>692,067</u>	<u>680,183</u>
Non-current liabilities				
Retirement benefit obligations	21(a)	898,513	785,769	674,241
Provision	22	521,282	2,467,580	4,890,798
Loans and borrowings	23	1,188,551	2,998,603	1,892,592
Deferred tax liabilities	25	–	–	–
		<u>2,608,346</u>	<u>6,251,952</u>	<u>7,457,631</u>
Total liabilities		<u>40,760,826</u>	<u>37,890,350</u>	<u>29,796,272</u>
Net assets		<u>30,355,121</u>	<u>41,140,273</u>	<u>40,117,343</u>
Equity attributable to owners of the parent				
Share capital	27	72,775,737	72,775,737	72,775,737
Share premium		2,200,126	2,200,126	2,200,126
Accumulated losses		(44,620,742)	(33,835,590)	(34,858,520)
Total equity		<u>30,355,121</u>	<u>41,140,273</u>	<u>40,117,343</u>
Total equity and liabilities		<u>71,115,947</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 2013

Note	← Attributable to owners of the parent →			Total RM	Non- controlling interests RM	Total equity RM
	← Non-distributable Share capital RM	Share premium RM	Distributable Retained profit RM			
At 1 February 2011	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)
At 31 January 2012	72,775,737	2,200,126	13,921,645	88,897,508	512,081	89,409,589
At 1 February 2012	72,775,737	2,200,126	13,921,645	88,897,508	512,081	89,409,589
Total comprehensive income for the year	–	–	13,489,226	13,489,226	(1,429,461)	12,059,765
Dividends on ordinary shares	12	–	(16,010,663)	(16,010,663)	–	(16,010,663)
At 31 January 2013	72,775,737	2,200,126	11,400,208	86,376,071	(917,380)	85,458,691

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 2013

	← Non-distributable →			
	Share capital	Share premium	Accumulated losses	Total
Note	RM	RM	RM	RM
At 1 February 2011	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	–	–	(10,043,052)	(10,043,052)
At 31 January 2012	72,775,737	2,200,126	(33,835,590)	41,140,273
At 1 February 2012	72,775,737	2,200,126	(33,835,590)	41,140,273
Total comprehensive income for the year	–	–	5,225,511	5,225,511
Dividends on ordinary shares	–	–	(16,010,663)	(16,010,663)
At 31 January 2013	72,775,737	2,200,126	(44,620,742)	30,355,121

STATEMENTS OF CASH FLOWS

For the year ended 31 January 2013

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Operating activities				
Profit before tax	17,380,495	28,939,272	5,225,511	11,065,982
Adjustments for:				
Depreciation of property, plant and equipment	13,037,926	12,156,765	851,631	845,614
Property, plant and equipment written off	25,662	334,554	–	39,029
Amortisation of development expenditure	1,412,246	829,291	–	–
Short term accumulating absences	15,064	(1,549)	16,133	2,692
Interest income	(447,461)	(513,356)	(64,122)	(261,285)
Bad debts written off	–	1,026,855	–	–
Impairment loss on financial assets:				
Trade receivables	–	17,629	–	–
Other receivables	–	–	3,614,786	4,254,316
Write back of corporate guarantee	–	–	(1,946,298)	(2,423,218)
Net unrealised loss on foreign exchange	401,133	87,128	–	–
Increase in liability for defined benefit plan	566,979	364,416	216,004	54,147
Loss on disposal of property, plant and equipment	291,195	19,274	311,565	–
Dividend income	–	–	(8,700,000)	(14,250,000)
Write down of inventories	1,222,234	2,824,803	–	–
Interest expense	2,648,033	3,389,426	641,725	802,574
Development expenditure written off	–	31,190	–	–
Operating profit before working capital changes	36,553,506	49,505,698	166,935	129,851
Increase in inventories	(2,706,040)	(3,443,203)	–	–
Increase in trade and other receivables	(1,021,565)	(3,451,053)	(2,877,559)	(12,886,082)
Decrease/(increase) in other current assets	10,092	1,012,080	(182,812)	75,478
(Decrease)/increase in trade and other payables	(6,385,931)	(4,884,695)	4,224,646	17,110,645
Cash generated from operations	26,450,062	38,738,827	1,331,210	4,429,892

STATEMENTS OF CASH FLOWS (CONTINUED)

For the year ended 31 January 2013

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Operating activities (continued)				
Interest paid	(2,648,033)	(3,389,426)	(641,725)	(802,574)
Taxes paid	(5,900,035)	(6,494,618)	–	–
Retirement benefits paid	(115,484)	(112,997)	(60,378)	(58,373)
Net cash generated from operating activities	<u>17,786,510</u>	<u>28,741,786</u>	<u>629,107</u>	<u>3,568,945</u>
Investing activities				
Dividend received	–	–	15,450,000	13,900,000
Purchase of property, plant and equipment	(5,463,982)	(13,384,410)	(376,229)	(411,954)
Interest received	447,461	513,356	64,122	261,285
Proceeds from disposal of property, plant and equipment	95,400	745,617	75,000	–
Development expenditure incurred	(814,956)	(757,969)	–	–
Net cash (used in)/generated from investing activities	<u>(5,736,077)</u>	<u>(12,883,406)</u>	<u>15,212,893</u>	<u>13,749,331</u>
Financing activities				
Net (repayment)/drawdown of term loans	(3,747,981)	1,032,170	(1,333,344)	(3,104,533)
Net (repayment)/drawdown of short term borrowings	(1,646,990)	(7,618,525)	2,300,000	(3,250,000)
Net repayment of hire purchase and lease financing	(1,289,935)	(1,082,067)	(779,216)	(515,338)
Dividends on ordinary shares	(16,010,663)	(10,043,052)	(16,010,663)	(10,043,052)
Net cash used in financing activities	<u>(22,695,569)</u>	<u>(17,711,474)</u>	<u>(15,823,223)</u>	<u>(16,912,923)</u>
Net (decrease)/increase in cash and cash equivalents	<u>(10,645,136)</u>	<u>(1,853,094)</u>	<u>18,777</u>	<u>405,353</u>
Cash and cash equivalents at beginning of year	<u>20,018,502</u>	<u>21,871,596</u>	<u>509,755</u>	<u>104,402</u>
Cash and cash equivalents at end of year (Note 20)	<u>9,373,366</u>	<u>20,018,502</u>	<u>528,532</u>	<u>509,755</u>

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

NOTES TO THE FINANCIAL STATEMENTS

31 January 2013

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 of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) as issued by Malaysian Accounting Standards Board (“MASB”), International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board, and the Companies Act, 1965 in Malaysia.

For all periods up to and including the year ended 31 January 2012, Group and the Company prepared its financial statements in accordance with Financial Reporting Standards (“FRS”) in Malaysia. The financial statements for the year ended 31 January 2013 are the first set of financial statements prepared by the Group and the Company in accordance with MFRS. Note 2.2 sets out more information on the adoption of MFRS by the Group and the Company.

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 First-time adoption of MFRS

The financial statements for the year ended 31 January 2013 are the first set of financial statements prepared by the Group and the Company in accordance with MFRS and *MFRS 1: First-time Adoption of MFRS*. For periods up to and including the year ended 31 January 2012, the Group and the Company prepared financial statements in accordance with FRS.

Accordingly, the Group and the Company have prepared financial statements which comply with MFRS applicable for periods ending on or after 31 January 2013, together with the comparative period data as at and for the year ended 31 January 2012, as described in the accounting policies. In preparing these financial statements, the Group’s and the Company’s opening statement of financial position was prepared as at 1 February 2011, the Group’s and the Company’s date of transition to MFRS. The transition from FRS to MFRS has not had a material impact on the Group’s and the Company’s statements of financial position, statements of comprehensive income and statements of cash flows.

The Group has elected to apply the following exemptions from retrospective application:

(i) Business combinations

MFRS 3: Business Combinations has not been applied to acquisitions of subsidiaries, which are considered businesses for MFRS, or of interests in joint ventures that occurred before 1 January 2012. Use of this exemption means that the carrying amounts of assets and liabilities under FRS, which are required to be recognised under MFRS, is their deemed cost at the date of the acquisition.

(ii) Borrowing costs

MFRS 123: Borrowing Costs has not been applied for capitalisation of borrowing costs relating to qualifying assets incurred before 1 January 2012. Use of this exemptions means that the borrowing costs relating to qualifying assets is recognised as expenses before the effective date of FRS 123.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 January 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

Description	Effective for annual period beginning on or after
MFRS 101 Presentation of Items of Other Comprehensive Income (Amendments to MFRS 101)	1 July 2012
Amendments to MFRS 101: Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)	1 January 2013
MFRS 3 Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)	1 January 2013
MFRS 11 Joint Arrangements	1 January 2013
MFRS 12 Disclosure of interests in Other Entities	1 January 2013
MFRS 13 Fair Value Measurement	1 January 2013
MFRS 119 Employee Benefits	1 January 2013
MFRS 127 Separate Financial Statements	1 January 2013
MFRS 128 Investment in Associate and Joint Ventures	1 January 2013
MFRS 127 Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)	1 January 2013
Amendment to IC Interpretation 2 Members' Shares in Co-operative Entities and Similar Instruments (Annual Improvements 2009-2011 Cycle)	1 January 2013
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to MFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards – Government Loans	1 January 2013
Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards – (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 116: Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 132: Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 134: Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)	1 January 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective (continued)

Description	Effective for annual period beginning on or after
Amendments to MFRS 10: Consolidated Financial Statements: Transition Guidance	1 January 2013
Amendments to MFRS 11: Joint Arrangements: Transition Guidance	1 January 2013
Amendments to MFRS 12: Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities	1 January 2014
MFRS 9 Financial Instruments	1 January 2015

The directors expect the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application except as discussed below:

MFRS 10 Consolidated Financial Statements

MFRS 10 replaces part of MFRS 127 Consolidated and Separate Financial Statements that deals with consolidated financial statements and IC Interpretation 112 Consolidation – Special Purpose Entities.

