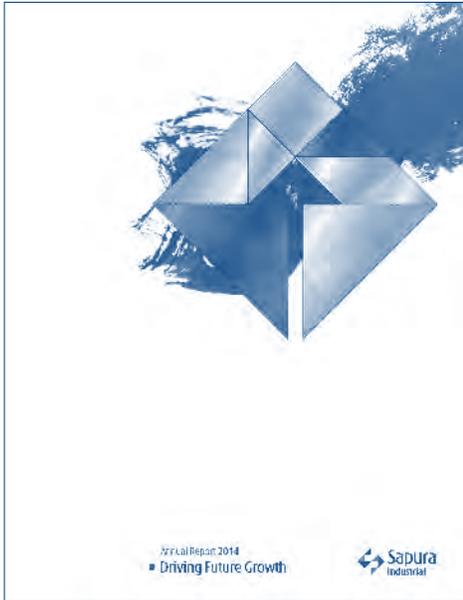




Annual Report 2014
■ **Driving Future Growth**



RATIONALE



DRIVING FUTURE GROWTH

The Sapura Industrial Annual Report 2014 cover design is an artistic template that steers the ordinary to an extraordinary. At Sapura Industrial, we are constantly evolving by strengthening our strategies, adapting to new challenges and driving ourselves to be better players relevant to the industry today.

The overall concept features multiple shapes, resonating Sapura's vibrant visuality of form and hues denoting the dynamism of each and every key component within the organisations.

These well-orchestrated components adapt to the "Driving Future Growth" theme, appropriately describing Sapura Industrial as an energetic and a dynamic entity.

TABLE OF CONTENTS

Notice Of Annual General Meeting	4
Corporate Profile	6
Financial Highlights	8
Corporate Information	9
Corporate Structure	10
Board Of Directors	14
Directors' Profile	16
Chief Executive Officer's Profile	23
Chairman's Statement	26
Corporate Social Responsibility	36
Corporate Governance Statement	40
Audit Committee Report	48
Statement On Risk Management And Internal Control	52
Additional Compliance Information	54
Statement Of Directors' Responsibility In Respect Of The Audited Financial Statements	55
Financial Statements	59
Analysis Of Shareholdings	124
Particulars Of Properties	127
Proxy Form	





OUR SHARED ATTRIBUTES

Over the years, our people have been defined by a common set of qualities – qualities that collectively differentiate us from our industries peers. They remind us of our heritage and form the foundation in us seeking new road to discover, fresh ideas to unravel – to serve and grow with our customers and stakeholders.

HONOURABLE, PROFESSIONAL, RESOURCEFUL, RESILIENT, AGILE

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 38th 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, 18 June 2014 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 2014. *Please refer to Note 1*
2. "THAT a final single tier dividend of 8 sen per ordinary share in respect of the financial year ended 31 January 2014 be approved for payment." *Ordinary Resolution 1*
3. "THAT Dato' Shahriman 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 2*
4. "THAT Encik Wan Ahamad Sabri bin Wan Daud 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 3*
5. "THAT Tan Sri Dato' Seri Ir. Shamsuddin bin Abdul Kadir, 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*
6. "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 2*
7. "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 4*
8. **DIRECTORS' FEES**
"THAT the Directors' fees for the financial year ended 31 January 2014 be approved". *Ordinary Resolution 5*
9. **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
Please refer to Note 5*

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS HEREBY GIVEN THAT a final single tier dividend of 8 sen per ordinary share in respect of the financial year ended 31 January 2014, if approved by the shareholders at the 38th Annual General Meeting, will be payable on 23 July 2014 to Depositors registered in the Record of Depositors at the close of business on 3 July 2014.

A Depositor shall qualify for entitlement only in respect of:

- a) Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 3 July 2014 in respect of ordinary transfers; and
- b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

LIYANA LEE BINTI ABDULLAH
(MIA 10293)
Company Secretary

Bandar Baru Bangi, Selangor Darul Ehsan
27 May 2014

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 10 June 2014 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 2014 amounted to RM265,000.

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 26 June 2013 which will lapse at the conclusion of the forthcoming 38th 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.

STATEMENT ACCOMPANYING NOTICE OF THE 38TH ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

- The Directors retiring by rotation and standing for re-election pursuant to Article 109 of the Company's Articles of Association are:
 - Dato' Shahrman bin Shamsuddin
 - Encik Wan Ahamad Sabri bin Wan Daud
- The Directors retiring and standing for re-appointment in accordance with Section 129(6) of the Companies Act 1965 are:
 - Tan Sri Dato' Seri Ir. Shamsuddin bin Abdul Kadir
 - Dato' Azlan bin Hasim

Details of the above Directors who are standing for re-election and re-appointment are provided for in the "Directors' Profile" on pages 16 to 22 of this Annual Report. Details of their interests in the securities of the Company are set out in the "Analysis of Shareholdings" on page 124 of this Annual Report.

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.





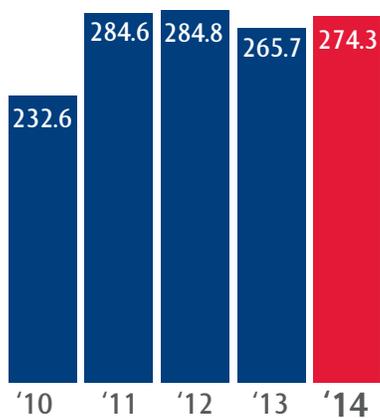
 **Sapura**
Industrial

 Sapura

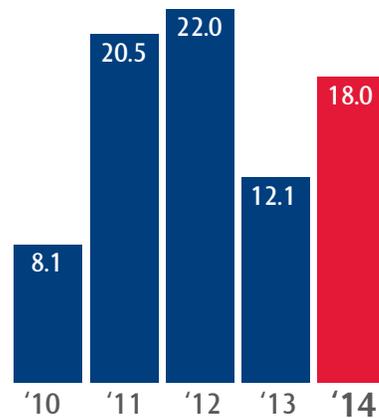
FINANCIAL HIGHLIGHTS

← 31 January →

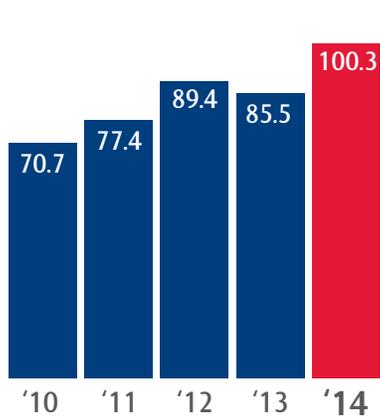
		2010	2011	2012	2013	2014
Revenue	(RM' mil)	232.6	284.6	284.8	265.7	274.3
Profit after taxation	(RM' mil)	8.1	20.5	22.0	12.1	18.0
Profit attributable to equity holders of the Company	(RM' mil)	8.1	20.5	22.0	12.1	18.0
Shareholders' fund/Equity	(RM' mil)	70.7	77.4	89.4	85.5	100.3
Basic earnings per share	(sen)	11.13	28.23	30.27	18.54	25.10
Diluted earnings per share	(sen)	11.13	28.22	30.27	18.54	25.10
Net asset per share	(RM)	0.97	1.06	1.23	1.17	1.39
Number of ordinary shares at financial year end	('mil)	72.8	72.8	72.8	72.8	72.8



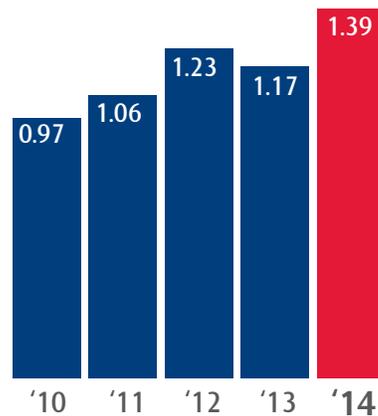
REVENUE
(RM' Million)



PROFIT AFTER TAXATION
(RM' Million)



SHAREHOLDERS' FUND/EQUITY
(RM' Million)



NET ASSET PER SHARE
(RM)

CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Sri Dato' Seri Ir. Shamsuddin bin Abdul Kadir
Executive Chairman

Tan Sri 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

Md. Shah bin Hussin
Independent Non-Executive Director

Wan Ahamad Sabri bin Wan Daud
Independent Non-Executive Director

AUDIT COMMITTEE

Datuk Kisai bin Rahmat
Dato' Azlan bin Hashim
Wan Ahamad Sabri bin Wan Daud

BOARD NOMINATION AND REMUNERATION COMMITTEE

Datuk Kisai bin Rahmat
Wan Ahamad Sabri bin Wan Daud

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

PRINCIPAL BANKERS

Malayan Banking Berhad
Malaysian Industrial Development Finance Berhad
RHB Bank Berhad

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

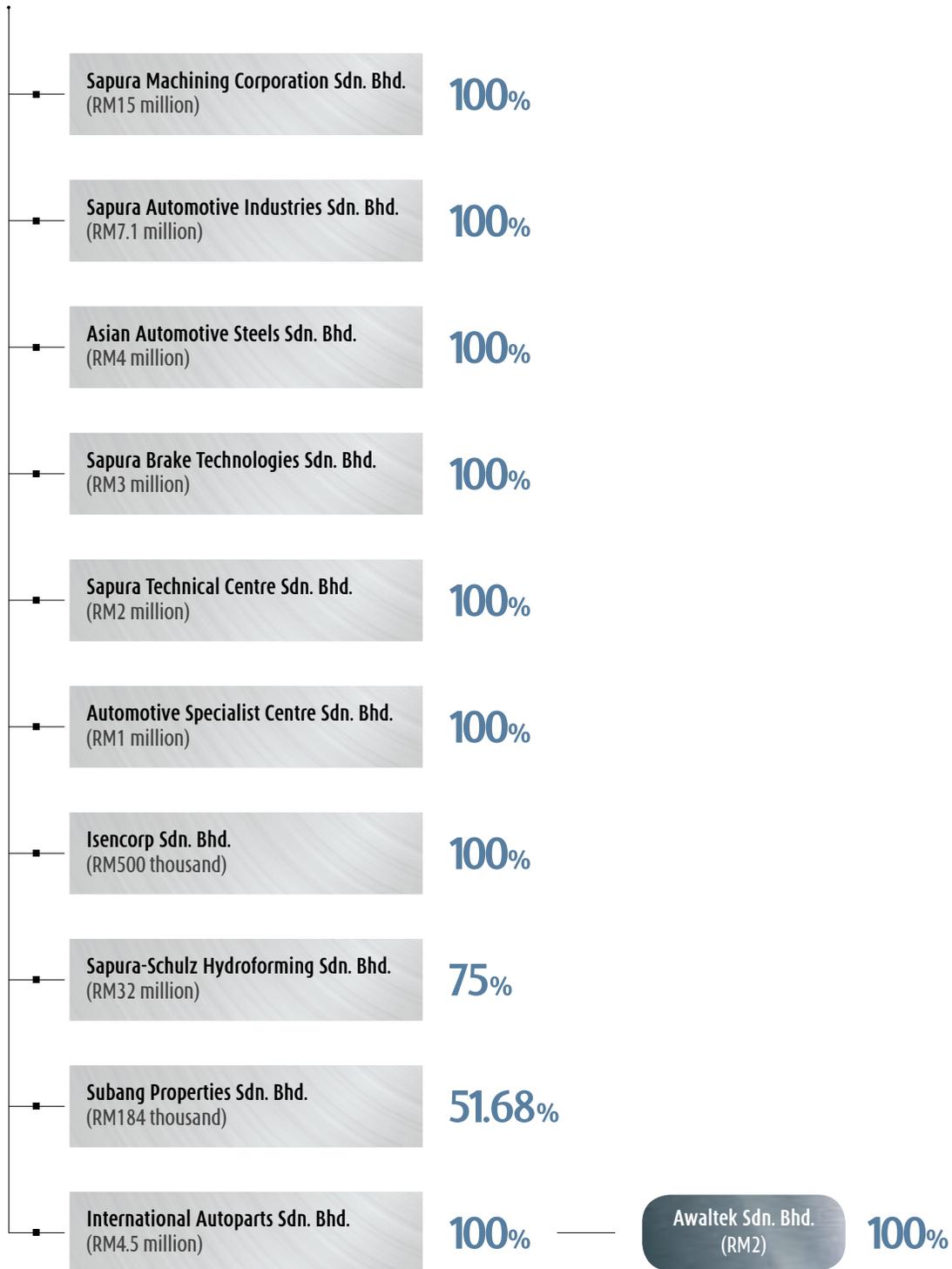
Main Market
Bursa Malaysia Securities Berhad
Stock Name : SAPIND
Stock Code : 7811

CORPORATE STRUCTURE

As at 7 May 2014



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



1 TAN SRI DATO' SERI IR.
SHAMSUDDIN BIN ABDUL KADIR

Executive Chairman

2 TAN SRI DATO' SERI SHAHRIL
BIN SHAMSUDDIN

Deputy Chairman
Non-Independent Non-Executive Director

3 DATO' SHAHRIMAN BIN
SHAMSUDDIN

Executive Director



- | | | |
|---|-------------------------------|--|
| 4 | DATO' AZLAN BIN HASHIM | Non-Independent Non-Executive Director |
| 5 | WAN AHAMAD SABRI BIN WAN DAUD | Independent Non-Executive Director |
| 6 | DATUK KISAI BIN RAHMAT | Independent Non-Executive Director |
| 7 | MD. SHAH BIN HUSSIN | Independent Non-Executive Director |

DIRECTORS' PROFILE



**TAN SRI DATO' SERI IR.
SHAMSUDDIN BIN ABDUL
KADIR**

Executive Chairman

Tan Sri Dato' Seri Ir. Shamsuddin bin Abdul Kadir, a Malaysian aged 82, is the Chairman and Founder of the Sapura Group, which he established in 1975. Well into its 39th year, the Sapura Group has since diversified and currently participates in key industries through three public listed companies.