Under MFRS 10, an investor controls an investee when (a) the investor has power over an investee, (b) the investor has exposure, or rights, to variable returns from its involvement with the investee, and (c) the investor has ability to use its power over the investee to affect the amount of the investor's returns. Under MFRS 127 Consolidated and Separate Financial Statements, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

MFRS 10 includes detailed guidance to explain when an investor has control over the investee. MFRS 10 requires the investor to take into account all relevant facts and circumstances.

MFRS 12 Disclosures of Interests in Other Entities

MFRS 12 includes all disclosure requirements for interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are required. This standard affects disclosures only and has no impact on the Group's financial position or performance.

MFRS 127 Separate Financial Statements

As a consequence of the new MFRS 10 and MFRS 12, MFRS 127 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements.

Amendments to MFRS 101: Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)

The amendments to MFRS 101 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the Group's financial position and performance.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 January 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective (continued)

MFRS 119 Employee Benefits

The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the “corridor approach” as permitted under the previous version of MFRS 119 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

The amendments to MFRS 119 require retrospective application with certain exceptions. The directors anticipate that the application of the amendments to MFRS 119 may have impact on amounts reported in respect of the Group’s defined benefit plans.

MFRS 9 Financial Instruments: Classification and Measurement

MFRS 9 reflects the first phase of the work on the replacement of MFRS 139 Financial Instruments: Recognition and Measurement and applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139 Financial Instruments: Recognition and Measurement. The adoption of the first phase of MFRS 9 will have an effect on the classification and measurement of the Group’s financial assets. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

The Group is currently assessing the impact that this above standards will have on the financial position and performance of the Group.

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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Transactions with non-controlling interests

Non-controlling 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 non-controlling interests are accounted for using the entity concept method, whereby, transactions with non-controlling interests are accounted for as transactions with owners. On acquisition of non-controlling 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 non-controlling 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.

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 Company 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 and the Company 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 January 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Property, plant and equipment and depreciation (continued)

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 equipments, renovation, 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) Intangible asset - Development expenditure

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 and the Company 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 and the Company 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")).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 January 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Impairment of non-financial assets (continued)

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.

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 Associate

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 associate are accounted for using the equity method. Under the equity method, the investment in associate is measured in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to associate 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 associate 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 associate 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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 January 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Impairment of financial assets (continued)

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

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 bank balances

Cash and bank balances 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.

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 and the Company 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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 MFRS 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.

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 and the Company 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 and the Company, 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 January 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**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.

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 and the Company 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Employee benefits (continued)

(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.

2.22 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 Company 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 January 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.23 Revenue (continued)****(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 and the Company'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.

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 and associate, 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Income taxes (continued)

(b) Deferred tax (continued)

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 and associate, 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.

2.25 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 January 2013

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 Note 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 Note 13.

(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 RM7,019,000 (2012: RM7,571,000) and RM93,700 (2012: RM185,000) respectively. The unrecognised tax losses, capital allowances, reinvestment allowances and provisions of the Group and of the Company were approximately RM94,325,000 (2012: RM95,345,000) and RM26,309,000 (2012: RM27,527,000) 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	
	2013 RM	2012 RM	2013 RM	2012 RM
Sales of goods	265,650,077	284,844,191	–	–
Management fees from subsidiaries	–	–	19,954,116	17,297,558
Dividends from subsidiaries	–	–	8,700,000	14,250,000
	<u>265,650,077</u>	<u>284,844,191</u>	<u>28,654,116</u>	<u>31,547,558</u>

5. OTHER INCOME

Included in other income are:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Rental income	263,290	350,699	1,657,193	1,646,079
Interest income from:				
Deposits	447,461	513,356	–	–
Subsidiaries	–	–	64,122	261,285
Gain on disposal of property, plant and equipment	–	54,468	–	–
Income from sales of scrap	2,131,579	2,200,780	–	–
Foreign exchange gain				
- Unrealised	45,556	42,519	–	–
- Realised	216,035	21,001	–	216
Reversal of doubtful debts	2,699	–	261,072	880,106
	<u>2,699</u>	<u>–</u>	<u>261,072</u>	<u>880,106</u>

6. FINANCE COSTS

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Interests expense on:				
Term loans	1,273,230	1,423,919	125,202	227,443
Overdrafts	119,718	212,685	7,541	9,674
Revolving credit	703,678	874,523	399,886	383,612
Obligations under finance lease	116,821	154,330	68,659	85,977
Bankers' acceptances	164,775	369,979	–	–
Letter of credits	143,393	194,381	–	–
Advances from subsidiaries	–	–	10,316	74,909
Others	126,418	159,609	30,121	20,959
	<u>2,648,033</u>	<u>3,389,426</u>	<u>641,725</u>	<u>802,574</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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7. PROFIT BEFORE TAX

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

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Employee benefits expense (Note 8)	33,682,482	33,509,344	11,800,401	11,360,234
Non-executive directors' remuneration (Note 9)	366,866	413,209	366,866	413,209
Amortisation of development expenditure	1,412,246	829,291	–	–
Auditors' remuneration				
- Statutory audit	131,000	124,000	31,800	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	13,037,926	12,156,765	851,631	845,614
Foreign exchange loss				
- Unrealised	446,689	129,647	–	–
- Realised	268,660	190,136	2	–
Development expenditure written off	–	31,190	–	–
Write down of inventories	1,222,234	2,824,803	–	–
Bad debts written off	–	1,026,855	–	–
Property, plant and equipment written off	25,662	334,554	–	39,029
Loss on disposal of property, plant and equipment	291,195	73,742	311,565	–
Write back of corporate guarantee	–	–	(1,946,298)	(2,423,218)
Impairment loss on financial assets:				
- Trade receivables	–	17,629	–	–
- Other receivables	–	–	3,614,786	4,254,316
Rental expense:				
- Premises	319,060	485,285	1,267,158	1,273,572
- Motor vehicles	369	–	18,691	12,771
- Equipments	190,454	65,541	32,254	34,416

8. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Wages and salaries	24,856,225	25,297,209	8,357,655	8,567,179
Social security contribution	251,730	252,796	57,191	52,808
Contributions to defined contribution plan	2,535,959	2,414,800	1,021,505	954,272
Increase in liability for defined benefit plan (Note 21(a))	566,979	364,416	216,004	54,147
Short term accumulating compensated absences	15,064	(1,549)	16,133	2,692
Other benefits	5,456,525	5,181,672	2,131,913	1,729,136
	<u>33,682,482</u>	<u>33,509,344</u>	<u>11,800,401</u>	<u>11,360,234</u>

Included in employee benefits expense of the Group and of the Company are remuneration of an executive director of the Company amounting to RM1,450,400 (2012: RM724,360) and RM1,450,400 (2012: RM724,360) respectively as further disclosed in Note 9.

9. DIRECTORS' REMUNERATION

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Directors of the Company				
Executive:				
Salaries and other emoluments	1,085,000	457,900	1,085,000	457,900
Bonus	210,000	192,600	210,000	192,600
Contributions to defined contribution plan	155,400	73,860	155,400	73,860
Benefits-in-kind	15,533	32,200	15,533	32,200
	<u>1,465,933</u>	<u>756,560</u>	<u>1,465,933</u>	<u>756,560</u>
Non-Executive:				
Fees	277,366	358,709	277,366	358,709
Other emoluments	89,500	54,500	89,500	54,500
	<u>366,866</u>	<u>413,209</u>	<u>366,866</u>	<u>413,209</u>
	<u>1,832,799</u>	<u>1,169,769</u>	<u>1,832,799</u>	<u>1,169,769</u>
Analysis excluding benefits-in-kind:				
Total executive director's remuneration, excluding benefits-in-kind (Note 8)	1,450,400	724,360	1,450,400	724,360
Total non-executive directors' remuneration, excluding benefits-in-kind (Note 7)	366,866	413,209	366,866	413,209
Total directors' remuneration excluding benefits-in-kind	<u>1,817,266</u>	<u>1,137,569</u>	<u>1,817,266</u>	<u>1,137,569</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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	
	2013	2012
Executive directors:		
RM1,450,001 - RM1,500,000	1	–
RM750,001 - RM800,000	–	1
Non-executive directors:		
RM50,001 - RM100,000	4	3
Below RM50,000	3	5

10. TAXATIONMajor components of income tax expense

Major components of income tax expense for the years ended 31 January 2013 and 2012 are:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Statement of comprehensive income:				
Current income tax:				
Malaysia income tax	5,999,617	6,511,326	–	–
Overprovision in prior years	(238,078)	(84,537)	–	–
	<u>5,761,539</u>	<u>6,426,789</u>	<u>–</u>	<u>–</u>
Deferred tax (Note 25):				
Relating to origination and reversal of temporary differences	(13,415)	492,083	–	–
Overprovision in prior years	(427,394)	(7,356)	–	–
	<u>(440,809)</u>	<u>484,727</u>	<u>–</u>	<u>–</u>
	<u>5,320,730</u>	<u>6,911,516</u>	<u>–</u>	<u>–</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2012: 25%) of the estimated assessable profit for the year.