Tan Sri Shamsuddin was appointed to the Board of Sapura Industrial Berhad as Non-Executive Director and Chairman on 12 March 1974. He was appointed as Executive Chairman on 26 June 2013.

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.



TAN SRI DATO' SERI SHAHRIL BIN SHAMSUDDIN

Deputy Chairman
Non-Independent Non-Executive
Director

Tan Sri Dato' Seri Shahril Shamsuddin, a Malaysian, 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.

The 53-year-old entrepreneur joined the Sapura Group in 1985 and subsequently took on a number of senior positions within the Group before assuming leadership as President and Group CEO in 1997. The Group engages in a wide range of businesses including education, oil and gas services and production, aviation services, property development and management, industrial and automotive component manufacturing, and secured communications technologies.

Appointments held by Tan Sri 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.

Most notably, he established himself in the oil and gas industry when he saw a need in the 1990s for a Malaysian integrated oil and gas services provider, to support the country's development of natural resources. Starting from the provision of modest maintenance services, he has built what is today SapuraKencana Petroleum Berhad, a full-fledged upstream oil and gas player.

SapuraKencana Petroleum has grown into a truly international organisation featuring a multinational workforce of over 12,000 people, with more than half of its operations being undertaken abroad. The Group's client base and operations are far-flung with its presence in Brazil, Mexico, West Africa, the Caribbean, Australia, Malaysia and other Southeast Asian countries.

Tan Sri Shahril is a member of the Board of Trustees, Treasurer and Executive Committee member of the Perdana Leadership Foundation ("Yayasan Kepimpinan Perdana") and is a member of Universiti Teknologi Malaysia's International Advisory Panel.

In recognition of his entrepreneurial prowess and contributions to nation and society, he has been awarded several major honours and titles.

In November 2007, he was awarded the Legion d' Honneur by the Republic of France.

In 2009, he won the Malaysia Ernst & Young Entrepreneur of the Year award, and in 2013 he was conferred an honorary doctorate in Technology Management by the Universiti Teknologi Malaysia. Most recently, he was presented the Man of the Year Award 2014, by The Oil and Gas Year publication.

Tan Sri Shahril graduated with a Master of Science in Management of Technology from the MIT Sloan School of Management. His first degree was a Bachelor of Science Degree in Industrial Technology from the California Polytechnic State University.

DIRECTORS' PROFILE (CONT'D)



DATO' SHAHRIMAN BIN SHAMSUDDIN

Executive Director

Dato' Shahrman bin Shamsuddin, a Malaysian aged 45, was appointed to the Board of Sapura Industrial Berhad as an Executive Director on 29 January 2002.

Dato' Shahrman began his career with Sapura Group in 1991 and has held a number of key senior positions within the Group. As Managing Director of Sapura Resources Berhad, he currently manages a diversified portfolio which includes property investment, business aviation and education. In addition, he is also a Director of SapuraKencana Petroleum Berhad, Sapura Technology Sdn Bhd and Sapura Holdings Sdn Bhd.

Dato' Shahrman holds a Master of Science in Engineering Business from Warwick University, U.K. and a Bachelor of Science in Industrial Technology from Purdue University, U.S.A.



DATUK KISAI BIN RAHMAT

Independent Non-Executive Director

Datuk Kisai bin Rahmat, a Malaysian aged 63, 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.

DIRECTORS' PROFILE (CONT'D)



DATO' AZLAN BIN HASHIM

Non-Independent Non-Executive Director

Dato' Azlan bin Hashim, a Malaysian aged 72, 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 (I) 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 and Metrod 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).



MD. SHAH BIN HUSSIN

Independent Non-Executive Director

Encik Md. Shah bin Hussin, a Malaysian aged 63, 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 and was appointed as Independent Non-Executive Director on 25 September 2013.

Encik 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 Md. Shah is a member of the Institute of Engineers, Malaysia since 1990. He holds a Master in Business Administration from Ohio University, U.S.A. and a Bachelor of Science in Mechanical Engineering from West Virginia University, U.S.A.

DIRECTORS' PROFILE (CONT'D)



WAN AHAMAD SABRI BIN WAN DAUD

Independent Non-Executive Director

Encik Wan Ahmad Sabri bin Wan Daud, a Malaysian aged 59, 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 and or the substantial shareholders of the Company have any family relationship with the other directors and/or substantial shareholders of the Company except for Tan Sri Dato' Seri Ir. Shamsuddin bin Abdul Kadir who is the father to Tan Sri Dato' Seri Shahril bin Shamsuddin and Dato' Shahrinan bin Shamsuddin.

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 2014 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 52, 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 7 May 2014, 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.

CHAIRMAN'S STATEMENT



Dear Shareholders,

The year under review ended 31 January 2014 (FY2014) was one of considerable accomplishments for Sapura Industrial Berhad (SIB or the Group). The Group delivered a revenue of RM274.3 million, which is higher compared to the preceding year. On the operational front, having met most of our key performance indicators, the underlying momentum of the Group's businesses remains robust. This is borne out by our growing customer base of local and foreign players in the original equipment manufacturers (OEMs) and automotive replacement markets. Significant progress was also achieved in managing costs and enhancing productivity and efficiency across the Group's value chain and this has contributed in no small measure towards an improved bottom line.

Looking back at the past five years, the themes we have carefully chosen for our annual reports are snapshots of where the Group stands at various phases of its transformative journey. They are also indicative of the progress we have made in nurturing our home-grown capabilities and moving up the value-added chain to become one of the main players in the local market. SIB has grown in tandem with the evolving Malaysian automotive landscape and for the year under review we have arrived at a new and exciting phase, where the focus will be on "Driving Future Growth".

Underscoring how far we have come in a very competitive Malaysian automotive industry, SIB was the recipient of three major industry awards in 2013. We won the Honda Continuous Effort Award 2012, Proton Best Quality Performance 2013 and Perodua Overall Excellent Performance 2013 on the strength of our Quality, Cost and Delivery factors. These awards are a reaffirmation of the strategies put in place to improve our business and our focus on execution has taken the Group's performance to a new level. Moving forward with a new vigour, the awards will undoubtedly spur us on to achieving even more in our commitment to deliver long-term sustainable value to all our stakeholders.

On behalf of the Board of Directors, it gives me great pleasure to present this Annual Report and Audited Financial Statements of Sapura Industrial Berhad for the financial year ended 31 January 2014.

OPERATING ENVIRONMENT

Amidst a challenging global economic and financial environment, the Malaysian economy expanded by 4.7% in 2013 driven by continued strong growth in domestic demand. Private consumption continued to register a strong growth of 7.6%, underpinned by favourable employment conditions and wage growth. The implementation of the minimum wage policy on 1 January 2013 also contributed to higher wage levels. (Source: Bank Negara Annual Report 2013).

The positive domestic economic environment has translated into a stellar year for the Malaysian automotive industry. According to the Malaysian Automotive Association (MAA), total sales of new motor vehicles or Total Industry Volume (TIV) grew 4.5% in 2013 to 655,793 units, an all-time record achievement for the domestic automotive industry. This has not only surpassed the 2012 record sales of 627,753 units but also MAA's TIV forecast of 640,000 units.

Total registration of new passenger vehicles rose by 4.4% to 576,657 units, while commercial vehicles recorded a growth of 4.7% to 79,136 units. Perodua and Proton continued to dominate the automotive landscape with a 29.9% and 21.2% market share respectively. The non-national car segment was led by Toyota with 13.9% market share, followed by Nissan (8.1%) and Honda (7.9%).

The record TIV achieved in 2013 was also attributed to improved consumer and business sentiments and the introduction of several new car models at very competitive prices. Models such as Saga SV, Viva, Alza and MyVi 'S' Series, the new Honda Jazz and Nissan Almera were launched at reduced prices of between 3% and 17%, and they accounted for a 30% market share in 2013. Against a backdrop of aggressive sales campaigns launched by car dealers, new car buyers also benefitted from innovative and very attractive financing schemes.



Recipient of Perodua Overall Excellent Performance 2013 award

CHAIRMAN'S STATEMENT (CONT'D)

FINANCIAL PERFORMANCE

The favourable operating climate was mirrored in SIB's financial performance for FY2014. The Group posted revenue of RM274.3 million, a 3% increase from RM265.7 million notched the previous year. FY2014 also saw the realisation of revenue contribution from our non-national OEMs' letters of award received over the past 2 years. Net profit for the year rose to RM18.0 million, compared to RM12.1 million achieved in FY2013. The 49% increase in net profit was attributed mainly to improved orders of parts and components for certain domestic models as well as ongoing cost improvement initiatives.

DIVIDENDS

SIB strives to ensure that its success is inclusive and for the past 5 years, we have met our commitment to reward our shareholders for their loyalty. In respect of the financial year ended 31 January 2014, the Board has recommended a final single tier dividend of 8 sen per ordinary share to be approved by shareholders at the forthcoming Annual General Meeting of the Company.

This is in addition to an interim single tier dividend of 3 sen per ordinary share that was paid on 23 December 2013. The total dividend

pay-out for the year in review would be 11 sen per ordinary share, which is higher than the 7 sen per ordinary share declared in FY2013.

NATIONAL AUTOMOTIVE POLICY 2014

A significant development during the year was the release of the much anticipated third edition of the National Automotive Policy (NAP 2014) on 20 January 2014. The NAP was first introduced in 2006 to address structural flaws within the ailing Malaysian automotive industry and improve its long-term viability and competitiveness in the face of an increasingly liberalised and competitive global environment. In 2009 the NAP was reviewed, resulting in new policies to foster a more competitive and freer market for local and international players.

NAP 2014 was launched after unprecedented engagement with key stakeholders. These included the OEMs, vehicle and component associations, after market associations, ministries and agencies, institutions of higher learning, financial institutions, non-governmental organisations, social media and bloggers.

The new NAP aims to take the Malaysian automotive industry to the next level and was developed in parallel with six roadmaps that chart the course to enhance the competitiveness

of the industry over the next decade. The NAP 2014 spells out specific objectives, many of which have a bearing on SIB and its operations.

Developing a competitive and capable domestic automotive industry

SIB has grown in tandem with the domestic automotive industry. Over the years, we remained focused on our multi-year programme of building our portfolio, optimising our supply chain, improving our business processes, establishing the industry linkages and acquiring a scale of operations, both horizontally and vertically to be competitive. To accelerate its transformative journey, the Group has established strategic tie-ups with external parties, locally and internationally. Besides opening up opportunities to enter the global automotive supply chain, such strategic collaborations have also compelled us to adopt the best industry practices and deliver higher quality standards. The timing was critical in preparing us for the impending liberalisation of the market with the coming into force of the AFTA regime in 2016 and to accessing global markets. With the progress made on all key fronts, SIB is ahead of the curve as there are plans under the next NAP mandating local players to keep abreast with the latest global standards.

Transforming Malaysia into a regional automotive hub for the production of Energy Efficient Vehicles (EEV)

So as not to compete directly with Thailand and Indonesia, the two automotive powerhouses in the Southeast Asian region, one of the overall objectives of NAP 2014 is to transform Malaysia into a hub for energy efficient vehicles (EEVs). As defined by the Malaysia Automotive Institute (MAI), EEVs are vehicles that meet a set of defined specifications in terms of emission levels and energy usage. They include fuel-efficient vehicles, hybrid and electric vehicles and alternatively-fuelled vehicles such as those run on compressed natural gas (CNG), liquefied petroleum gas (LPG), biodiesel, ethanol, hydrogen and fuel cells.