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 2013 and 2012 are as follows:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Profit before tax	17,380,495	28,939,272	5,225,511	11,065,982
Tax at Malaysian statutory tax rate of 25% (2012: 25%)	4,345,124	7,234,818	1,306,378	2,766,496
Income not subject to tax	–	–	(2,175,000)	(3,562,500)
Expenses not deductible for tax purposes	985,841	670,434	994,280	1,203,844
Utilisation of reinvestment allowances	(522,522)	(1,436,922)	–	–
Deferred tax assets not recognised during the year	1,179,222	867,724	–	–
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(1,463)	(332,645)	(125,658)	(407,840)
Overprovision of deferred tax expense in prior years	(427,394)	(7,356)	–	–
Overprovision of income tax expense in prior years	(238,078)	(84,537)	–	–
	<u>5,320,730</u>	<u>6,911,516</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.

	2013 RM	2012 RM
Profit net of tax attributable to owners of the parent	13,489,226	22,030,895
Weighted average number of ordinary shares in issue	72,775,737	72,775,737
Basic earnings per share (sen)	<u>18.54</u>	<u>30.27</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 January 2013

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.

	2013 RM	2012 RM
Profit net of tax attributable to owners of the parent	13,489,226	22,030,895
Weighted average number of ordinary shares in issue	72,775,737	72,775,737
Effect of dilution:		
Share options	–	–
Adjusted weighted average number of ordinary shares in issue and issuable	72,775,737	72,775,737
Diluted earnings per share (sen)	18.54	30.27

12. DIVIDENDS

	Amount		Net dividends per share	
	2013 RM	2012 RM	2013 Sen	2012 Sen
Recognised during the year:				
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	–	10,043,052	–	14
Final tax exempt dividend for 31 January 2012 of 15.0% on 72,775,737 ordinary shares approved by shareholders on 17 July 2012 and paid on 9 August 2012	10,916,361	–	15	–
Interim tax exempt dividend for 31 January 2013 of 7.0% on 72,775,737 ordinary shares declared on 26 September 2012 and paid on 30 October 2012	5,094,302	–	7	–
	<u>16,010,663</u>	<u>10,043,052</u>	<u>22</u>	<u>14</u>

13. PROPERTY, PLANT AND EQUIPMENT

	Long term leasehold land RM	Buildings RM	Plant, machinery, electrical installation, factory equipment and application tools RM	Furniture, fixtures, office equipments, renovation, computers and motor vehicles RM	Total RM
Group					
At 31 January 2013					
Costs					
At 1 February 2012	24,454,624	23,707,192	205,861,149	12,328,058	266,351,023
Additions	–	–	4,571,268	1,177,281	5,748,549
Disposals	–	–	(89,246)	(741,921)	(831,167)
Write offs	–	–	(379,153)	(124,964)	(504,117)
At 31 January 2013	24,454,624	23,707,192	209,964,018	12,638,454	270,764,288
Accumulated depreciation and impairment					
At 1 February 2012	2,949,152	8,997,125	150,200,197	8,083,328	170,229,802
Depreciation charge for the year	249,588	461,318	11,042,102	1,284,918	13,037,926
Disposals	–	–	(89,246)	(355,326)	(444,572)
Write offs	–	–	(354,991)	(123,464)	(478,455)
At 31 January 2013	3,198,740	9,458,443	160,798,062	8,889,456	182,344,701
Analysed as:					
Accumulated depreciation	3,198,740	7,273,802	125,843,914	8,713,440	145,029,896
Accumulated impairment losses	–	2,184,641	34,954,148	176,016	37,314,805
	3,198,740	9,458,443	160,798,062	8,889,456	182,344,701
Net carrying amount	21,255,884	14,248,749	49,165,956	3,748,998	88,419,587

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 January 2013

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, office equipments, renovation, computers and motor vehicles RM	Total RM
Group (continued)					
At 31 January 2012					
Costs					
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	24,454,624	23,707,192	205,861,149	12,328,058	266,351,023
Accumulated depreciation and impairment					
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	2,949,152	8,997,125	150,200,197	8,083,328	170,229,802
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
	2,949,152	8,997,125	150,200,197	8,083,328	170,229,802
Net carrying amount	21,505,472	14,710,067	55,660,952	4,244,730	96,121,221

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Long term leasehold land RM	Building RM	Plant, machinery, and factory equipment RM	Furniture, fixtures, office equipments, renovation, computers and motor vehicles RM	Total RM
Company					
At 31 January 2013					
Cost					
At 1 February 2012	16,571,044	2,265,637	11,281	5,151,170	23,999,132
Additions	–	–	–	602,458	602,458
Transfer from subsidiary	–	–	–	6,700	6,700
Disposal	–	–	–	(702,845)	(702,845)
Write offs	–	–	–	(1,500)	(1,500)
At 31 January 2013	16,571,044	2,265,637	11,281	5,055,983	23,903,945
Accumulated depreciation and impairment					
At 1 February 2012	1,899,397	1,445,675	3,780	2,908,000	6,256,852
Charge for the year	168,935	24,772	236	656,404	850,347
Transfer from subsidiary	–	–	–	1,284	1,284
Disposal	–	–	–	(316,280)	(316,280)
Write offs	–	–	–	(1,500)	(1,500)
At 31 January 2013	2,068,332	1,470,447	4,016	3,247,908	6,790,703
Analysed as:					
Accumulated depreciation	2,068,332	718,939	4,016	3,247,908	6,039,195
Accumulated impairment loss	–	751,508	–	–	751,508
	2,068,332	1,470,447	4,016	3,247,908	6,790,703
Net carrying amount	14,502,712	795,190	7,265	1,808,075	17,113,242

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Long term leasehold land RM	Building RM	Plant, machinery, and factory equipment RM	Furniture, fixtures, office equipments, renovation, computers and motor vehicles RM	Total RM
Company (continued)					
At 31 January 2012					
Cost					
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	16,571,044	2,265,637	11,281	5,151,170	23,999,132
Accumulated depreciation and impairment					
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	1,899,397	1,445,675	3,780	2,908,000	6,256,852
Analysed as:					
Accumulated depreciation	1,899,397	694,167	3,780	2,908,000	5,505,344
Accumulated impairment loss	–	751,508	–	–	751,508
	1,899,397	1,445,675	3,780	2,908,000	6,256,852
Net carrying amount	14,671,647	819,962	7,501	2,243,170	17,742,280

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 RM5,748,549 (2012: RM13,818,677) and RM602,458 (2012: RM690,010) respectively, of which RM284,567 (2012: RM434,267) and RM232,929 (2012: RM278,056) 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	
	2013 RM	2012 RM	2013 RM	2012 RM
Factory equipments and machineries	1,150,806	1,258,097	–	–
Motor vehicles	1,327,554	2,053,559	965,731	1,562,124
	<u>2,478,360</u>	<u>3,311,656</u>	<u>965,731</u>	<u>1,562,124</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	
	2013 RM	2012 RM	2013 RM	2012 RM
Leasehold land	1,504,629	1,520,909	–	–
Plant and machineries	32,953,829	33,651,870	–	–
	<u>34,458,458</u>	<u>35,172,779</u>	<u>–</u>	<u>–</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	
	2013 RM	2012 RM	2013 RM	2012 RM
Plant, machinery, electrical installation, factory equipment and application tools	63,756,377	55,506,061	–	–
Furniture, fixtures, office equipments, renovation, computers and motor vehicles	6,229,392	5,781,332	1,435,926	1,205,878

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 January 2013

14. DEVELOPMENT EXPENDITURE

	Group	
	2013 RM	2012 RM
Cost		
At beginning of year	4,677,956	6,862,707
Incurred during the year	814,956	757,969
Written off	–	(31,190)
Adjustment for completed projects	(1,419,975)	(2,911,530)
At end of year	<u>4,072,937</u>	<u>4,677,956</u>
Accumulated amortisation		
At beginning of year	1,457,656	3,539,895
Amortisation	1,412,246	829,291
Adjustment for completed projects	(1,419,975)	(2,911,530)
At end of year	<u>1,449,927</u>	<u>1,457,656</u>
Net carrying amount	<u>2,623,010</u>	<u>3,220,300</u>

15. INVESTMENT IN SUBSIDIARIES

	Company	
	2013 RM	2012 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>

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	
		2013 %	2012 %
Held by the Company			
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

15. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Equity interest held	
		2013 %	2012 %
Held by the Company (continued)			
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
Held by International Autoparts Sdn. Bhd.			
Awaltek Sdn. Bhd.	Dormant	100	100

16. INVESTMENT IN AN ASSOCIATE

	Group	
	2013 RM	2012 RM
Unquoted shares, at cost	300,000	300,000
Share of post-acquisition loss	(300,000)	(300,000)
	—	—

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 January 2013

16. INVESTMENT IN AN ASSOCIATE (CONTINUED)

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

Name of associate	Principal activities	Group's effective interest	
		2013 %	2012 %
Ciri Tegap Sdn. Bhd.*	Dormant	33	33

* Audited by a firm of auditor other than Ernst & Young

17. INVENTORIES

	Group	
	2013 RM	2012 RM
At cost:		
Materials and component parts	13,109,893	13,027,887
Work-in-progress	1,746,679	1,241,479
Finished goods	6,250,372	5,324,460
Spares and tools	5,285,224	5,358,752
Consumables	254,350	210,134
	<u>26,646,518</u>	<u>25,162,712</u>

During the year, the amount of inventories recognised as an expense in cost of sales of the Group was RM147,865,649 (2012: RM164,070,126).