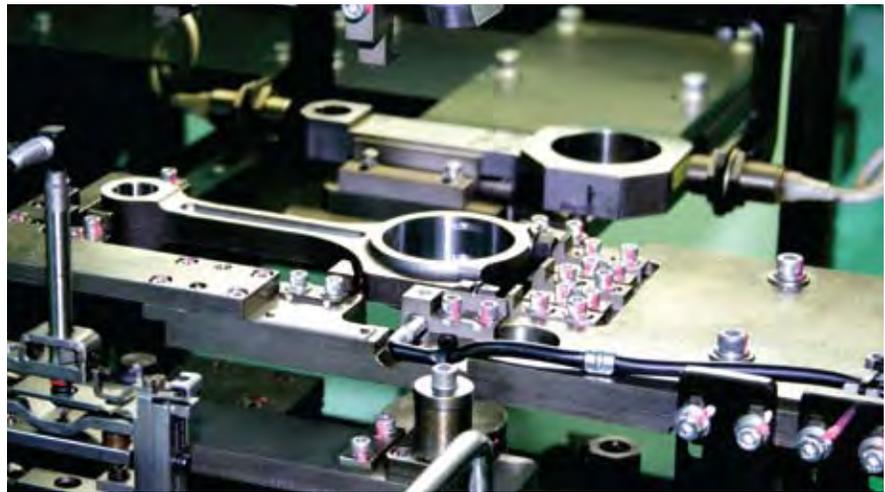
While SIB is not directly involved in the production of EEVs per se, we are contributing by way of supplying energy-efficient components and modules. Vehicle weight is a key consideration for EEVs to achieve lower fuel consumption. Therefore, by replacing cast iron and traditional steel components with lightweight materials such as magnesium alloys, metal and aluminum composites, it can improve the fuel efficiency of motor vehicles. It is important to point out that this can be achieved without compromising on safety and performance. It is estimated that by reducing a vehicle's weight by 10%, it can improve the fuel efficiency by 6-8%.

Increasing value-added activities in a sustainable way while continually developing domestic capabilities

In a competitive industry such as ours, one of our key competitive strengths lies in our in-house research and development (R&D) capabilities. Our capabilities have been expanded to include design of new products and prototypes, and also the development of software to produce leading-edge design models. Through our efforts, we have developed advanced suspension components that are far superior to the conventional ones and this has enabled us to move up the value supply chain. SIB's R&D team is continually looking into developing new products and services notably in the sunrise industries, examples of which would include those deploying green and electric-drive technology.

Boosting exports of vehicles, automotive components, spare parts and related products in the manufacturing and after market sectors

Malaysia is party to bilateral Free Trade Agreements (FTAs) signed with a number of countries. While these FTAs have paved the way for a progressive increase in Malaysia's export of automotive parts and components, there



is further upside potential. NAP 2014 aims to increase market access and local branding in targeted markets, whilst encouraging the transfer of technology.

SIB already has a strong foothold in regional export markets such as Thailand, Ecuador, India and the Philippines. More recently, we were able to penetrate markets in Indonesia to further expand our overseas customer base.

The Group has also made significant headway in diversifying its customer base in the domestic market to include non-national automobile manufacturers and assemblers engaged in the Malaysian market. Having proven our capabilities in supplying components to the local assembly plants of the international marques, the Group is now among contenders for their global sourcing and procurement programmes.

Increasing the participation of competitive local vendors in the domestic automotive industry

There are some 800 vendors within the Malaysian automotive supply chain, the majority of which are medium-sized establishments manufacturing automotive parts and components. To increase the number of local vendors participating in

the automotive industry, the NAP 2014 includes measures to create globally competitive entrepreneurs. To achieve this goal, NAP 2014 has provided financial assistance to develop local vendors in areas such as technology enhancement, human capital and supply chain management. It will also support vehicle manufacturers and after market businesses to ensure the active participation of local vendors in the automotive industries.

SIB has its own vendor development programme and over the years, the number of local vendors that we have taken under our wing has been steadily increasing. Just as the Group has been subjected to rigorous scrutiny by the international marques to become listed as a supplier, we ensure that our vendors are equal to the challenge of meeting stringent industry quality standards set by the OEMs. In this way we are helping our vendors move up the scale to achieve levels 3, 4 or 5 capabilities according to global definition.

The capabilities of our vendors can be borne out by the three industry awards we have received in 2013. Our vendors have contributed in no small measure towards our winning these awards and work closely with the Group as a team to achieve operational and quality targets.

CHAIRMAN'S STATEMENT (CONT'D)

Developing a competent and adequate workforce at all levels within the automotive industry

To ensure the success of NAP 2014, a roadmap has been included to develop a skilled workforce in product automation and manufacturing of hybrid component, engine and transmission systems.

On our part, SIB has long recognised the importance of its people as a source of competitive advantage. Our human resource development objective is to develop a talent pool of knowledgeable and experienced workforce to keep pace with the Group's plans to increase the scope, reach and capabilities of its business operations. Each year, a sizeable sum of money is set aside for the training of our manpower. While the emphasis is on the technical fields, our training calendar also includes an eclectic mix of soft skill programmes focusing on developing people management skills and leadership qualities.

SIB also has an arrangement with Universiti Malaysia Pahang (UMP) for qualified staff to participate in the university's tertiary programme. UMP is a leading provider of engineering and technology-based programmes and research outputs and is one of the few local institutions offering a specialised Bachelor of Automotive Engineering Degree. Several of our staff have signed up for UMP's Master's programmes in relevant disciplines and the first batch is expected to graduate by 2015.

Safeguarding consumer interests by offering safer and better quality products at competitive prices

The increasing use of lightweight materials allows manufacturers to incorporate additional safety devices, integrated electronic systems and emissions control equipment on vehicles without increasing their weight. Lighter stronger materials not only improve the performance of vehicles but help achieve savings at the pump.



DRIVING FUTURE GROWTH

Asia remains by far the world's most dynamic regions, with the rise of China and India, the region's two economic powerhouses. Despite the economic turbulence that has affected many of the advanced economies, basic economic fundamentals have remained positive throughout the Association of South East Asian nations (ASEAN). With an estimated 180 million people in ASEAN within the upper middle income category, the ASEAN automotive market remains buoyant. The total vehicle sales in the region for the period between January to November 2013 totalled 3.2 million units. As the motorisation level in countries such as Vietnam, Indonesia, the Philippines and Thailand is still relatively low, there is significant upside potential. It is estimated that total vehicle sales in ASEAN will reach 6 million units by the year 2020, thereby enhancing the appeal of the region as an export market.

To meet the additional volume requirement, Malaysia has introduced initiatives to attract potential investments by way of providing soft loans, tax and other forms of incentives. The target is to achieve a total production volume of 1.35 million units of motor vehicles per annum by the year 2020, of which 1.15 million will be EVs. Malaysian exports of vehicles will rise to

250,000 units per year compared to 20,000 units projected for 2013. Over the same period, the NAP 2014 has also set targets for the country's exports of automotive and remanufacturing and recycling components to RM10 billion and RM2 billion annually.

Taking the Malaysian automotive industry to the next level will also require the development of new industries such as those engaged in high precision and engineering, design engineering and prototyping, foundry and casting, aluminium and non-ferrous casting, vehicle sub-system and component testing, automotive grade steel and engineering plastic. The Malaysian Government is also promoting Malaysia as a preferred location for investment, research, technology adoption and human capital development in areas related to Green Powertrain Technology, Advanced Automotive Manufacturing and Low Carbon Manufacturing Process.

NAP 2014 has opened up new opportunities and possibilities for automotive players, local and foreign alike, operating in Malaysia. By leveraging on our many strengths, SIB is uniquely positioned to seize meaningful opportunities coming its way for top and bottom line growth at a critical time.



A resilient business model

Our track record of success is based on a time-tested business model, enabling us to build for the future. We balance growth opportunities and investment returns, while continuously seeking to improve operational safety standards, competitiveness and innovation to drive future revenue streams. Having established the scope and scale, geographic expansion is an important part of our future growth agenda. With a firm foothold in the global OEM market, the Group will build on the linkages established to leverage its products and expand its business in targeted global markets.

Leveraging on key strengths

As one of the key drivers of growth, SIB can leverage on its commercial, technical and operational strengths as a foundation to achieve future profitability and lasting break-away growth. Commercially, the Group has focused on diversifying its customer base to include non-national automobile manufacturers and assemblers.

From the technical perspective, the Group has expanded its product offerings both horizontally and vertically. We started out by manufacturing only suspension components and progressed further into the production of critical higher

value-added parts and components. From a manufacturer of components, we have also achieved vertical integration by adding modular parts to our portfolio. In recent years, we have brought to the market several new suspension components such as side load spring and hollow stabiliser bar and engine and transmission components such as end rear suspension, case differential and oil pan assembly. We continued to enhance our technical capabilities to include design and product verification.

The quality imperative

Operationally, we are continually raising the bar on quality. All our manufacturing divisions are certified to internationally recognised quality management programmes such as those belonging to the International Standards Organisation (ISO). In addition, we have also adopted initiatives developed by other quality gurus, such as the concept of Kaizen as a means of continual improvements at the workplace. We have also embraced Kanban as a scheduling system to implement lean and just-in-time production. SIB has also benefitted from the Malaysia Japan Automotive Industries Cooperation (MAJAICO) programmes that were designed to enhance the capabilities and competitiveness of the Malaysian automotive industry.

Research and development capabilities

Innovation has a vital role to play as one of the main drivers of future growth. In today's competitive business environment, Malaysian automotive companies can no longer compete on the basis of low labour costs and cheap raw materials alone. As we prepare for a new era of liberalisation, our competitiveness depends increasingly on our ability to harness technology to enhance productivity, quality and maximise efficiency in order to meet global standards. Under its Technical Development Plan, SIB has invested close to RM6 million to enhance its research and development (R&D) capabilities in the areas of design, development, analysis, proto-typing and testing. With the roll-out of NAP 2014, various incentives will be available for industry-driven research programmes.

We are now striving to reach global competitiveness in the area of product R&D. In this regard, SIB has forged strategic collaborations with some of the leading players in the auto industry as well as with our technical partners throughout the Asia-Pacific region and the Euro Zone. In a collaborative process with UMP and a foreign partner, we are sharing ideas and drawing on one another's strengths to study the viability of a hybrid and electric vehicle project as well as the development of green technology for commercial applications. As the marketplace continues to evolve and open up, we will leverage on our R&D capabilities to increase our product range to meet market demand.

A High Performance Organisation

NAP 2014 has driven home the need to sharpen our competitiveness. To ensure sustainability of our business and to meet the challenges ahead, we owe it to ourselves to move toward a high performance culture. Inculcating a culture of excellence begins with people, stemming from our basic conviction that "Quality people build quality products." To build a team of quality people, it must begin with effective leaders who

CHAIRMAN'S STATEMENT (CONT'D)



are continuously raising the bar by encouraging a higher performance from themselves and their teams. One of the key leadership imperatives today is fostering a culture of ownership that would engender an environment where employees are committed to the value, vision and mission of the organisation. SIB may not be a high performance organisation as yet, but I have no doubt whatsoever that this is a milestone we will reach as we move further down the road in our transformative journey.

OUTLOOK & PROSPECTS

The gradual improvement in the global economy is expected to continue in 2014, supported by a broader economic recovery in the advanced economies and sustained growth in the emerging economies. Resultantly, the global economy has been forecast to register a growth of 3.7% in 2014, against 3% in 2013.

Buoyed by its strong underlying fundamentals, the Malaysian economy is expected to maintain its growth trajectory in 2014, expanding by 4.5% - 5.5% (Bank Negara Annual Report). Growth

will be driven by the private sector across a diversified range of economic activities and the ongoing implementation of the Government's Economic Transformation Programme. On the downside, there is the possibility of a moderation in consumers' spending in the light of an increase in the prices of goods and services. Furthermore, lending guidelines may be tightened in order to rein in rising household debts.

Notwithstanding the downside risks, MAA has projected that 2014 will see a 2% increase in TIV to 670,000 units. Both the passenger and commercial vehicle segments will grow by 2% to hit 589,600 units and 80,400 units respectively. The growth trajectory for TIV is also forecasted to rise incrementally between 2015 and 2018.

2014 will see more new models and variants being launched in the Malaysian market at even more competitive prices. For example, the price of the Perodua new Viva 'S' series launched in January 2014 was lower by between 2% and 7%. In all, the newly introduced models and variants are expected to capture a 55% market share.

Financial year ended 31 January 2015 (FY2015) is shaping up to be a good year for SIB and there are several good reasons for my upbeat assessment. The letters of award received from various OEMs operating in Malaysia during FY2014 have increased three fold as compared to the previous year. This would contribute positively in Group's financial results moving forward. After a lackluster 2012, global sourcing in 2013 has picked up in step with a recovering global economy. As mentioned earlier, SIB has undergone rigorous scrutiny by the audit and quality teams of the various OEMs to get onto their global sourcing programmes. The last hurdle is behind us and if the outcome is positive, its potential as a differentiator to gain market share is enormous.

While I am proud of all we have achieved in FY2014, there is always room for improvements. There is still significant opportunity for revenue growth through increased market share in our core business segments by expanding our portfolio of superior branded products into the most promising markets and price tiers. On the bottom line, our productivity opportunity



is substantive and measures are in place to enhance efficiencies, reduce rework and rejections, minimise operational wastages, optimise stock and capacity levels. From the lessons learnt, a raft of corrective actions has been adopted and as we move into the new financial year, there are early indications that these are yielding the desired results.

SIB's transformation journey began almost two decades ago from the time we were listed and trying to establish our niche in the nascent Malaysian automotive industry. As I recall, it began with a vision and a plan. From the early developmental stage, we laid the foundations to strengthen our performance in the face of dynamic market trends and macro-economic challenges. We then moved on to become a highly-competitive and cost-efficient company focused on improving our business and playing a more dominant role in the domestic industry. With the scope and scale in place, this has set the Group up for the next chapter of its ongoing development – taking on the challenge of competing in the global markets.

A great deal of hard work will be coming into fruition in the coming years, delivering on objective to create the best possible value for our shareholders. While we are satisfied with our progress, change is an ongoing process and will continue to be the driving force of the Group.

ACKNOWLEDGEMENTS

SIB's continuing progress and its commendable performance in the past year is a prime example of what could be achieved by a team of dedicated professionals committed to the values and vision of the Company. While we have realised significant financial and operating success in FY2014, our focus remains on the future and the opportunities that lie ahead. Our people are the ones growing the Company and we are not finished yet. We know we can depend on them as we look to further unlock the potential of our business.

SIB's success is also attributed to its financiers, suppliers and an expanding base of customers, at home and abroad. I also wish to thank our valued associates, business partners and the

many government agencies we deal with. Special mention must be made of our loyal shareholders, many of whom have been with us from the earliest days. Thank you for your ongoing interest and support.

Leading SIB is an honour I cherish. And having followed the Group at every step of its transformation journey, I know that nothing is impossible. With your continued support, we can look forward to an even brighter future ahead.

I thank all of you.

Tan Sri Dato' Seri Ir. Shamsuddin bin Abdul Kadir
Executive Chairman



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



In today's inter-connected world, no business can operate as an entity unto itself. The Sapura Group has always believed that the way to build a sustainable business is to strike a balance between profitability and social conscience. That is why we have long embraced corporate social responsibility (CSR) as an integral part of our business strategy.

In our ongoing efforts to develop meaningful CSR agendas, policies and initiatives, we strive to give back to society by acting in an environmentally, socially, culturally and ethically responsible manner. Growth with equity is our continuing emphasis and we constantly reshape our programmes of assistance to ensure their relevance in meeting the needs of the communities we serve.

Within the Sapura Group, CSR is championed by two foundations established at the Group level, the Yayasan Shamsuddin Abdul Kadir and Yayasan Siti Sapura Husin. Our programmes include providing education and financial assistance to orphans and children in need.

This is complemented by the CSR programmes and activities drawn up and implemented by

companies within the Group, as well as through Sapura Community. Through these efforts, the Group encourages participation from all levels of the Sapura family to take an active role in welfare and charity projects, even in the smallest of gestures.

WORKPLACE DEVELOPMENT

The strength of our business has always been defined by the quality of our people. In this regard, we face real competition from the rest of corporate Malaysia to attract and retain the best and the brightest. We make every effort, therefore, to make SIB an exciting and highly satisfying place to work. It goes without saying that the health and safety of everyone who works for the Group is a priority to us. In our efforts to inculcate a health and safety conscious culture,

refresher sessions are conducted regularly on various aspects of medical ergonomics and occupational first aid.

The high priority placed on training has been a major contributing factor to the Group's success. One of the most important long-term human resource plans for the Group is to develop its personnel at the same rate that it increases the scope, reach and capabilities of its operations.

As a Group, we continuously develop programmes that foster cross-engagement of staff and their families from the different business units. Last year, we had family groups who visited Pusat Sains Negara, as well as Legoland, Malaysia's first international theme park. The social calendar also included several sporting activities such as the Bowling Tournament and Go-Kart Challenge



that brought out the team spirit of our people. Within the SIB Group, sporting activities such as badminton, netball, futsal, football and bowling are organised weekly. Events like these go a long way to create the bonds of camaraderie and teamwork thereby ensuring a more conducive work environment.

As Sapura places a premium on excellence, our foremost commitment has always been to education. It is for this reason that the Anugerah Cendekiawan was inaugurated to inspire the children of our employees group-wide to strive for academic excellence. In 2013, 59 high achievers in the UPSR, PMR and SPM examinations were presented with the award in the presence of their proud parents. As part of its employee welfare programme, SIB has set up a fund to provide a monthly stipend to the children of employees who passed away whilst in the service of the company.

We constantly look at ways to foster greater understanding and relationships among our employees. Every year, the group's Majlis Berbuka Puasa and Sapura Group Hari Raya Open House brought together all employees throughout the group to share the blessings of the holy months of Ramadhan and Syawal.

In 2013, the group continued a tradition that began almost 20 years ago as we sponsored 33 Sapura staff to perform Umrah. This unique experience continues to provide our staff with a lifetime experience that builds lasting friendships and precious memories.

MARKETPLACE DEVELOPMENT

Sapura Group believes that a sound corporate governance principle is the foundation upon which the trust of investors is built. We maintain the highest standards of transparency, accountability and integrity to ensure the creation, protection and enhancement of shareholder value. A sound risk management and internal control system has been put in place to safeguard shareholders' investment and the Group's assets. The Group's comprehensive corporate governance policies and practices are consistent with the Principles and Recommendations set out in the Malaysian Code of Corporate Governance 2012.

Investors depend on corporate websites for information pertaining to the latest press releases and news, share price movements, company reports and contact details. SIB's corporate website, www.sapuraindustrial.com.my provides

information on its core businesses and latest news updates. Investors can also request for a copy of SIB's annual report, which contains the financial results, performance review, strategic directions of the Company and its outlook and prospects. The latest announcements on key developments affecting the Company can also be accessed through Bursa Malaysia's website.

Through our homegrown research and development capabilities SIB contributes towards strengthening the technology base of Malaysia's automotive industry. In a very competitive business, one of the great differentiators is the Group's relentless pursuit of quality excellence. All our manufacturing divisions are accredited to the internationally recognised International Standard Organisation (ISO) Quality Management Systems.

Throughout the Group's transformation journey, we acknowledge the important role played by our growing number of suppliers and vendors. In our commitment to uphold ethical procurement practices, we ensure all business dealings are fair and transparent. As we move up the value chain, we continuously partner with our vendors to move them up the scale to achieve levels 3, 4 or 5 capabilities according to global definition, and earn accreditation to quality certifications such as ISO and TS 16949. This approach has earned us three industry awards recognising the achievement of our operational and quality targets together as a result of close collaborations with our vendors.



CORPORATE SOCIAL RESPONSIBILITY (CONT'D)



SIB is also an active member of the Proton and Perodua Vendor Associations. These associations act as an intermediary between the national car makers and the vendors to resolve non-commercial issues amicably and to maintain a harmonious relationship between both parties.

COMMUNITY DEVELOPMENT

Among the highlights of the 2013 social calendar were the series of activities organised during the month of Ramadhan. In all of Sapura Group's community work, we continuously look to involve our staff to reinforce our links with the communities we serve, bringing to life the human dimension of our corporate values. A Majlis Berbuka Puasa was organised at the Ipoh Resource Centre for 100 students from various orphanages around Ipoh, while a similar event in Kedah provided the opportunity for us to meet with families receiving financial support from Sapura. We also provided financial assistance to 40 mosques and suraus throughout the country. It is through such outreach programmes that we establish goodwill and build meaningful links in the communities in which we are an integral part of.

Last year, Sapura Community organised a Charity Carnival with the objective of raising funds for identified paediatric wards in the selected hospitals. The event was held on 30 November 2013 and received overwhelming support from staff, their families and friends. Sapura Community raised RM 200,000 during the event which was then distributed to the paediatric wards of Hospital Tengku Ampuan Rahimah in Klang, Hospital Raja Permaisuri Bainun in Ipoh and Hospital Sultanah Aminah in Johor Bahru.

Of the Sapura Group's many philanthropic endeavours, one that stands out is its support of the MyKasih Foundation. The uniqueness of the MyKasih food aid programme is that aid is disbursed to targeted beneficiaries using an efficient cashless payment system. The system provides beneficiaries with the means to shop and pay for essential food items using MyKad. Under this programme, the Sapura Group sponsored 300 adopted families in Jerlun, Kedah.

With busy schedules, it can be hard to find time for community work, but as many SIB staff discovered, volunteering can be a rewarding experience. Many of our people volunteered their time and effort to visit two welfare homes





in Kajang and Banting, bringing with them a donation of groceries and much needed household items.

A date was also set aside for the Company's Annual Gotong Royong, where management and staff rolled up their sleeves to get down to sprucing up our own factory compound. By committing themselves to a shared activity, it has helped strengthened ties among our people and broadened the support network amidst fun and fulfilling activities. It is also gratifying that our people also turned up in force to support the Sapura Group's annual blood donation drive that saw a show of 300 donors.

ENVIRONMENTAL PRESERVATION

We have a responsibility to present and future generations to do what we can to minimise our impact on the environment and address the pressing issue of climate change. To this end, our manufacturing facilities are in compliance with ISO 14001:2004, which sets the framework that helps the Group achieve its environmental goals through consistent control of its operations to mitigate any adverse impacts on the environment.

SIB continued to demonstrate its responsibility to environmental preservation by conforming to Proton's 3R rules of "Reusability, Recyclability and Recoverability". This stems from the European Union (EU) directive that mandates all vehicle manufacturers to comply with the minimum thresholds for the reuse, recycling and recovery of the component parts and materials of new vehicles. The aim is to ensure that vehicles are designed so as to facilitate processing at the end of their life cycle. It is a regulation that all automotive manufacturers must meet to gain entry to EU markets. We also play our part in encouraging vendors to install cooling systems and a transparent roof to conserve energy at their manufacturing plants, in line with Perodua's "Clean, Bright and Beautiful" environmental initiative.

For Sapura Group, corporate social responsibility goes beyond industry requirements and practices. It is an inherent part of the Sapura culture and is actively supported by the entire Sapura family. We continue to collectively find ways to contribute and play a positive role in society through various platforms and meaningful initiatives.

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 directors, independent and non-executive directors. The Board's composition comprises two (2) executive directors, two (2) non-independent non-executive directors and three (3) independent non-executive directors. A brief profile of the directors is presented on pages 16 to page 22 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.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

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.

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 six (6) meetings. Details of attendance at Board meetings are as follows:-

No.	Name of Directors	Position	Attendance
1.	Tan Sri Dato' Seri Ir. Shamsuddin bin Abdul Kadir <i>(appointed on 26 June 2013)</i>	Executive Chairman	3 out of 3
2.	Tan Sri Dato' Seri Shahril bin Shamsuddin	Deputy Chairman	3 out of 6
3.	Dato' Shahrizan bin Shamsuddin	Executive Director	4 out of 6
4.	Dato' Azlan bin Hashim	Non-Independent Non-Executive	3 out of 6
5.	Datuk Kisai bin Rahmat	Independent Non-Executive	6 out of 6
6.	Md. Shah bin Hussin	Independent Non-Executive	6 out of 6
7.	Wan Ahamad Sabri bin Wan Daud	Independent Non-Executive	6 out of 6

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 48 to 51.

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

- **Board Nomination and Remuneration Committee**

The Board Nomination and Remuneration Committee (BNRC) was set up with the primary responsibility of proposing and recommending to the Board, candidates for directorships to be filled in the Board and Board Committees. 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 three (3) meetings 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.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

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.

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 :

- The Rationale For Diversification Strategies – The Value Proposition
- Overview Of Key Processes In Mergers And Acquisition
- Post-Acquisition Processes
 - Integration Processes / Harvesting The Upside Of Business Integration
 - Risk Management
- Challenges In Mergers And Acquisition
- Corporate Governance
- Ethical Principles And Standards In Organisation

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 Chairman, 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 Chairman, 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 2014 are as follows:

	Executive RM	Non-Executive RM	Total RM
Fees	–	265,000	265,000
Salaries and other emoluments	2,442,667	–	2,442,667
Bonus	320,000	–	320,000
Other emoluments	–	52,500	52,500
Benefits-in-kind	7,189	–	7,189
Contributions to defined contribution plan	245,520	–	245,520
Total	3,015,376	317,500	3,332,876

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	–	3	3
RM700,001 – RM 750,000	1	–	1
RM2,250,001– RM2,300,000	1	–	1
Total	2	6	8

* Remuneration for Non-Executive Directors includes an Alternate Director

CORPORATE GOVERNANCE STATEMENT (CONT'D)

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.

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 pages 52 to 53 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 48 to 51 of the Annual Report.

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

Directors' Responsibility Statement

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

Statement made in accordance with a resolution of the Board of Directors dated 15 May 2014.

AUDIT COMMITTEE REPORT

The Audit Committee of Sapura Industrial Berhad is pleased to present their report for the financial year ended 31 January 2014.

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.

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.

AUDIT COMMITTEE REPORT (CONT'D)

MEETINGS HELD FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2014

The Audit Committee held five (5) meetings during the financial year ended 31 January 2014 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 2014 and the details of attendance are as follows:

No.	Name of Directors	Attendance
1.	Datuk Kisai bin Rahmat (Independent)	5 out of 5
2.	Dato' Azlan bin Hashim (Non-Independent)	4 out of 5
3.	Wan Ahamad Sabri bin Wan Daud (Independent)	5 out of 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, without the presence 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.

INTERNAL AUDIT FUNCTION

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

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

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

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

The Internal Audit Department also conducted several special assignments 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 RM536,699.