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Trade receivables				
Third parties	48,069,010	46,278,180	–	–
Less: Allowance for impairment third parties	(78,420)	(81,119)	–	–
Trade receivables, net	<u>47,990,590</u>	<u>46,197,061</u>	<u>–</u>	<u>–</u>

18. TRADE AND OTHER RECEIVABLES (CONTINUED)

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Other receivables				
Amounts due from subsidiaries	–	–	50,191,389	47,789,942
Amounts due from related companies	56,650	56,650	–	–
Amounts due from affiliate	5,816,770	5,816,770	–	–
Refundable deposits	527,256	331,919	277,607	81,044
Other receivables	2,565,870	3,533,171	54,989	36,512
	<u>8,966,546</u>	<u>9,738,510</u>	<u>50,523,985</u>	<u>47,907,498</u>
Less: Allowance for impairment				
Amounts due from subsidiaries	–	–	(36,453,558)	(33,099,844)
Amounts due from related companies	(56,650)	(56,650)	–	–
Amounts due from affiliate	(5,816,770)	(5,816,770)	–	–
Refundable deposits	(7,090)	(7,090)	–	–
Other receivables	(598,727)	(598,727)	–	–
	<u>(6,479,237)</u>	<u>(6,479,237)</u>	<u>(36,453,558)</u>	<u>(33,099,844)</u>
Other receivables, net	<u>2,487,309</u>	<u>3,259,273</u>	<u>14,070,427</u>	<u>14,807,654</u>
Total trade and other receivables	<u>50,477,899</u>	<u>49,456,334</u>	<u>14,070,427</u>	<u>14,807,654</u>
Total trade and other receivables	50,477,899	49,456,334	14,070,427	14,807,654
Less: Refundable deposits net of impairment	(520,166)	(324,829)	(277,607)	(81,044)
Add: Cash and bank balances (Note 20)	10,066,376	20,915,172	528,532	509,755
Total loans and receivables	<u>60,024,109</u>	<u>70,046,677</u>	<u>14,321,352</u>	<u>15,236,365</u>

(a) Trade receivables

Trade receivables are non-interest bearing and the Group's normal trade credit terms range from 30 to 90 (2012: 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 January 2013

18. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables (continued)

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	2013 RM	Group	2012 RM
Neither past due nor impaired	42,906,827		43,613,361
1 to 30 days past due not impaired	4,792,534		1,510,101
31 to 60 days past due not impaired	122,729		177,849
61 to 90 days past due not impaired	168,500		895,750
	5,083,763		2,583,700
Impaired	78,420		81,119
	<u>48,069,010</u>		<u>46,278,180</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 RM5,083,763 (2012: RM2,583,700) 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.

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:

	2013 RM	Group	2012 RM
Trade receivables:			
Nominal value	78,420		81,119
Less: Allowance for impairment:			
- individually impaired	(78,420)		(81,119)
	<u>—</u>		<u>—</u>

18. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables (continued)

Receivables that are impaired (continued)

Movement in allowance accounts:

	Group	
	2013 RM	2012 RM
At 1 February	81,119	63,490
Charge for the year (Note 7)	–	17,629
Reversal of doubtful debts	(2,699)	–
At 31 January	<u>78,420</u>	<u>81,119</u>

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	
	2013 RM	2012 RM	2013 RM	2012 RM
Other receivables:				
Nominal value	6,479,237	6,479,237	36,453,558	33,099,844
Less: Allowance for impairment	(6,479,237)	(6,479,237)	(36,453,558)	(33,099,844)
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Movement in allowance accounts:				
	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
At the beginning of year	6,479,237	6,920,624	33,099,844	29,725,634
Charge for the year (Note 7)	–	–	3,614,786	4,254,316
Written off	–	(441,387)	–	–
Reversal of doubtful debts	–	–	(261,072)	(880,106)
At the end of year	<u>6,479,237</u>	<u>6,479,237</u>	<u>36,453,558</u>	<u>33,099,844</u>

Other receivables that are impaired

At the reporting date, the Group and the Company have provided an allowance of RM6,479,237 (2012: RM6,479,237) and RM36,453,558 (2012: RM33,099,844) respectively. These mainly relate to balances due from related parties which have been significantly long outstanding.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 January 2013

18. TRADE AND OTHER RECEIVABLES (CONTINUED)**(c) Related companies and affiliate 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 and Sapura-Schulz Hydroforming Sdn. Bhd.

The amounts due from related companies are unsecured, non-interest bearing and are repayable upon demand, except for an amount due from subsidiaries of RM2,464,914 (2012: RM521,014) which attract interest rate of 4.65% (2012: 4.64%) 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 (2012: 2) groups of debtors representing 87% (2012: 94%) of the total net trade receivables.

19. OTHER CURRENT ASSETS

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Prepayments	2,771,017	2,781,109	313,868	131,056

20. CASH AND BANK BALANCES

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Cash on hand and at banks	7,054,062	4,961,272	528,532	509,755
Deposits with licensed banks	3,012,314	15,953,900	–	–
Cash and bank balances	10,066,376	20,915,172	528,532	509,755
Less: Bank overdrafts (Note 23)	(693,010)	(896,670)	–	–
Cash and cash equivalents	9,373,366	20,018,502	528,532	509,755

The weighted average effective interest rates and average maturities of deposits with licensed banks of the Group were 3.02% (2012: 2.83%) per annum and 30 days (2012: 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 2013 until 2015. Under the Scheme, eligible employees are entitled to retirement benefits on attainment of the retirement age.

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

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Present value of unfunded defined benefit obligations, representing net liabilities	3,188,230	2,736,735	943,894	788,268
Analysed as:				
Current	85,711	41,624	45,381	2,499
Non-current	3,102,519	2,695,111	898,513	785,769
	<u>3,188,230</u>	<u>2,736,735</u>	<u>943,894</u>	<u>788,268</u>

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

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Current service costs	372,685	221,037	149,029	33,090
Interest cost	194,294	143,379	66,975	21,057
Total, included in employee benefits expense (Note 8)	<u>566,979</u>	<u>364,416</u>	<u>216,004</u>	<u>54,147</u>

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

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
At beginning of year	2,736,735	2,485,316	788,268	792,494
Recognised in profit or loss	566,979	364,416	216,004	54,147
Benefits paid	(115,484)	(112,997)	(60,378)	(58,373)
At end of year	<u>3,188,230</u>	<u>2,736,735</u>	<u>943,894</u>	<u>788,268</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 January 2013

21. EMPLOYEE BENEFITS (CONTINUED)**(a) Retirement benefit obligations (continued)**

Principal actuarial assumptions used:

	2013 %	2012 %
Discount rate	5.1	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.
- (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.

21. EMPLOYEE BENEFITS (CONTINUED)

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

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	
	2013	2012
At the beginning of year	–	313,500
Expired during the year	–	(313,500)
At the end of year	–	–

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

22. PROVISION

Company:	Provision for corporate guarantee RM
At 1 February 2011	4,890,798
Unused amount reversed	(2,423,218)
At 1 February 2012	2,467,580
Unused amount reversed	(1,946,298)
At 31 January 2013	521,282

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 2013

23. LOANS AND BORROWINGS

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Current				
Secured:				
Bank overdrafts	693,010	896,670	–	–
Term loans	9,894,621	7,365,952	–	–
Obligations under finance leases (Note 24)	739,557	956,703	390,040	459,619
	<u>11,327,188</u>	<u>9,219,325</u>	<u>390,040</u>	<u>459,619</u>
Unsecured:				
Bankers' acceptances	9,478,524	10,425,514	–	–
Revolving credits	11,000,000	11,700,000	6,000,000	3,700,000
Term loan	1,333,344	1,333,344	1,333,344	1,333,344
	<u>21,811,868</u>	<u>23,458,858</u>	<u>7,333,344</u>	<u>5,033,344</u>
	<u>33,139,056</u>	<u>32,678,183</u>	<u>7,723,384</u>	<u>5,492,963</u>
Non-current				
Secured:				
Term loans	13,082,844	18,026,150	–	–
Obligations under finance leases (Note 24)	712,835	1,501,057	521,911	998,619
	<u>13,795,679</u>	<u>19,527,207</u>	<u>521,911</u>	<u>998,619</u>
Unsecured:				
Term loan	666,640	1,999,984	666,640	1,999,984
	<u>14,462,319</u>	<u>21,527,191</u>	<u>1,188,551</u>	<u>2,998,603</u>
Total				
Bank overdrafts (Note 20)	693,010	896,670	–	–
Revolving credits	11,000,000	11,700,000	6,000,000	3,700,000
Bankers' acceptances	9,478,524	10,425,514	–	–
Term loans	24,977,449	28,725,430	1,999,984	3,333,328
Obligations under finance leases	1,452,392	2,457,760	911,951	1,458,238
	<u>47,601,375</u>	<u>54,205,374</u>	<u>8,911,935</u>	<u>8,491,566</u>

23. LOANS AND BORROWINGS (CONTINUED)

The remaining maturities of the loans and borrowings as at 31 January 2013 are as follows:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Within 1 year	33,121,676	32,678,183	7,723,384	5,492,963
More than 1 year and less than 2 years	7,402,718	12,186,783	903,947	1,815,581
More than 2 years and less than 5 years	7,076,981	9,340,408	284,604	1,183,022
	<u>47,601,375</u>	<u>54,205,374</u>	<u>8,911,935</u>	<u>8,491,566</u>

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

	Group		Company	
	2013 %	2012 %	2013 %	2012 %
Bank overdrafts	8.71	8.21	–	–
Revolving credits	4.85	4.60	4.63	4.50
Bankers' acceptances	2.37	3.99	–	–
Term loans	4.71	4.45	4.65	4.64

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 and certain plant and machinery of the Group and/or the Company (Note 13(b)).