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

The Board regards risk management as an integral part of the Group’s business operations and has oversight over this critical area through the Audit Committee.

An Enterprise - Wide Risk Management framework through the application of the Corporate Risk Scorecard (CRS) has been established for Sapura Industrial Berhad. The risk assessment and findings were identified through a combination of interviews and a facilitated workshop. The process used in the interviews and workshop provided a structured approach 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.

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 are 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 2014.

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 2014 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 2014.

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 Six Thousand (RM6,000) 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.



FINANCIAL STATEMENTS

Directors' Report	60
Statement by Directors	64
Statutory Declaration	64
Independent Auditors' Report	65
Statements of Comprehensive Income	66
Consolidated Statements of Financial Position	67
Company Statements of Financial Position	68
Consolidated Statement of Changes in Equity	69
Company Statement of Changes in Equity	70
Statements of Cash Flows	71
Notes to the Financial Statements	72
Supplementary information – breakdown of retained profits/(accumulated losses) into realised and unrealised	123

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 2014.

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	18,005,075	8,127,342
Attributable to:		
Owners of the parent	18,246,879	8,127,342
Non-controlling interest	(241,804)	–
	<u>18,005,075</u>	<u>8,127,342</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 in nature.

DIVIDENDS

The amounts of dividends paid by the Company since 31 January 2013 were as follows:

	RM
In respect of the financial year ended 31 January 2014:	
Interim single tier dividend of 3.0% on 72,775,737 ordinary shares, declared on 27 November 2013 and paid on 23 December 2013	<u>2,183,272</u>

At the forthcoming Annual General Meeting, a final single tier dividend in respect of the financial year ended 31 January 2014 of 8% on 72,775,737 ordinary shares, amounting to a dividend payable of RM5,822,059 (8 sen net per ordinary share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders will be accounted for in equity as an appropriation of distributable reserves in the financial year ending 31 January 2015.

DIRECTORS

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

Tan Sri Dato' Seri Ir. Shamsuddin bin Abdul Kadir (Appointed on 26 June 2013)
Tan Sri Dato' Seri Shahril bin Shamsuddin
Dato' Shahrman bin Shamsuddin
Dato' Azlan bin Hashim
Datuk Kisai bin Rahmat
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 31.1.2014
	At 1.2.2013	Transfer from	Transfer to	
The Company				
Sapura Industrial Berhad				
Direct interest:				
Tan Sri Dato' Seri Ir. Shamsuddin bin Abdul Kadir	1,661,250	32,420,391*	—	34,081,641
Tan Sri Dato' Seri Shahril bin Shamsuddin	1,426,875	—	—	1,426,875
Dato' Shahrman bin Shamsuddin	663,175	—	—	663,175
Md. Shah bin Hussin (includes shares held by an associate)	90,498	—	—	90,498
Indirect interest:				
Tan Sri Dato' Seri Shahril bin Shamsuddin	32,420,391	—	(32,420,391)*	—
Dato' Shahrman bin Shamsuddin	32,420,391	—	(32,420,391)*	—
A fellow subsidiary*				
Sapura Resources Berhad*				
Direct interest:				
Tan Sri Dato' Seri Shahril bin Shamsuddin	83,250	—	—	83,250
Dato' Shahrman bin Shamsuddin	83,250	—	—	83,250
Indirect interest:				
Tan Sri Dato' Seri Shahril bin Shamsuddin	72,372,772	—	—	72,372,772
Dato' Shahrman bin Shamsuddin	72,372,772	—	—	72,372,772

DIRECTORS' REPORT (CONT'D)

DIRECTORS' INTERESTS (CONT'D)

	Number of preference shares of RM1 each			At 31.1.2014
	At 1.2.2013	Acquired	Sold	
Holding company*				
Sapura Holdings Sdn. Bhd.*				
Direct interest:				
Tan Sri Dato' Seri Shahril bin Shamsuddin	30,147,187	—	—	30,147,187
Dato' Shahrizan bin Shamsuddin	30,147,187	—	—	30,147,187
Indirect interest:				
Tan Sri Dato' Seri Shahril bin Shamsuddin	11,165,626	—	—	11,165,626
Dato' Shahrizan bin Shamsuddin	11,165,626	—	—	11,165,626
Preference Shares (Class "A" at RM0.10 each)				
Direct Interest				
Tan Sri Dato' Seri Shahril bin Shamsuddin	10,000	—	—	10,000
Preference Shares (Class "B" at RM0.10 each)				
Direct Interest				
Dato' Shahrizan bin Shamsuddin	10,000	—	—	10,000

* During the financial year, Sapura Holdings Sdn Bhd transferred 32,420,391 shares in the Company to Tan Sri Dato' Seri Ir. Shamsuddin bin Abdul Kadir. As such, Sapura Holdings Sdn Bhd has ceased to become the Group's holding company and substantial shareholder on 17 June 2013, being the date of the share transfer.

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 have been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

OTHER STATUTORY INFORMATION (CONT'D)

- (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 in the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
 - (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
 - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the abilities of the Group or of the Company to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the directors dated on 15 May 2014.

DATUK KISAI BIN RAHMAT

MD. SHAH BIN HUSSIN

STATEMENT BY DIRECTORS

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

We, Datuk Kisai bin Rahmat and Md. Shah bin Hussin, being two of the directors of Sapura Industrial Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 66 to 122 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 2014 and of their financial performance and cash flows for the year then ended.

The information set out in Note 33 on page 123 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 2014.

DATUK KISAI BIN RAHMAT

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 66 to 123 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 2014

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 2014 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 information, as set out on pages 66 to 123.

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 2014 and of its 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.

OTHER REPORTING RESPONSIBILITY

The supplementary information set out in Note 33 on page 123 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

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 2014

Muhammad Affan bin Daud
No. 3063/02/16(J)
Chartered Accountant

STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 January 2014

	Note	Group		Company	
		2014 RM	2013 RM	2014 RM	2013 RM
Revenue	4	274,305,874	265,650,077	30,002,751	28,654,116
Cost of sales		(220,333,143)	(211,192,340)	–	–
Gross profit		53,972,731	54,457,737	30,002,751	28,654,116
Other income	5	4,393,588	4,018,060	2,631,675	2,102,826
Administrative expenses		(31,090,740)	(35,927,118)	(23,162,613)	(23,225,879)
Selling and marketing expenses		(1,259,116)	(2,164,341)	(817,301)	(1,610,820)
Other expenses		(306,319)	(355,810)	(23,630)	(53,007)
Profit from operations		25,710,144	20,028,528	8,630,882	5,867,236
Finance costs	6	(1,964,358)	(2,648,033)	(503,540)	(641,725)
Profit before tax	7	23,745,786	17,380,495	8,127,342	5,225,511
Taxation	10	(5,740,711)	(5,320,730)	–	–
Profit net of tax, representing total comprehensive income for the year		18,005,075	12,059,765	8,127,342	5,225,511
Profit attributable to:					
Owners of the parent		18,246,879	13,489,226	8,127,342	5,225,511
Non-controlling interests		(241,804)	(1,429,461)	–	–
		18,005,075	12,059,765	8,127,342	5,225,511
Earnings per share attributable to owners of the parent (sen):					
Basic/diluted	11	25.07	18.54		

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 31 January 2014

	Note	31.1.2014 RM	Restated 31.1.2013 RM	Restated 1.2.2012 RM
Assets				
Non-current assets				
Property, plant and equipment	13	86,813,672	90,814,328	97,767,999
Development expenditure	14	2,507,192	2,623,010	3,220,300
Investment in an associate	16	–	–	–
		<u>89,320,864</u>	<u>93,437,338</u>	<u>100,988,299</u>
Current assets				
Inventories	17	26,243,867	24,251,777	23,515,934
Tax recoverable		67,589	370,235	479,423
Trade and other receivables	18	58,267,556	50,477,899	49,456,334
Other current assets	19	1,768,563	2,771,017	2,781,109
Cash and bank balances	20	17,749,078	10,066,376	20,915,172
		<u>104,096,653</u>	<u>87,937,304</u>	<u>97,147,172</u>
Total assets		<u>193,417,517</u>	<u>181,374,642</u>	<u>198,136,271</u>
Equity and liabilities				
Current liabilities				
Retirement benefit obligations	21	17,194	85,711	41,624
Income tax payable		1,217,723	1,377,299	1,624,983
Trade and other payables	26	37,592,297	36,710,345	42,680,079
Loans and borrowings	23	33,702,803	33,139,056	32,678,183
		<u>72,530,017</u>	<u>71,312,411</u>	<u>77,024,869</u>
Net current assets		<u>31,566,636</u>	<u>16,624,893</u>	<u>20,123,103</u>
Non-current liabilities				
Retirement benefit obligations	21	4,437,759	4,102,017	3,694,609
Loans and borrowings	23	9,133,101	14,462,319	21,527,191
Deferred tax liabilities	25	7,035,644	7,038,702	7,479,511
		<u>20,606,504</u>	<u>25,603,038</u>	<u>32,701,311</u>
Total liabilities		<u>93,136,521</u>	<u>96,915,449</u>	<u>109,726,180</u>
Net assets		<u>100,280,996</u>	<u>84,459,193</u>	<u>88,410,091</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
Retained profits		26,464,317	10,400,710	12,922,147
		<u>101,440,180</u>	<u>85,376,573</u>	<u>87,898,010</u>
Non-controlling interests		<u>(1,159,184)</u>	<u>(917,380)</u>	<u>512,081</u>
Total equity		<u>100,280,996</u>	<u>84,459,193</u>	<u>88,410,091</u>
Total equity and liabilities		<u>193,417,517</u>	<u>181,374,642</u>	<u>198,136,271</u>

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

COMPANY STATEMENTS OF FINANCIAL POSITION

As at 31 January 2014

	Note	31.1.2014 RM	Restated 31.1.2013 RM	Restated 1.2.2012 RM
Assets				
Non-current assets				
Property, plant and equipment	13	16,479,199	17,113,242	17,742,280
Investment in subsidiaries	15	28,957,878	28,957,878	28,957,878
Investment in associate	16	–	–	–
		<u>45,437,077</u>	<u>46,071,120</u>	<u>46,700,158</u>
Current assets				
Trade and other receivables	18	18,204,891	14,070,427	14,807,654
Other current assets	19	77,827	313,868	131,056
Dividend receivable		8,332,000	10,132,000	16,882,000
Cash and bank balances	20	180,390	528,532	509,755
		<u>26,795,108</u>	<u>25,044,827</u>	<u>32,330,465</u>
Total assets		<u>72,232,185</u>	<u>71,115,947</u>	<u>79,030,623</u>
Equity and liabilities				
Current liabilities				
Retirement benefit obligations	21	5,256	45,381	2,499
Trade and other payables	26	30,077,694	30,383,715	26,142,936
Loans and borrowings	23	4,157,662	7,723,384	5,492,963
		<u>34,240,612</u>	<u>38,152,480</u>	<u>31,638,398</u>
Net current assets		<u>(7,445,504)</u>	<u>(13,107,653)</u>	<u>692,067</u>
Non-current liabilities				
Retirement benefit obligations	21	1,564,985	1,374,882	1,262,138
Financial guarantee	22	372,878	521,282	2,467,580
Loans and borrowings	23	230,888	1,188,551	2,998,603
Deferred tax liabilities	25	–	–	–
		<u>2,168,751</u>	<u>3,084,715</u>	<u>6,728,321</u>
Total liabilities		<u>36,409,363</u>	<u>41,237,195</u>	<u>38,366,719</u>
Net assets		<u>35,822,822</u>	<u>29,878,752</u>	<u>40,663,904</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		(39,153,041)	(45,097,111)	(34,311,959)
Total equity		<u>35,822,822</u>	<u>29,878,752</u>	<u>40,663,904</u>
Total equity and liabilities		<u>72,232,185</u>	<u>71,115,947</u>	<u>79,030,623</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 2014

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			
As at 1 February 2012 (restated)	72,775,737	2,200,126	12,922,147	87,898,010	512,081	88,410,091
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	10,400,710	85,376,573	(917,380)	84,459,193
As at 1 February 2013 (restated)	72,775,737	2,200,126	10,400,710	85,376,573	(917,380)	84,459,193
Total comprehensive income for the year	–	–	18,246,879	18,246,879	(241,804)	18,005,075
Dividends on ordinary shares 12	–	–	(2,183,272)	(2,183,272)	–	(2,183,272)
At 31 January 2014	72,775,737	2,200,126	26,464,317	101,440,180	(1,159,184)	100,280,996

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 2014

	Note	← Non-distributable →		Accumulated losses RM	Total RM
		Share capital RM	Share premium RM		
As at 1 February 2012 (restated)		72,775,737	2,200,126	(34,311,959)	40,663,904
Total comprehensive income for the year		–	–	5,225,511	5,225,511
Dividends on ordinary shares	12	–	–	(16,010,663)	(16,010,663)
At 31 January 2013		72,775,737	2,200,126	(45,097,111)	29,878,752
As at 1 February 2013 (restated)		72,775,737	2,200,126	(45,097,111)	29,878,752
Total comprehensive income for the year		–	–	8,127,342	8,127,342
Dividends on ordinary shares	12	–	–	(2,183,272)	(2,183,272)
At 31 January 2014		72,775,737	2,200,126	(39,153,041)	35,822,822