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

The Company has extended corporate guarantees amounting to RM108,834,500 (2012: RM107,434,500) as at the reporting date to banks and financial institutions for banking facilities granted to certain subsidiaries.

24. HIRE PURCHASE AND FINANCE LEASE LIABILITIES

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Minimum lease payments:				
Not later than 1 year	812,573	1,075,986	431,729	529,068
Later than 1 year and not later than 2 years	421,802	897,759	311,850	527,225
Later than 2 years and not later than 5 years	332,769	699,138	244,676	537,743
	<u>1,567,144</u>	<u>2,672,883</u>	<u>988,255</u>	<u>1,594,036</u>
Less: Finance charges	(114,752)	(215,123)	(76,304)	(135,798)
	<u>1,452,392</u>	<u>2,457,760</u>	<u>911,951</u>	<u>1,458,238</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 January 2013

24. HIRE PURCHASE AND FINANCE LEASE LIABILITIES (CONTINUED)

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Analysis of present value of finance lease liabilities:				
Not later than 1 year	739,557	956,703	390,040	459,619
Later than 1 year and not later than 2 years	399,856	829,415	291,022	482,237
Later than 2 years and not later than 5 years	312,979	671,642	230,889	516,382
	<u>1,452,392</u>	<u>2,457,760</u>	<u>911,951</u>	<u>1,458,238</u>
Less: Amount due within 12 months (Note 23)	(739,557)	(956,703)	(390,040)	(459,619)
	<u>712,835</u>	<u>1,501,057</u>	<u>521,911</u>	<u>998,619</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 effective interest rates during the year varying between 4.29% to 7.68% (2012: 4.29% to 7.68%) and 4.29% to 7.45% (2012: 4.29% to 7.45%) per annum respectively.

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

25. DEFERRED TAX

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
At the beginning of year	7,479,511	6,994,784	–	–
Recognised in profit or loss (Note 10)	(440,809)	484,727	–	–
	<u>7,038,702</u>	<u>7,479,511</u>	<u>–</u>	<u>–</u>
At the end of year				
Deferred tax assets of the Group:				
	Unutilised reinvestment and investment tax allowances RM	Unabsorbed capital allowances RM	Provisions RM	Total RM
At 1 February 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)
	<u>(1,117,943)</u>	<u>314,725</u>	<u>(1,089,427)</u>	<u>(1,892,645)</u>
At 31 January 2012	(1,117,943)	314,725	(1,089,427)	(1,892,645)
Recognised in profit or loss	612,810	(285,750)	(189,088)	137,972
	<u>(505,133)</u>	<u>28,975</u>	<u>(1,278,515)</u>	<u>(1,754,673)</u>
At 31 January 2013				

25. DEFERRED TAX (CONTINUED)

Deferred tax liabilities of the Group:

	Accelerated capital allowances RM	Development expenditure capitalised RM	Total RM
At 1 February 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
Recognised in profit or loss	(438,051)	(140,730)	(578,781)
At 31 January 2013	<u>8,124,070</u>	<u>669,305</u>	<u>8,793,375</u>

Deferred tax asset of the Company:

	Unabsorbed capital allowances RM
At 1 February 2011	(56,191)
Recognised in profit or loss	9,911
At 31 January 2012	(46,280)
Recognised in profit or loss	22,851
At 31 January 2013	<u>(23,429)</u>

Deferred tax liability of the Company:

	Accelerated capital allowances RM
At 1 February 2011	56,191
Recognised in profit or loss	(9,911)
At 31 January 2012	46,280
Recognised in profit or loss	(22,851)
At 31 January 2013	<u>23,429</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 January 2013

25. DEFERRED TAX (CONTINUED)**Deferred tax liability of the Company: (continued)**

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

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Unused tax losses	47,312,934	43,559,034	20,246,868	18,204,080
Unabsorbed capital allowances	38,711,265	38,301,959	2,979,912	2,664,848
Unabsorbed reinvestment and investment tax allowances	1,772,191	1,778,043	–	–
Other temporary differences	6,528,643	5,304,106	3,081,862	5,942,346
	<u>94,325,033</u>	<u>88,943,142</u>	<u>26,308,642</u>	<u>26,811,274</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	
	2013 RM	2012 RM	2013 RM	2012 RM
Trade payables - third parties	17,241,832	24,488,461	–	–
Other payables				
Accruals	325,281	132,145	1,200	1,776
Other payables	16,894,447	17,844,682	3,021,232	6,047,760
Amount due to subsidiaries	–	–	25,131,752	19,899,128
Amount due to related companies	2,248,785	214,791	2,229,531	194,272
	<u>24,768,959</u>	<u>27,873,289</u>	<u>30,383,715</u>	<u>26,142,936</u>
Total trade and other payables	<u>36,710,345</u>	<u>42,680,079</u>	<u>30,383,715</u>	<u>26,142,936</u>
Total trade and other payables	36,710,345	42,680,079	30,383,715	26,142,936
Add: Loans and borrowings (Note 23)	47,601,375	54,205,374	8,911,935	8,491,566
Total financial liabilities carried at amortised cost	<u>84,311,720</u>	<u>96,885,453</u>	<u>39,295,650</u>	<u>34,634,502</u>

26. TRADE AND OTHER PAYABLES (CONTINUED)

(a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 60 (2012: 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 (2012: 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.

27. SHARE CAPITAL

	Number of ordinary shares of RM1 each		Amount	
	2013	2012	2013 RM	2012 RM
Authorised	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>
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.

28. COMMITMENTS

(a) Capital commitments

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Capital expenditures				
Property, plant and equipment:				
Approved and contracted for	924,000	–	–	–
Approved but not contracted for	10,010,288	4,704,078	280,300	807,900
	<u>10,934,288</u>	<u>4,704,078</u>	<u>280,300</u>	<u>807,900</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 January 2013

28. COMMITMENTS (CONTINUED)**(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	
	2013 RM	2012 RM	2013 RM	2012 RM
Future minimum lease payables:				
Not later than 1 year	2,768,167	2,605,524	1,148,424	1,148,424
Later than 1 year and not later than 5 years	602,982	2,605,524	–	1,148,424
	<u>3,371,149</u>	<u>5,211,048</u>	<u>1,148,424</u>	<u>2,296,848</u>

29. 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	
	2013 RM	2012 RM	2013 RM	2012 RM
Holding company				
Corporate service fee	1,721,624	1,760,220	1,721,624	1,760,220
Subsidiaries				
Interest expense	–	–	10,316	74,909
Rental expense	–	–	1,189,030	1,273,572
Interest income	–	–	(64,122)	(261,285)
Management fees	–	–	(19,954,116)	(17,297,558)
Dividend income	–	–	(8,700,000)	(14,250,000)
Rental income	–	–	(1,470,977)	(1,453,873)

29. RELATED PARTY DISCLOSURES (CONTINUED)

(a) Significant related party transactions (continued)

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Companies within Sapura Holdings Sdn. Bhd. Group				
Sapura Resources Berhad				
- Rental expense	96,470	89,621	96,470	89,621

Information regarding outstanding balance arising from related party transactions as at 31 January 2013 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

Other than executive director's remuneration as disclosed in Note 9, the remuneration of other members of key management during the year was as follows:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Wages and salaries	3,985,159	3,467,915	3,494,026	3,012,676
Contributions to defined contribution plan	478,829	411,372	419,705	356,580
Benefits-in-kind	143,002	342,755	127,546	325,989
	4,606,990	4,222,042	4,041,277	3,695,245

30. 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 2013. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 January 2013

30. FINANCIAL INSTRUMENTS (CONTINUED)**(b) Interest rate risk (continued)**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 RM35,785 (2012: RM53,900) 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"), Pound Sterling (GBP) 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, GBP 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	
		2013	2012
		RM	RM
		-----	-----
USD/RM	– strengthened 5%	(132,161)	(127,148)
	– weakened 5%	132,161	127,148
JPY/RM	– strengthened 5%	(1,541)	(120,728)
	– weakened 5%	1,541	120,728
GBP/RM	– strengthened 5%	(7,102)	(4,819)
	– weakened 5%	7,102	4,819
Euro/RM	– strengthened 5%	(301,333)	(39,652)
	– weakened 5%	301,333	39,652
		-----	-----

(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.

30. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Liquidity risk (continued)

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.

	← 2013 →		Total RM
	On demand or within one year RM	One to five years RM	
Group			
Financial liabilities:			
Trade and other payables	36,710,345	–	36,710,345
Loans and borrowings	33,704,429	17,167,827	50,872,256
Total undiscounted financial liabilities	70,414,774	17,167,827	87,582,601
Company			
Financial liabilities:			
Trade and other payables	30,383,715	–	30,383,715
Loans and borrowings	8,110,641	1,233,194	9,343,835
Total undiscounted financial liabilities	38,494,356	1,233,194	39,727,550
	← 2012 →		Total RM
	On demand or within one year RM	One to five years RM	
Group			
Financial liabilities:			
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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 January 2013

30. FINANCIAL INSTRUMENTS (CONTINUED)**(d) Liquidity risk (continued)**

Analysis of financial instruments by remaining contractual maturities (continued)

	← 2012 →		Total RM
	On demand or within one year RM	One to five years RM	
Company			
Financial liabilities:			
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

(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 2013, other than as disclosed in Note 18.

30. FINANCIAL INSTRUMENTS (CONTINUED)

(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
Financial liabilities				
At 31 January 2013:				
Obligations under finance leases (non-current)	712,835	660,162	521,911	527,352
Term loans (non-current)	13,749,484	13,442,948	666,640	625,065
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

- 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:

	Note
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 2013

31. 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 2013 and 2012.

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	
	2013 RM	2012 RM	2013 RM	2012 RM
Loans and borrowings	47,601,375	54,205,374	8,911,935	8,491,566
Trade and other payables	36,710,345	42,680,079	30,383,715	26,142,936
Less: Cash and bank balances	(10,066,376)	(20,915,172)	(528,532)	(509,755)
Net debt	74,245,344	75,970,281	38,767,118	34,124,747
Equity attributable to the owners of the parent, representing total capital	86,376,071	88,897,508	30,355,121	41,140,273
Capital and net debt	160,621,415	164,867,789	69,122,239	75,265,020
Gearing ratio	46%	46%	56%	45%

32. 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.

32. SEGMENT INFORMATION (CONTINUED)

(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 RM155,148,247 (2012: RM187,401,860) and RM91,545,953 (2012: RM83,154,410) of revenue in the current financial year.

Business segments

	Manufacturing RM	Investment Holding RM	Others RM	Eliminations RM	Notes	Consolidated RM
31 January 2013						
Revenue						
External	260,585,600	–	5,064,477	–		265,650,077
Inter-segment	–	25,654,116	–	(25,654,116)	A	–
Total revenue	260,585,600	25,654,116	5,064,477	(25,654,116)		265,650,077
Results						
Segment results, representing profit/(loss) from operations	20,978,339	2,867,236	680,054	(4,497,101)		20,028,528
Finance costs						(2,648,033)
Taxation						(5,320,730)
Profit net of tax						12,059,765
Assets						
Consolidated segment assets	189,876,844	68,115,947	6,704,151	(83,322,300)		181,374,642
Liabilities						
Consolidated segment liabilities	126,192,002	40,760,826	20,779,998	(91,816,875)		95,915,951
Other information						
Capital expenditure	5,924,592	602,457	36,456	–	B	6,563,505
Depreciation	12,065,737	850,347	121,842	–		13,037,926
Amortisation	1,412,246	–	–	–		1,412,246
Non-cash expenses other than depreciation, amortisation and interest	1,701,707	–	(53)	–	C	1,701,654

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 January 2013

32. SEGMENT INFORMATION (CONTINUED)

Business segments (continued)

	Manufacturing RM	Investment Holding RM	Others RM	Eliminations RM	Notes	Consolidated RM
31 January 2012						
Revenue						
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
Results						
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
Assets						
Consolidated segment assets	198,369,620	197,284,615	5,952,377	(85,216,349)		316,390,263
Liabilities						
Consolidated segment liabilities	142,287,238	119,859,730	20,973,817	(92,424,723)		190,696,062
Other information						
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

32. 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:

	2013 RM	2012 RM
Property, plant and equipment	5,748,549	13,818,677
Development expenditure	814,956	757,969
	<u>6,563,505</u>	<u>14,576,646</u>

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

	Note	2013 RM	2012 RM
Foreign exchange gain:			
- Unrealised	5	(45,556)	(42,519)
- Realised	5	(216,035)	(21,001)
Foreign exchange loss:			
- Unrealised	7	446,689	129,647
- Realised	7	268,660	190,136
Development expenditure written off	7	-	31,190
Write down of inventories	7	1,222,234	2,824,803
Bad debts written off	7	-	1,026,855
Property, plant and equipment written off	7	25,662	334,554
Impairment loss on financial assets:			
Trade receivables	7	-	17,629
Other receivables	7	-	-
		<u>1,701,654</u>	<u>4,491,294</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 January 2013

33. SIGNIFICANT EVENT

On 25 June 2007, Arbitration proceedings were instituted by Schulz Export GmbH ("Schulz Export") and Sophisticated Pipe Industry Production Sdn. Bhd. ("SPIP") against Sapura Industrial Berhad ("SIB") and Sapura-Schulz Hydroforming Sdn. Bhd. ("SSHSB") as follows:

- i. SIAC Arbitration No. ARB 030/07 instituted by Schulz Export against SSHSB;
- ii. SIAC Arbitration No. ARB 037/07 instituted by SPIP against SIB.

("the arbitration proceedings").

Pursuant to the arbitration proceedings, an Award was made by the arbitrator dated 31 July 2012 ("the award") as follows:-

1. The claim by SPIP for breach of the Shareholders Agreement dated 3 April 2004 in the amount of RM26,000,000 is not allowed as the arbitrator finds that there was no breach of fiduciary duties by SIB.
2. The claim by Schulz Export against SSHSB (a subsidiary in which SIB holds a 75% shareholding and 25% owned by SPIP), for anti-dumping cost in the amount of USD140,000 is not allowed.
3. The claim by Schulz Export against SSHSB for breach of the Business Operations Agreement dated 3 April 2004 as follows is allowed:
 - 3.1 Euro500,377 for loss of profits with interest thereon and costs; and
 - 3.2 Euro424,168 and USD43,109 for rectification works with interest thereon and costs.

The above claim by Schulz Export against SSHSB amounting to RM5,172,511 has been provided for in the Consolidated Statement of Comprehensive Income for year ended 31 January 2013.

4. The Counterclaim by SIB of RM24,000,000 for breach of contract and general damages of RM91,988,862 against SPIP is not allowed.
5. The Counterclaim by SSHSB of RM5,838,956 for breach of contract and general damages of RM97,034,078 against Schulz Export is not allowed.

On 19 October 2012, SIB and SSHSB lodged in the Singapore High Court an Originating Summons dated 19 October 2012 seeking to set aside the award, and now awaits the decision of Singapore High Court after a full hearing.

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 2013 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	
	2013 RM	2012 RM	2013 RM	2012 RM
Total accumulated losses of the Company and its subsidiaries				
- Realised	(78,176,547)	(72,858,102)	(44,620,742)	(33,835,590)
- Unrealised	(7,485,391)	(7,566,639)	-	-
	(85,661,938)	(80,424,741)	(44,620,742)	(33,835,590)
Less: Consolidation adjustments	97,062,146	94,346,386	-	-
Retained profits/(accumulated losses) as per financial statements	11,400,208	13,921,645	(44,620,742)	(33,835,590)

ANALYSIS OF SHAREHOLDINGS

As at 15 May 2013

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	:	3,980

DISTRIBUTION OF ORDINARY SHARES

Based on Record of Depositors as at 15 May 2013

Size of Holdings	No. of Shares	% Over Total Shares	No. of Holders	% Over Total Shareholders
Less than 100	2,356	0.00	77	1.93
100 to 1,000	254,256	0.35	354	8.89
1,001 to 10,000	9,730,153	13.37	3,119	78.37
10,001 to 100,000	10,503,981	14.43	394	9.90
100,001 to less than 5% of issued shares	14,764,600	20.29	34	0.86
5% and above of issued shares	37,520,391	51.56	2	0.05
TOTAL	72,775,737	100.00	3,980	100.00

DIRECTORS' SHAREHOLDINGS

Based on Register of Directors' Shareholdings as at 15 May 2013

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 ¹	44.55
Dato' Shahriman bin Shamsuddin	663,175	0.91	32,420,391 ¹	44.55
Dato' Azlan bin Hashim	–	–	–	–
Datuk Kisai bin Rahmat	–	–	–	–
Ir. Md. Shah bin Hussin (includes shares held by spouse)	90,498	0.12	–	–
Wan Ahamad Sabri bin Wan Daud	–	–	–	–

Note :

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

ANALYSIS OF SHAREHOLDINGS (CONTINUED)

As at 15 May 2013

THIRTY (30) LARGEST SHAREHOLDERS

Based on Record of Depositors as at 15 May 2013

No.	Name of Shareholders	No. of Shares Held	%
1	Sapura Holdings Sdn. Bhd.	32,420,391	44.55
2	Puncak Exotika Sdn. Bhd.	5,100,000	7.01
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	1,192,500	1.64
7	RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Fong Siling (CEB)	700,000	0.96
8	RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Su Ming Yaw	697,100	0.96
9	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB for Dato' Shahrizan bin Shamsuddin (PB)	663,175	0.91
10	Lee Siew Hoon	549,800	0.76
11	Leong Hon Wah	412,000	0.57
12	Tan Yee Kong	355,000	0.49
13	Tan Yee Seng	280,000	0.38
14	Lee Kim Seng	261,300	0.36
15	Wong Chiap You	233,500	0.32
16	Edmund Song Swee Khoon	218,000	0.30
17	Ang Kai Chan	200,000	0.27
18	Lam Pun Ying	200,000	0.27
19	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Boon Huat	200,000	0.27
20	Chua Kok Sian	196,000	0.27
21	Eu Soon Keat	194,000	0.27
22	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ng Chee Siong	180,000	0.25
23	Chia Siew Fung	177,000	0.24
24	John De Cruz	155,000	0.21
25	HSBC Nominees (Asing) Sdn Bhd BNYM SA/NV for Ilirika Azija Delniski	154,000	0.21
26	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Tian Sang @ Tan Tian Song (E-PPG)	150,000	0.21
27	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chua Kok Sian	150,000	0.21
28	Chua Kok Yong	142,000	0.20
29	Eu Soon Keat	140,000	0.19
30	Tan Kai Li	139,000	0.19
	TOTAL	51,547,891	70.83

SUBSTANTIAL SHAREHOLDERS

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 ¹	44.55
3 Dato' Shahrizan bin Shamsuddin	663,175	0.91	32,420,391 ¹	44.55
4 Puncak Exotika Sdn. Bhd.	5,100,000	7.01	–	–

Note :

¹ 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 31.01.2013 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	22	8,062 / 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 ² & 7,241m ²	99-year lease expiring 19.08.2098	18	6,443 / *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 ²	99-year lease expiring 18.07.2103	Nil	5,295 / *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 ²	99-year lease expiring 18.07.2103	Nil	5,187 / *01.11.2001

Location	Description / Existing Use	Land Area	Tenure/Year of Expiring	Approximate Age of Building (years)	Net Book Value as at 31.01.2013 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 ²	99-year lease expiring 06.02.2104	8	4,197 / 08.05.2007
HS (M) 549, PT No 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	5a1r.15.2p	99-year lease expiring 30.05.2072	33	2,609 / *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 ² & 1,833m ²	99-year lease expiring 19.08.2098	17	2,207 / *15.11.1994
HS(D) 23239, PT 1755, Seksyen 20 Bandar & Daerah Kuala Selangor Selangor Darul Ehsan Postal address: Lot 6, Jalan Perusahaan 6 Kawasan Perusahaan Kuala Selangor 45000 Kuala Selangor Selangor Darul Ehsan	Industrial land / factory cum office	11,800 m ²	99-year lease expiring 11.10.2108	17	1,505 / 19.01.2005
TOTAL					35,505

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Sapura Industrial Berhad (17547-W)

PROXY FORM

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 37th 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 Wednesday, 26 June 2013 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.