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

STATEMENTS OF CASH FLOWS

For the year ended 31 January 2014

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Operating activities				
Profit before tax	23,745,786	17,380,495	8,127,342	5,225,511
Adjustments for:				
Depreciation of property, plant and equipment	15,632,042	13,336,485	826,202	851,631
Property, plant and equipment written off	230,111	382,161	7,937	–
Amortisation of development expenditure	888,710	1,412,246	–	–
Short term accumulating absences	(10,828)	15,064	3,982	16,133
Interest income	(194,834)	(447,461)	(147,974)	(64,122)
Impairment loss on other receivables	–	–	757,576	3,614,786
Write back of corporate guarantee	–	–	(148,404)	(1,946,298)
Net unrealised loss on foreign exchange	401,031	401,133	–	–
Increase in liability for defined benefit plan	410,997	566,979	190,989	216,004
(Gain)/loss on disposal of property, plant and equipment	(43,606)	291,195	(16,745)	311,565
Dividend income	–	–	(8,100,000)	(8,700,000)
Inventories written off	179,137	865,735	–	–
Interest expense	1,964,358	2,648,033	503,540	641,725
Impairment loss on development expenditure	34,584	–	–	–
Operating profit before working capital changes	43,237,488	36,852,065	2,004,445	166,935
Increase in inventories	(2,171,227)	(1,601,578)	–	–
Increase in trade and other receivables	(7,859,549)	(1,021,655)	(4,874,730)	(2,891,259)
Decrease/(increase) in other current assets	612,251	10,092	236,041	(182,812)
Increase/(decrease) in trade and other payables	722,952	(6,385,931)	(306,021)	4,224,646
Cash generated from/(used in) operations	34,541,915	27,852,993	(2,940,265)	1,317,510
Interest paid	(1,964,358)	(2,648,033)	(503,540)	(641,725)
Taxes paid	(5,600,699)	(5,900,035)	–	–
Retirement benefits paid	(143,772)	(115,484)	(41,011)	(60,378)
Net cash generated from/(used in) operating activities	26,833,086	19,189,441	(3,484,816)	615,407
Investing activities				
Dividend received	–	–	9,900,000	15,450,000
Purchase of property, plant and equipment	(12,141,696)	(6,866,913)	(201,602)	(362,529)
Interest received	194,834	447,461	126,682	64,122
Proceeds from disposal of property, plant and equipment	410,007	95,400	18,251	75,000
Development expenditure incurred	(807,476)	(814,956)	–	–
Net cash (used in)/generated from investing activities	(12,344,331)	(7,139,008)	9,843,331	15,226,593
Financing activities				
Net repayment of term loans	(7,852,539)	(3,747,981)	(1,333,344)	(1,333,344)
Net drawdown/(repayment) of short term borrowings	3,957,952	(1,646,990)	(2,800,000)	2,300,000
Net repayment of hire purchase and lease financing	(530,324)	(1,289,935)	(390,041)	(779,216)
Dividends on ordinary shares	(2,183,272)	(16,010,663)	(2,183,272)	(16,010,663)
Net cash used in financing activities	(6,608,183)	(22,695,569)	(6,706,657)	(15,823,223)
Net increase/(decrease) in cash and cash equivalents	7,880,572	(10,645,136)	(348,142)	18,777
Cash and cash equivalents at beginning of year	9,373,366	20,018,502	528,532	509,755
Cash and cash equivalents at end of year (Note 20)	17,253,938	9,373,366	180,390	528,532

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

NOTES TO THE FINANCIAL STATEMENTS

31 January 2014

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.

During the financial year, Sapura Holdings Sdn Bhd transferred 32,420,391 shares in the Company to Tan Sri Dato’ Seri Ir. Shamsuddin bin Abdul Kadir. As such, Sapura Holdings Sdn Bhd has ceased to become the Group’s holding company and substantial shareholder on 17 June 2013, being the date of the share transfer.

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.

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.

As of 1 February 2013, the Group and the Company have adopted new, amendments and revised MFRS (collectively referred to as “pronouncements”) that have been issued by the Malaysian Accounting Standard Board (“MASB”) as described fully in Note 2.2.

2.2 Changes in accounting policies

On 1 February 2013, the Group and the Company adopted the following new and amended MFRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2013.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Changes in accounting policies (cont'd)

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
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 132: Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities	1 January 2013

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

(a) 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 investment 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 that owns less than 50 per cent of the voting shares in an investee has control over the investee. MFRS 10 requires the investor to take into account all relevant facts and circumstances, particularly the size of the investor's holding of voting rights relative to the size and dispersion of holdings of the other vote holders. The adoption of MFRS 10 did not have any significant financial impact to the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 January 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Changes in accounting policies (cont'd)

(b) MFRS 11 Joint Arrangements

MFRS 11 replaces MFRS 131 Interests in Joint Ventures and IC Interpretation 113 Jointly-Controlled Entities – Non-monetary Contributions by Venturers.

The classification of joint arrangements under MFRS 11 is determined based on the rights and obligations of the parties to the joint arrangements by considering the structure, the legal form, the contractual terms agreed by the parties to the arrangement and when relevant, other facts and circumstances. Under MFRS 11, joint arrangements are classified as either joint operations or joint ventures.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

MFRS 11 removes the option to account for jointly controlled entities ("JCE") using proportionate consolidation. Instead, JCE that meet the definition of a joint venture must be accounted for using the equity method. The adoption of MFRS 11 did not have any significant financial impact to the Group and the Company.

(c) 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.

(d) MFRS 13 Fair Value Measurement

MFRS 13 establishes a single source of guidance under MFRS for all fair value measurements. MFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under MFRS. MFRS 13 defines fair value as an exit price. As a result of the guidance in MFRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. MFRS 13 also requires additional disclosures.

Application of MFRS 13 has not materially impacted the fair value measurement of the Group. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

(e) 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 and the unrecognised net actuarial loss of RM999,498 has been recognised in the closing balance of the financial year 2012 and opening balance of financial year 2013 respectively.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Changes in accounting policies (cont'd)

(f) Amendments to MFRS 116: Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)

The amendments to MFRS 116 requires items such as spare parts, stand-by equipment and servicing equipment be recognised as part of property, plant and equipment when they meet its definition.

The Group has spare parts ageing more than one year amounting to RM2,353,223 (2013: RM2,394,741) that meets the definition of property, plant and equipment.

The spare parts have been appropriately reclassified from inventory to property, plant and equipment in the financial statements. This amendment has been applied retrospectively.

The Group has adopted MFRS 119 Employee Benefits and Amendments to MFRS 116: Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle). The effects of adopting MFRS 119 and Amendments to MFRS 116 have been accounted for retrospectively in accordance with the transitional provision of the standard.

(i) Impact of the application of the above new standards on net assets and equity of the Group and the Company as at 1 February 2012 and 31 January 2013:

	1 February 2012 As previously stated RM	MFRS 119 adjustments RM	Amendments to MFRS 116 adjustments RM	1 February 2012 As restated RM
Group:				
Non-current assets				
Property, plant and equipment	96,121,221	–	1,646,778	97,767,999
Current assets				
Inventories	25,162,712	–	(1,646,778)	23,515,934
Non-current liabilities				
Retirement benefit obligations	2,695,111	999,498	–	3,694,609
Equity and liabilities				
Equity attributable to owners of the parent				
Retained profits	13,921,645	(999,498)	–	12,922,147
Company:				
Non-current liabilities				
Retirement benefit obligations	785,769	476,369	–	1,262,138
Equity and liabilities				
Equity attributable to owners of the parent				
Accumulated losses	(33,835,590)	(476,369)	–	(34,311,959)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 January 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Changes in accounting policies (cont'd)

(f) Amendments to MFRS 116: Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle) (cont'd)

	31 January 2013 As previously stated RM	MFRS 119 adjustments RM	Amendments to MFRS 116 adjustments RM	31 January 2013 As restated RM
Group:				
Non-current assets				
Property, plant and equipment	88,419,587	–	2,394,741	90,814,328
Current assets				
Inventories	26,646,518	–	(2,394,741)	24,251,777
Non-current liabilities				
Retirement benefit obligations	3,102,519	999,498	–	4,102,017
Equity and liabilities				
Equity attributable to owners of the parent				
Retained profits	11,400,208	(999,498)	–	10,400,710
Company:				
Non-current liabilities				
Retirement benefit obligations	898,513	476,369	–	1,374,882
Equity and liabilities				
Equity attributable to owners of the parent				
Accumulated losses	(44,620,742)	(476,369)	–	(45,097,111)

(ii) Impact on profit of the Group for the year of the application of the above new standards:

	31 January 2013 As previously stated RM	Amendments to MFRS 116 adjustments RM	31 January 2013 As restated RM
Cost of sales	(211,192,340)	1,014,800	(210,177,540)
Administrative expenses	(35,927,118)	(1,014,800)	(36,941,918)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 New and revised pronouncements yet in effect

The following pronouncements that have been issued by the MASB will become effective in future financial reporting periods and have not been adopted by the Group and/or the Company:

Description	Effective for annual period beginning on or after
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
Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IC Interpretation 21 Levies	1 January 2014
Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions	1 July 2014
Annual Improvements to MFRSs 2010-2012 Cycle	1 July 2014
Annual Improvements to MFRSs 2011-2013 Cycle	1 July 2014
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in November 2009)	To be announced
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in October 2010)	To be announced
MFRS 9 Financial Instruments: <i>Hedge Accounting</i> and amendments to MFRS 9, MFRS 7 and MFRS 139	To be announced

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.

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.

The Company controls an investee if and only if the Company has the following:

- (i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) Exposure, or rights, to variable returns from its investment with the investee; and
- (iii) The ability to use its power over the investee to affect its returns

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 January 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Basis of consolidation (cont'd)

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

- (i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- (ii) Potential voting rights held by the Company, other vote holders or other parties;
- (iii) Rights arising from other contractual arrangements; and
- (iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

2.5 Transactions with non-controlling interests

Non-controlling interest at the reporting period, being the portion of the net assets of the subsidiaries attributable to equity interest that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated statements of financial position and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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 at the following annual rates:

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

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

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

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

2.8 Intangible assets

(a) Goodwill

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 January 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 Intangible assets (cont'd)

(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.

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")).

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

Subsidiaries are entities controlled by the Company.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Subsidiaries (cont'd)

Since the beginning of the financial year, the Group has adopted MFRS 10: *Consolidated Financial Statements*, where control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control when such rights are substantive. The Group considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

In the Company's separate financial statements, investments in Subsidiaries are accounted for at cost less any impairment charges. Dividends received from subsidiaries are recorded as a component of revenue in the Company's separate income statement.

The adoption of MFRS 10 has no significant impact to the financial statements of the Group.

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 investment 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.

2.12 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. All the Group's and Company's financial assets are classified as loans and receivables.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 January 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 Financial assets (cont'd)

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.

The Group and the Company designate trade and other receivables and cash and bank balances as loans and receivables.

2.13 Impairment of financial assets

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

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

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

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

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

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

2.14 Cash and 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

2.17 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 January 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.18 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.

2.19 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.

2.20 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 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. 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 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 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 (CONT'D)

2.21 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 2.22 (e).

2.22 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 January 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.23 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.

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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.24 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 32, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.25 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.