Resolution		For	Against
Ordinary Resolution 1	Re-election of Dato' Seri Shahril Bin Shamsuddin		
Ordinary Resolution 2	Re-election of Datuk Kisai bin Rahmat		
Ordinary Resolution 3	Re-appointment of Dato' Azlan bin Hashim		
Ordinary Resolution 4	Re-appointment of Messrs Ernst & Young as Auditors of the Company		
Ordinary Resolution 5	Payment of Directors' fees		
Ordinary Resolution 6	To authorise the Directors under Section 132D of the Companies Act 1965, to allot and issue new shares in the Company.		
Special Resolution 1	To approve the Proposed Amendments to the Articles of Association of the Company		

Signature/Common Seal of Shareholder

Dated this _____ day of _____ 2013

Notes:

1. A member whose name appears in the Record of Depositors of the Company as at 18 June 2013 shall be entitled to attend, speak and vote at this Meeting.
2. 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 as to the qualification of the proxy.
3. Where a member is an authorised nominee (as defined under the Securities Industry (Central Depositories) Act 1991), it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
4. Where a member appoints two (2) proxies to attend and vote at the same meeting, such appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
5. 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 duly authorised in writing 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.
6. 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.

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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

www.sapuraindustrial.com.my



SAPURA INDUSTRIAL BERHAD

(Company No. 17547-W)

(Incorporated in Malaysia under the Companies Act, 1965)

The attached Notice of the 37th Annual General Meeting ("AGM") of Sapura Industrial Berhad ("SIB") dated 4 June 2013 and Proxy Form shall supersede the Notice and Proxy Form respectively as contained in the SIB Annual Report 2013.

Date and Time of AGM : Wednesday, 26 June 2013 at 11 a.m.

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 37th 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 Wednesday, 26 June 2013 at 11.00 a.m. to transact the following businesses and to pass the following resolutions:

AGENDA

1. To receive the Audited Financial Statements together with the Directors' and Auditors' reports for the financial year ended 31 January 2013.
Please refer to Note 1
2. "THAT Tan Sri Shahril bin Shamsuddin who will retire pursuant to Article 109 of the Articles of Association of the Company and being eligible and has offered himself for re-election, be re-elected as a Director."
Ordinary Resolution 1
3. "THAT Datuk Kisai bin Rahmat who will retire pursuant to Article 109 of the Articles of Association of the Company and being eligible and has offered himself for re-election, be re-elected as a Director."
Ordinary Resolution 2
4. "THAT Dato' Azlan bin Hashim, being eligible and has offered himself for re-appointment as a Director of the Company, be re-appointed as a Director pursuant to Section 129(6) of the Companies Act, 1965 until the conclusion of the next Annual General Meeting."
Special Resolution 1
5. "THAT Tan Sri Dato' Seri Ir. Shamsuddin bin Abdul Kadir, being eligible and has offered himself for appointment as a Director of the Company, be appointed as a Director pursuant to Section 129(6) of the Companies Act, 1965 until the conclusion of the next Annual General Meeting."
Special Resolution 2
Please refer to Note 7
6. "THAT Messrs Ernst & Young be re-appointed as Auditors of the Company until the conclusion of the next Annual General Meeting AND THAT the Directors be authorised to fix their remuneration."
Ordinary Resolution 3
7. **DIRECTORS' FEES**

"THAT the Directors' fees for the financial year ended 31 January 2013 be approved."
Ordinary Resolution 4
8. **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 5
Please refer to Note 5
9. **PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY**

"THAT the proposed amendments to the Articles of Association of the Company contained in the document marked as "Appendix 1" (Proposed Amendments) which is attached to the Annual Report 2013 be approved and adopted;

AND THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds and things as are necessary and/or expedient in order to give full effect to the Proposed Amendments with full powers to assent to any conditions, modifications and/or amendments as may be required by any relevant authorities."
Special Resolution 3
Please refer to Note 6

BY ORDER OF THE BOARD

LIYANA LEE BINTI ABDULLAH
(MIA 10293)
Company Secretary

Bandar Baru Bangi, Selangor Darul Ehsan
4 June 2013

NOTES:**1. Audited Financial Statements**

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 18 June 2013 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 as to the qualification of the proxy.

Where a member is an authorised nominee (as defined under the Securities Industry (Central Depositories) Act 1991), it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

Where a member appoints two (2) proxies to attend and vote at the same meeting, such 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 duly authorised in writing 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 2013 amounted to RM277,366.

5. Ordinary Resolution 5 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 17 July 2012 which will lapse at the conclusion of the forthcoming 37th Annual General Meeting.

The proposed Ordinary Resolution 5, if passed, would, subject to the Main Market Listing Requirements of Bursa Malaysia, 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.

6. Special Resolution 3 pursuant to Section 31 of the Companies Act, 1965

The Proposed Amendments are made principally to ensure that the Articles of Association of the Company comply with the amended Main Market Listing Requirements of Bursa Malaysia.

7. The profile of Tan Sri Dato' Seri Ir. Shamsuddin bin Abdul Kadir is contained in the document marked as "Appendix 2" attached to the Annual Report 2013.

Appendix 2

PROFILE OF YBHG TAN SRI DATO' SERI IR. SHAMSUDDIN BIN ABDUL KADIR

PSM, SPCM, DPMJ, DPCM, JMN, Hon. F. IEM, F.A. Sc. C.Eng., D.Sc. (Hon) (Brighton UK), D.Sc.(Mgmt Tech) (Hon) (UTM), D.Eng. (Hon) (USM), DBA (Hon) (UKM), P Eng, MIE (MAL) M.I.E.E. (UK), M.I.MAR.E (UK)

YBhg Tan Sri Dato' Seri Ir. Shamsuddin bin Abdul Kadir, a Malaysian aged 81, is the Chairman and Founder of the Sapura Group, which he established in 1975. Well into its 38th year, the Sapura Group has since diversified and currently participates in key industries through three public listed companies.

Tan Sri Shamsuddin was on the Board of Sapura Industrial Berhad from 12 March 1974 to 31 January 2012.

Tan Sri Shamsuddin received his tertiary education from Brighton Technical College in the United Kingdom. Upon his return, he held various key positions in Telekom Malaysia. Tan Sri Shamsuddin turned his vision into reality when he accepted a challenge to start a business on a turnkey project offered by Jabatan Telekom, now known as TM. The Sapura Group was born from his passion as an engineer, coupled with a strong spirit of entrepreneurship both of which are apparent in his management philosophy. Tan Sri Shamsuddin has led the Sapura Group into what is now a leading knowledge and technology company in Malaysia, with an ever-increasing global reach.

Tan Sri Shamsuddin's strong commitment to life-long education led him to co-found the Universiti Tun Hussein Onn Malaysia Foundation where he had served as Chairman of Universiti Tun Hussein Onn Malaysia (UTHM) from 16 April 2001 to 15 April 2009. In recognition of his guidance and leadership at UTHM, Tan Sri Shamsuddin was inaugurated as the Pro Chancellor of UTHM since June 2009. For his numerous contributions, he has been awarded with Honorary Doctorates by Universiti Teknologi Malaysia, Universiti Sains Malaysia and Universiti Kebangsaan Malaysia. In 2007, University of Brighton, United Kingdom conferred the Honorary Degree of Doctor of Science to Tan Sri Shamsuddin in recognition of his outstanding contribution to engineering development in Malaysia and the development of the Brighton Alumni Association of Malaysia. In 2012, Tan Sri Shamsuddin was appointed as Chairman of International Institute of Islamic Thought and Civilisation (ISTAC) Trust Fund. Tan Sri Shamsuddin is also a member of the Majlis of International Islamic University Malaysia (IIUM), in which he is the Representative of The Malaysian Public of Vast Experience with Higher Education or Professional Management.

Tan Sri Shamsuddin contributes his time and effort in sharing his experience and knowledge for various causes. He is a member of the Institution of Engineers Malaysia and a senior fellow of Academy of Science Malaysia. In conjunction with UMNO's 60th Anniversary Celebrations in 2006, Tan Sri Shamsuddin was conferred with the prestigious "Malay Personality of Distinction" award. In 2011, he received the "Jewels of Muslim World" award from OIC Today Magazine in collaboration with OIC International Business Centre, for his contributions in the development of the Malaysian and Muslim world economy.

PROXY FORM

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 37th 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 Wednesday, 26 June 2013 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.

Resolution		For	Against
Ordinary Resolution 1	Re-election of Tan Sri Shahril Bin Shamsuddin		
Ordinary Resolution 2	Re-election of Datuk Kisai bin Rahmat		
Special Resolution 1	Re-appointment of Dato' Azlan bin Hashim		
Special Resolution 2	Appointment of Tan Sri Dato' Seri Ir. Shamsuddin bin Abdul Kadir		
Ordinary Resolution 3	Re-appointment of Messrs Ernst & Young as Auditors of the Company		
Ordinary Resolution 4	Payment of Directors' fees		
Ordinary Resolution 5	To authorise the Directors under Section 132D of the Companies Act 1965, to allot and issue new shares in the Company		
Special Resolution 3	To approve the Proposed Amendments to the Articles of Association of the Company		

Signature/Common Seal of Shareholder _____

Dated this _____ day of _____ 2013

- Notes:
1. A member whose name appears in the Record of Depositors of the Company as at 18 June 2013 shall be entitled to attend, speak and vote at this Meeting.
 2. 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 as to the qualification of the proxy.
 3. Where a member is an authorised nominee (as defined under the Securities Industry (Central Depositories) Act 1991), it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
 4. Where a member appoints two (2) proxies to attend and vote at the same meeting, such appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
 5. 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 duly authorised in writing 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.
 6. 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.

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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

(Company No. 17547-W)

(Incorporated in Malaysia under the Companies Act, 1965)

APPENDIX 1

This is the Appendix 1 referred to in Agenda No. 9 of the Notice of the 37th Annual General Meeting ("AGM") of Sapura Industrial Berhad dated 4 June 2013.

Date and Time of AGM : Wednesday, 26 June 2013 at 11 a.m.

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

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF SAPURA INDUSTRIAL BERHAD

The existing Articles of Association (“Articles”) of the Company is proposed to be amended by the alterations, modifications, deletion and/or additions, where necessary, whereby the affected existing Articles are reproduced below with the Proposed Amendments to the Articles of Association of the Company duly highlighted in bold under the column “Proposed Articles”:-

ARTICLE NO	EXISTING ARTICLES	PROPOSED ARTICLES
Article 1 Definition	<p>(e) “Depository” means Bursa Malaysia Depository Sdn. Bhd.</p> <p>(f) “Company” means SAPURA MOTORS BERHAD (17547-W).</p> <p>(g) “Deposited Security” shall have the meaning given in Section 2 of the Securities Industry (Central Depositories) Act 1991.</p> <p>(h) “Depositor” means a holder of a Securities Account established by the Depositor.</p> <p>(l) “Listing Requirements” means the Listing Requirements of the Exchange including any amendments thereto that may be made from time to time.</p> <p>(o) “Member/Members” means any person/persons for the time being holding shares in the Company and whose names appear in the Register of Members (except the Malaysian Central Depository Nominees Sdn. Bhd.) including Depositors whose names appear on the Record of Depositors.</p> <p>(new insertion)</p> <p>(new insertion)</p>	<p>(e) “Depository” means Bursa Malaysia Depository Sdn. Bhd. <u>(Company No. 165570-W) or such other name as may be adopted in its place.</u></p> <p>(f) “Company” means SAPURA MOTORS<u>INDUSTRIAL</u> BERHAD <u>(Company No. 17547-W) or such other name as may be adopted in its place.</u></p> <p>(g) “Deposited Security” shall have the meaning given in Section 2 of the Securities Industry (Central Depositories) Act 1991 <u>Central Depositories Act.</u></p> <p>(h) “Depositor” means a holder of a Securities Account established by the Depositor <u>or as defined under the Central Depositories Act.</u></p> <p>(l) “Listing Requirements” means the <u>Main Market</u> Listing Requirements of the Exchange including any amendments thereto that may be made from time to time.</p> <p>(o) “Member/Members” means any person/persons for the time being holding shares in the Company and whose names appear in the Register of Members (except the Malaysian Central Depository Nominees Sdn. Bhd.) including Depositors whose names appear on the Record of Depositors or “holder of shares” or any like expression includes a Depositor who shall be treated as if he were a member pursuant to Section 35 of the Central Depositories Act but excludes the Central Depository in its capacity as a bare trustee.</p> <p>(k1) <u>“Exempt Authorised Nominee” means an authorised nominee, as defined under the Central Depositories Act, which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.</u></p> <p>(y1) <u>“Share Issuance Scheme” shall have the meaning given in the Listing Requirements.</u></p>

ARTICLE NO	EXISTING ARTICLES	PROPOSED ARTICLES
Article 4 Issue Of Shares To Directors	(b) no Director shall participate in a share scheme for employees unless shareholders in general meeting have approved of the specific allotment to be made to such Director;	(b) no Director shall participate in a share scheme for employees <u>Share Issuance Scheme</u> unless shareholders <u>Members</u> in general meeting have approved of the specific allotment to be made to such Director;
Article 24 Company Have A First And Paramount Lien	The Company shall have a first and paramount lien on every share (not being a fully paid share) for all monies (whether presently payable or not) called or payable at a fixed time in respect of that share, and the Company shall also have a first and paramount lien on all shares (other than fully paid shares) registered in the name of a single person for all monies presently payable by him or his estate to the Company; but the Directors may at any time declare any share to be wholly or in part exempt from the provisions of this Article. The Company's lien, if any, on a share shall extend to all dividends payable thereon and such other amounts that the Company may be called upon by law to pay in respect of the shares of the member or deceased member.	The Company shall have a first and paramount lien on every share (not being a fully paid share) for all monies (whether presently payable or not) called or payable at a fixed time in respect of that share, and the Company shall also have a first and paramount lien on all shares (other than fully paid shares) registered in the name of a single person for all monies presently payable by him or his estate to the Company; but the Directors may at any time declare any share to be wholly or in part exempt from the provisions of this Article. <u>The Company's lien, if any, on a share shall extend to all dividends payable thereon and such other amounts that the Company may be called upon by law to pay in respect of the shares of the member or deceased member. The Company's lien on shares and dividends from time to time declared in respect of such shares, shall be restricted to unpaid calls and installments upon the specific shares in respect of which such moneys are due and unpaid, and to such amounts as the Company may be called upon by law to pay and has paid in respect of the shares of the Member or deceased Member.</u>
Article 32 Transmission Of Securities From Foreign Register.	(1) Where:- (b) the Company is exempted from compliance with section 14 of the Central Depositories Act or section 29 of the Securities Industry (Central Depositories) (Amendment) Act, 1998, as the case may be, under the Rules in respect of such securities;	(1) Where:- (b) the Company is exempted from compliance with section 14 of the Central Depositories Act or section 29 of the Securities Industry (Central Depositories) (Amendment) (No. 2) Act, 1998, as the case may be, under the Rules in respect of such securities;
Article 80 Appointment Of Proxies	Where a Member of the Company is an authorised nominee as defined under the Central Depositories Act, 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.	<u>Where a Member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. Where a Member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners</u>

**PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF SAPURA INDUSTRIAL BERHAD
(CONTINUED)**

ARTICLE NO	EXISTING ARTICLES	PROPOSED ARTICLES
		<p><u>in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds. The appointment of two (2) or more proxies in respect of any particular Omnibus Account shall be invalid unless the Exempt Authorised Nominee specifies the proportion of its shareholding to be represented by each proxy.</u></p>
<p>Article 84 Execution of Proxies</p>	<p>The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or if such appointer be a corporation, company, co-operative society or other society under its common seal or under the hand of an officer or attorney of the corporation, company, co-operative society or other society duly authorised and shall be deposited with the power of attorney or other authority (if any) at the Office not less than two (2) clear days before the day appointed for holding the meeting or adjourned meeting at which the person named in such proxy proposes to vote and in default the proxy shall not be treated as valid. An instrument appointing a proxy to vote at a meeting shall be deemed to include the power to demand a poll on behalf of the appointer.</p>	<p>The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or if such appointer be a corporation, company, co-operative society or other society under its common seal or under the hand of an officer or attorney of the corporation, company, co-operative society or other society duly authorised and shall be deposited with the power of attorney or other authority (if any) at the Office not less than two (2) clear days <u>forty-eight (48) hours</u> before the day <u>time</u> appointed for holding the meeting or adjourned meeting at which the person named in such proxy proposes to vote and in default the proxy shall not be treated as valid. An instrument appointing a proxy to vote at a meeting shall be deemed to include the power to demand a poll on behalf of the appointer.</p>
<p>Article 87</p>	<p>A proxy or representative may but need not be a Member of the Company and a Member may appoint any person to be his proxy without limitation and the provisions of Section 149(1) (a), (b), (c) and (d) of the Act shall not apply to the Company.</p>	<p>A proxy or representative may but need not be a Member of the Company and a Member may appoint any person to be his proxy without limitation and the provisions of restriction in Section 149(1)(a), (b), (c) and (d) of the Act shall not apply to the Company.</p>
<p>Article 88</p>	<p>A holder of shares may not appoint more than two (2) proxies to attend the same meeting. Where the holder appoints two (2) proxies to attend and vote at the same meeting, such appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy. A proxy shall be entitled to vote on a show of hands on any question at any general meeting.</p>	<p>A holder of shares <u>Member</u> may not appoint more than two (2) proxies to attend the same meeting. Where the holder <u>the Member</u> appoints two (2) proxies to attend and vote at the same meeting, such appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy. <u>A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the Member to speak at the meeting.</u> AThe proxy shall be entitled to vote on a show of hands on any question at any general meeting.</p>