2.26 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 events not wholly within the control of the Group.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgement apart from those involving estimations, which have the effect on the amounts recognised in the financial statements:

(a) Classification between investment properties and property, plant and equipment

The Group developed certain criteria in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

The Group has sub-let portion of a building but has decided to classify the entire building as property, plant and equipment as this portion cannot be sold separately and significant portion of the building is held for use in the production or supply of goods or services or for administrative purposes.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 January 2014

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

3.2 Key sources of estimation uncertainty

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

(a) Write down of inventories

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

(b) Useful lives of property, plant and machinery

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

(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 RM6,920,000 (2013: RM7,019,000) and RM565,000 (2013: RM93,700) respectively. The unrecognised tax losses, capital allowances, reinvestment allowances and provisions of the Group and of the Company were approximately RM98,286,000 (2013: RM94,325,000) and RM24,007,000 (2013: RM26,309,000) 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	
	2014 RM	2013 RM	2014 RM	2013 RM
Sales of goods	274,305,874	265,650,077	–	–
Management fees from subsidiaries	–	–	21,902,751	19,954,116
Dividends from subsidiaries	–	–	8,100,000	8,700,000
	<u>274,305,874</u>	<u>265,650,077</u>	<u>30,002,751</u>	<u>28,654,116</u>

5. OTHER INCOME

Included in other income are:

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Rental income	632,216	263,290	1,841,879	1,657,193
Interest income from:				
Deposits	194,834	447,461	–	–
Subsidiaries	–	–	147,974	64,122
Gain on disposal of property, plant and equipment	47,440	17,500	–	–
Income from sales of scrap	1,951,418	2,131,579	–	–
Foreign exchange gain				
- Unrealised	33,008	45,556	–	–
- Realised	4,404	216,035	–	–
Bad debts recovered	–	2,699	502,044	261,072
	<u>632,216</u>	<u>263,290</u>	<u>1,841,879</u>	<u>1,657,193</u>

6. FINANCE COSTS

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Interests expense on:				
Term loans	1,044,043	1,273,230	63,790	125,202
Overdrafts	56,105	119,718	921	7,541
Revolving credit	552,425	703,678	307,532	399,886
Obligations under finance lease	52,246	116,821	41,676	68,659
Bankers' acceptances	116,597	164,775	–	–
Letter of credits	138,585	143,393	–	–
Advances from subsidiaries	–	–	89,621	10,316
Others	4,357	126,418	–	30,121
	<u>1,964,358</u>	<u>2,648,033</u>	<u>503,540</u>	<u>641,725</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 January 2014

7. PROFIT BEFORE TAX

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

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Employee benefits expense (Note 8)	381,081,385	33,682,482	14,444,057	11,800,401
Non-executive directors' remuneration (Note 9)	317,500	366,866	317,500	366,866
Amortisation of development expenditure (Note 14)	888,710	1,412,246	–	–
Auditors' remuneration				
- Statutory audit	138,000	131,000	38,000	35,000
- Other services	6,000	5,000	6,000	5,000
Tax agent fee	91,500	91,500	11,000	11,000
Depreciation of property, plant and equipment	15,632,042	13,336,485	826,202	850,347
Foreign exchange loss				
- Unrealised	401,031	446,689	–	–
- Realised	894,783	268,660	–	2
Impairment loss on development expenditure	34,584	–	–	–
Inventories written off	179,137	865,735	–	–
Property, plant and equipment written off	230,111	382,161	7,937	–
(Gain)/loss on disposal of property, plant and equipment	(43,606)	291,195	(16,745)	311,565
Write back of corporate guarantee	–	–	(148,404)	(1,946,298)
Impairment loss on other receivables	–	–	757,576	3,614,786
Rental expense:				
- Premises	503,219	319,060	1,258,568	1,267,158
- Motor vehicles	9,325	369	12,770	18,691
- Equipments	194,352	190,454	–	32,254
Bad debts written off	2,857	–	–	–
Provision for legal arbitration claim	–	4,725,822	–	–

8. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Wages and salaries	29,706,986	25,321,261	10,647,080	8,759,258
Social security contribution	268,729	251,730	58,954	57,191
Contributions to defined contribution plan	2,950,394	2,535,959	1,386,159	1,021,505
Increase in liability for defined benefit plan (Note 21)	410,997	566,979	190,989	216,004
Short term accumulating compensated absences	(10,828)	15,064	3,982	16,133
Other benefits	4,755,107	4,991,489	2,156,893	1,730,310

Included in employee benefits expense of the Group and of the Company are remuneration of executive directors of the Company amounting to RM3,008,187 (2013: RM1,450,400) and RM3,008,187 (2013: RM1,450,400) respectively as further disclosed in Note 9.

9. DIRECTORS' REMUNERATION

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Directors of the Company				
Executive:				
Salaries and other emoluments	2,442,667	1,085,000	2,442,667	1,085,000
Bonus	320,000	210,000	320,000	210,000
Contributions to defined contribution plan	245,520	155,400	245,520	155,400
Benefits-in-kind	7,189	15,533	7,189	15,533
	<u>3,015,376</u>	<u>1,465,933</u>	<u>3,015,376</u>	<u>1,465,933</u>
Non-Executive:				
Fees	265,000	277,366	265,000	277,366
Other emoluments	52,500	89,500	52,500	89,500
	<u>317,500</u>	<u>366,866</u>	<u>317,500</u>	<u>366,866</u>
	<u>3,332,876</u>	<u>1,832,799</u>	<u>3,332,876</u>	<u>1,832,799</u>
Analysis excluding benefits-in-kind:				
Total executive director's remuneration, excluding benefits-in-kind (Note 8)	3,008,187	1,450,400	3,008,187	1,450,400
Total non-executive directors' remuneration, excluding benefits-in-kind (Note 7)	317,500	366,866	317,500	366,866
Total directors' remuneration excluding benefits-in-kind	<u>3,325,687</u>	<u>1,817,266</u>	<u>3,325,687</u>	<u>1,817,266</u>

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	
	2014	2013
Executive directors:		
RM2,250,001 - RM2,300,000	1	–
RM1,450,001 - RM1,500,000	–	1
RM700,001 - RM750,000	1	–
Non-executive directors:		
RM50,001 - RM100,000	3	4
Below RM50,000	3	3
	<u>3</u>	<u>3</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 January 2014

10. TAXATION

Major components of income tax expense

Major components of income tax expense for the years ended 31 January 2014 and 2013 are:

Statement of comprehensive income:

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Current income tax:				
Malaysia income tax	5,958,999	5,999,617	–	–
Overprovision in prior years	(215,230)	(238,078)	–	–
	<u>5,743,769</u>	<u>5,761,539</u>	<u>–</u>	<u>–</u>
Deferred tax (Note 25):				
Relating to origination and reversal of temporary differences	(310,044)	(13,415)	–	–
Under/(over) provision in prior years	306,986	(427,394)	–	–
	<u>(3,058)</u>	<u>(440,809)</u>	<u>–</u>	<u>–</u>
	<u>5,740,711</u>	<u>5,320,730</u>	<u>–</u>	<u>–</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2013: 25%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 24% from the current year's rate of 25%, effective year of assessment 2016.

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 January 2014 and 2013 are as follows:

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Profit before tax	23,745,786	17,380,495	8,127,342	5,225,511
Tax at Malaysian statutory tax rate of 25% (2013: 25%)	5,936,447	4,345,124	2,031,836	1,306,378
Income not subject to tax	–	–	(2,025,000)	(2,175,000)
Effect on opening deferred tax of reduction in Malaysian income tax rate	(70,387)	–	–	–
Expenses not deductible for tax purposes	813,890	985,841	563,829	994,280
Utilisation of reinvestment allowances	(866,854)	(522,522)	–	–
Deferred tax assets not recognised during the year	936,075	1,179,222	–	–
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(1,100,216)	(1,463)	(570,665)	(125,658)
Under/(over) provision of deferred tax expense in prior years	306,986	(427,394)	–	–
Overprovision of income tax expense in prior years	(215,230)	(238,078)	–	–
	<u>5,740,711</u>	<u>5,320,730</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.

	2014 RM	2013 RM
Profit net of tax attributable to owners of the parent	18,246,879	13,489,226
Weighted average number of ordinary shares in issue	72,775,737	72,775,737
Basic earnings per share (sen)	25.07	18.54

(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.

	2014 RM	2013 RM
Profit net of tax attributable to owners of the parent	18,246,879	13,489,226
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)	25.07	18.54

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

12. DIVIDENDS

	Amount		Net dividends per share	
	2014 RM	2013 RM	2014 Sen	2013 Sen
Recognised during the year:				
Final single tier 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 single tier 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
Interim single tier dividend for 31 January 2014 of 3.0% on 72,775,737 ordinary shares declared on 27 November 2013 and paid on 23 December 2013	2,183,272		3	
	<u>2,183,272</u>	<u>16,010,663</u>	<u>3</u>	<u>22</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 January 2014

12. DIVIDENDS (CONT'D)

At the forthcoming Annual General Meeting, a final single tier dividend in respect of the financial year ended 31 January 2014 of 8% on 72,775,737 ordinary shares, amounting to a dividend payable of RM5,822,059 (8 sen net per ordinary share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders will be accounted for in equity as an appropriation of distributable reserves in the financial year ending 31 January 2015.

13. PROPERTY, PLANT AND EQUIPMENT

	Long term leasehold land RM	Building RM	Plant, machinery, electrical installation, factory equipment and application tool RM	Furniture, fixture, office equipment, renovation, computer and motor vehicle RM	Total RM
Group					
At 31 January 2014					
Costs					
At 1 February 2013 (Restated)	24,454,624	23,707,192	212,657,318	12,638,454	273,457,588
Additions	–	–	11,343,555	884,343	12,227,898
Disposals	–	–	(457,287)	(244,788)	(702,075)
Write offs	–	(64,376)	(2,393,764)	(143,407)	(2,601,547)
At 31 January 2014	24,454,624	23,642,816	221,149,822	13,134,602	282,381,864
Accumulated depreciation and impairment					
At 1 February 2013 (Restated)	3,198,740	9,458,443	161,096,621	8,889,456	182,643,260
Depreciation charge for the year	249,588	584,461	13,585,544	1,212,449	15,632,042
Disposals	–	–	(99,179)	(236,495)	(335,674)
Write offs	–	(24,365)	(2,203,994)	(143,077)	(2,371,436)
At 31 January 2014	3,448,328	10,018,539	172,378,992	9,722,333	195,568,192
Analysed as:					
Accumulated depreciation	3,448,328	7,833,898	137,424,844	9,546,317	158,253,387
Accumulated impairment losses	–	2,184,641	34,954,148	176,016	37,314,805
	3,448,328	10,018,539	172,378,992	9,722,333	195,568,192
Net carrying amount	21,006,296	13,624,277	48,770,830	3,412,269	86,813,672

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Long term leasehold land RM	Building RM	Plant, machinery, electrical installation, factory equipment and application tool RM	Furniture, fixture, office equipment, renovation, computer and motor vehicle RM	Total RM
Group (cont'd)					
At 31 January 2013					
Costs					
At 1 February 2012 (Restated)	24,454,624	23,707,192	207,507,927	12,328,058	267,997,801
Additions	—	—	5,974,289	1,177,281	7,151,570
Disposals	—	—	(89,246)	(741,921)	(831,167)
Write offs	—	—	(735,652)	(124,964)	(860,616)
At 31 January 2013 (Restated)	24,454,624	23,707,192	212,657,318	12,638,454	273,457,588
Accumulated depreciation and impairment					
At 1 February 2012 (Restated)	2,949,152	8,997,125	150,200,197	8,083,328	170,229,802
Depreciation charge for the year	249,588	461,318	11,340,661	1,284,918	13,336,485
Disposals	—	—	(89,246)	(355,326)	(444,572)
Write offs	—	—	(354,991)	(123,464)	(478,455)
At 31 January 2013 (Restated)	3,198,740	9,458,443	161,096,621	8,889,456	182,643,260
Analysed as:					
Accumulated depreciation	3,198,740	7,273,802	126,142,473	8,713,440	145,328,455
Accumulated impairment losses	—	2,184,641	34,954,148	176,016	37,314,805
	3,198,740	9,458,443	161,096,621	8,889,456	182,643,260
Net carrying amount	21,255,884	14,248,749	51,560,697	3,748,998	90,814,328

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 January 2014

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Long term leasehold land RM	Building RM	Plant, machinery, and factory equipment RM	Furniture, fixture, office equipment, renovation, computer and motor vehicle RM	Total RM
At 31 January 2014					
Cost					
At 1 February 2013	16,571,044	2,265,637	11,281	5,055,983	23,903,945
Additions	–	–	10,942	190,660	201,602
Disposal	–	–	–	(171,270)	(171,270)
Write offs	–	–	(11,800)	(12,418)	(24,218)
At 31 January 2014	16,571,044	2,265,637	10,423	5,062,955	23,910,059
Accumulated depreciation and impairment					
At 1 February 2013	2,068,332	1,470,447	4,016	3,247,908	6,790,703
Charge for the year	168,935	24,772	616	631,879	826,202
Disposal	–	–	–	(169,764)	(169,764)
Write offs	–	–	(4,053)	(12,228)	(16,281)
At 31 January 2014	2,237,267	1,495,219	579	3,697,795	7,430,860
Analysed as:					
Accumulated depreciation	2,237,267	743,711	579	3,697,795	6,679,352
Accumulated impairment loss	–	751,508	–	–	751,508
	2,237,267	1,495,219	579	3,697,795	7,430,860
Net carrying amount	14,333,777	770,418	9,844	1,365,160	16,479,199

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Long term leasehold land RM	Building RM	Plant, machinery, and factory equipment RM	Furniture, fixture, office equipment, renovation, computer and motor vehicle RM	Total RM
Company (cont'd)					
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 (CONT'D)

31 January 2014

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

- (a) During the financial year, the Group and the Company acquired property, plant and equipment at aggregate costs of RM12,227,898 (2013: RM7,151,570) and RM201,602 (2013: RM602,458) respectively, of which RM86,202 (2013: RM284,567) and RM Nil (2013: RM232,929) 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	
	2014 RM	2013 RM	2014 RM	2013 RM
Factory equipment and machinery	767,500	1,150,806	–	–
Motor vehicle	822,640	1,327,554	546,827	965,731
	<u>1,590,140</u>	<u>2,478,360</u>	<u>546,827</u>	<u>965,731</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	
	2014 RM	2013 RM	2014 RM	2013 RM
Leasehold land	1,488,349	1,504,629	–	–
Plant and machinery	30,062,593	32,953,829	–	–
	<u>31,550,942</u>	<u>34,458,458</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	
	2014 RM	2013 RM	2014 RM	2013 RM
Plant, machinery, electrical installation, factory equipment and application tools	<u>67,201,062</u>	<u>63,756,377</u>	<u>–</u>	<u>–</u>
Furniture, fixture, equipment, renovation, computer and motor vehicle	<u>6,260,417</u>	<u>6,229,392</u>	<u>1,291,672</u>	<u>1,435,926</u>

14. DEVELOPMENT EXPENDITURE

	Group	
	2014 RM	2013 RM
Cost		
At beginning of year	4,072,937	4,677,956
Incurred during the year	807,476	814,956
Adjustment for completed projects	(359,800)	(1,419,975)
At end of year	4,520,613	4,072,937
Accumulated amortisation and impairment loss		
At beginning of year	1,449,927	1,457,656
Amortisation	888,710	1,412,246
Impairment loss	34,584	
Adjustment for completed projects	(359,800)	(1,419,975)
At end of year	2,013,421	1,449,927
Net carrying amount	2,507,192	2,623,010

15. INVESTMENT IN SUBSIDIARIES

	Company	
	2014 RM	2013 RM
Unquoted shares, at cost	61,439,524	61,439,524
Less: Accumulated impairment losses	(32,481,646)	(32,481,646)
	28,957,878	28,957,878

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	
		2014 %	2013 %
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
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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 January 2014

15. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of subsidiaries	Principal activities	Equity interest held		
		2014 %	2013 %	
Held by the Company (cont'd)				
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. ("SSH")	Manufacture and sale of butt-weld fittings for oil and gas industries.	75	75	
Subang Properties Sdn. Bhd. ("SPSB")	Dormant.	51.68	51.68	
Held by International Autoparts Sdn. Bhd.				
Awaltek Sdn. Bhd.	Dormant.	100	100	
Non-controlling interests ("NCI")				
		SSH RM 25%	SPSB RM 48.32%	Total RM
2014				
NCI percentage of ownership interest and voting interest				
Carrying amount of NCI		(1,666,574)	507,390	(1,159,184)
Loss allocated to NCI		(239,891)	(1,913)	(241,804)
2013				
NCI percentage of ownership interest and voting interest				
Carrying amount of NCI		(1,426,685)	509,305	(917,380)
Loss allocated to NCI		(1,426,685)	(2,776)	(1,429,461)

The summarised financial information of these subsidiaries are provided below. This information is based on amounts before inter-company eliminations.

15. INVESTMENT IN SUBSIDIARIES (CONT'D)

Summarised statement of profit or loss for 2014:

	SSH RM 25%	SPSB RM 48.32%	Total RM
Revenue	–	–	–
Loss for the year, representing total comprehensive loss for the year	(959,564)	(3,959)	(245,085)

Summarised statement of profit or loss for 2013:

Revenue	–	–	–
Loss for the year, representing total comprehensive loss for the year	(5,706,736)	(5,745)	(1,429,460)

Summarised statement of financial position as at 31 January 2014:

	SSH RM 25%	SPSB RM 48.32%	Total RM
Non-current assets	372,087	–	372,087
Current assets	2,139	1,051,851	1,053,990
Current liabilities	7,040,522	1,789	7,042,311
Net (liabilities)/assets	(6,666,296)	1,050,062	(5,616,234)

Summarised statement of financial position as at 31 January 2013:

Non-current assets	376,157	–	376,157
Current assets	19,001	1,055,814	1,074,815
Current liabilities	6,101,890	1,789	6,103,679
Net (liabilities)/assets	(5,706,732)	1,054,025	(4,652,715)

Summarised statement of cash flows for 2014:

Cash flows from operating activities/representing net increase in cash and cash equivalents	199,208	406	199,614
Dividend paid to NCI	–	–	–

Summarised statement of cash flows for 2013:

Cash flows from operating activities	649,036	10	649,046
Cash flows from financing activities	(597,851)	–	(597,851)
Net increase in cash and cash equivalents	51,185	–	51,185
Dividend paid to NCI	–	–	–

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 January 2014

16. INVESTMENT IN AN ASSOCIATE

	Group	
	2014 RM	2013 RM
Unquoted shares, at cost	–	300,000
Share of post-acquisition loss	–	(300,000)
	<u>–</u>	<u>–</u>

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

Name of associate	Principal activities	Group's effective interest	
		2014 %	2013 %
Ciri Tegap Sdn. Bhd. *	Dormant	33	33

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

On 31 January 2014, the Company has written off its investment in Ciri Tegap Sdn Bhd.

The following table illustrates the summarised financial information of the Group's Investment in an associate:

At 31 January 2013	Ciri Tegap Sdn Bhd RM
Dividends received	–
Current assets	2,376,060
Non-current assets	472,124
Total assets	<u>2,848,184</u>
Current liabilities	–
Non-current liabilities	4,655,320
Total liabilities	<u>4,655,320</u>
Results:	
Revenue	–
Loss for the year, representing total comprehensive loss for the year	<u>–</u>

17. INVENTORIES

	Group	
	2014 RM	Restated 2013 RM
At cost:		
Materials and component parts	12,788,878	13,109,893
Work-in-progress	2,205,846	1,746,679
Finished goods	6,540,845	6,250,372
Spares and tools	4,490,976	2,890,483
Consumables	217,322	254,350
	<u>26,243,867</u>	<u>24,251,777</u>

During the year, the amount of inventories recognised as an expense in cost of sales Group was RM165,785,902 (2013: RM147,865,649).

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Trade receivables				
Third parties	52,413,319	48,069,010	–	–
Less: Allowance for impairment third parties	(78,420)	(78,420)	–	–
Trade receivables, net	52,334,899	47,990,590	–	–
Other receivables				
Amounts due from subsidiaries	–	–	54,505,843	50,191,389
Amounts due from related companies	124,715	56,650	86,516	–
Amounts due from an affiliate company	5,828,770	5,816,770	–	–
Refundable deposits	671,194	527,256	273,857	277,607
Other receivables	5,784,358	2,565,870	47,765	54,989
	12,409,037	8,966,546	54,913,981	50,523,985
Less: Allowance for impairment				
Amounts due from subsidiaries	–	–	(36,705,432)	(36,453,558)
Amounts due from related companies	(41,857)	(56,650)	(3,658)	–
Amounts due from an affiliate company	(5,828,770)	(5,816,770)	–	–
Refundable deposits	(7,090)	(7,090)	–	–
Other receivables	(598,663)	(598,727)	–	–
	(6,476,380)	(6,479,237)	(36,709,090)	(36,453,558)
Other receivables, net	5,932,657	2,487,309	18,204,891	14,070,427
Total trade and other receivables	58,267,556	50,477,899	18,204,891	14,070,427
Total trade and other receivables	58,267,556	50,477,899	18,204,891	14,070,427
Less: Refundable deposits net of impairment	(664,104)	(520,166)	(266,767)	(277,607)
Add: Cash and bank balances (Note 20)	17,749,078	10,066,376	180,390	528,532
Total loans and receivables	75,352,530	60,024,109	18,118,514	14,321,352

(a) Trade receivables

Trade receivables are non-interest bearing and the Group's normal trade credit terms range from 30 to 90 (2013: 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 (CONT'D)

31 January 2014

18. TRADE AND OTHER RECEIVABLES (CONT'D)

(a) Trade receivables (cont'd)

Ageing analysis of trade receivables

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

	Group	
	2014 RM	2013 RM
Neither past due nor impaired	49,511,109	42,906,827
1 to 30 days past due not impaired	2,352,314	4,792,534
31 to 60 days past due not impaired	124,452	122,729
61 to 90 days past due not impaired	347,024	168,500
Impaired	2,823,790 78,420	5,083,763 78,420
	52,413,319	48,069,010

Receivables that are neither past due nor impaired

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

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM2,823,790 (2013: RM5,083,763) 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:

	Group	
	2014 RM	2013 RM
Trade receivables:		
Nominal value	78,420	78,420
Less: Allowance for impairment:		
- individually impaired	(78,420)	(78,420)
	-	-

18. TRADE AND OTHER RECEIVABLES (CONT'D)

(a) Trade receivables (cont'd)

Movement in allowance accounts:

	Group	
	2014 RM	2013 RM
At 1 February	78,420	81,119
Bad debt recovered (Note 5)	–	(2,699)
At 31 January	78,420	78,420

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	
	2014 RM	2013 RM	2014 RM	2013 RM
Other receivables:				
Nominal value	6,476,380	6,479,237	36,709,090	36,453,558
Less: Allowance for impairment	(6,476,380)	(6,479,237)	(36,709,090)	(36,453,558)
	–	–	–	–

Movement in allowance accounts:

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
At the beginning of year	6,479,237	6,479,237	36,453,558	33,099,844
Charge for the year (Note 7)	–	–	757,576	3,614,786
Written off	(2,857)	–	–	–
Bad debts recovered (Note 5)	–	–	(502,044)	(261,072)
At the end of year	6,476,380	6,479,237	36,709,090	36,453,558

Other receivables that are impaired

At the reporting date, the Group and the Company have provided an allowance of RM6,476,380 (2013: RM6,479,237) and RM36,709,090 (2013: RM36,453,558) respectively. These mainly relate to balances due from related parties which have been significantly long outstanding.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 January 2014

18. TRADE AND OTHER RECEIVABLES (CONT'D)

(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, 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 RM1,917,426 (2013: RM2,464,914) which attract interest rate of 4.65% (2013: 4.65%) 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 (2013: 2) groups of debtors representing 86% (2013: 87%) of the total net trade receivables.

19. OTHER CURRENT ASSETS

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Prepayments	1,768,563	2,771,017	77,827	313,868

20. CASH AND BANK BALANCES

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Cash on hand and at banks	3,615,950	7,054,062	180,390	528,532
Deposits with licensed banks	14,133,128	3,012,314	–	–
Cash and bank balances	17,749,078	10,066,376	180,390	528,532
Less: Bank overdrafts (Note 23)	(495,140)	(693,010)	–	–
Cash and cash equivalents	17,253,938	9,373,366	180,390	528,532

The weighted average effective interest rates and average maturities of deposits with licensed banks at reporting date of the Group were 2.73% (2013: 3.02%) per annum and 30 days (2013: 30 days) respectively.

21. 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 2014 until 2015. Under the Scheme, eligible employees are entitled to retirement benefits on attainment of the retirement age.

21. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

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

	Group			Company		
	31.1.2014 RM	Restated 31.1.2013 RM	Restated 1.2.2012 RM	31.1.2014 RM	Restated 31.1.2013 RM	Restated 1.2.2012 RM
Present value of unfunded defined benefit obligations, representing net liabilities	4,454,953	4,187,728	3,736,233	1,570,241	1,420,263	1,264,637
Analysed as:						
Current	17,194	85,711	41,624	5,256	45,381	2,499
Non-current	4,437,759	4,102,017	3,694,609	1,564,985	1,374,882	1,262,138
	4,454,953	4,187,728	3,736,233	1,570,241	1,420,263	1,264,637

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

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Current service costs	193,137	372,685	114,957	149,029
Interest cost	217,860	194,294	76,032	66,975
Total, included in employee benefits expense (Note 8)	410,997	566,979	190,989	216,004

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

	Group		Company	
	2014 RM	Restated 2013 RM	2014 RM	Restated 2013 RM
At beginning of year	4,187,728	3,736,233	1,420,263	1,264,637
Recognised in profit or loss	410,997	566,979	190,989	216,004
Benefits paid	(143,772)	(115,484)	(41,011)	(60,378)
At end of year	4,454,953	4,187,728	1,570,241	1,420,263

Principal actuarial assumptions used:

	2014 %	2013 %
Discount rate	5.1	5.1
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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 January 2014

22. FINANCIAL GUARANTEE

	Provision for corporate guarantee RM
Company:	
At 1 February 2012	2,467,580
Unused amount reversed	(1,946,298)
At 1 February 2013	521,282
Unused amount reversed	(148,404)
At 31 January 2014	<u>372,878</u>

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

23. LOANS AND BORROWINGS

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Current				
Secured:				
Bank overdrafts	495,140	693,010	–	–
Term loans	7,709,655	9,894,621	–	–
Obligations under finance leases (Note 24)	394,892	739,557	291,022	390,040
	<u>8,599,687</u>	<u>11,327,188</u>	<u>291,022</u>	<u>390,040</u>
Unsecured:				
Bankers' acceptances	15,236,476	9,478,524	–	–
Revolving credits	9,200,000	11,000,000	3,200,000	6,000,000
Term loan	666,640	1,333,344	666,640	1,333,344
	<u>25,103,116</u>	<u>21,811,868</u>	<u>3,866,640</u>	<u>7,333,344</u>
	<u>33,702,803</u>	<u>33,139,056</u>	<u>4,157,662</u>	<u>7,723,384</u>
Non-current				
Secured:				
Term loans	8,748,615	13,082,844	–	–
Obligations under finance leases (Note 24)	384,486	712,835	230,888	521,911
	<u>9,133,101</u>	<u>13,795,679</u>	<u>230,888</u>	<u>521,911</u>
Unsecured:				
Term loan	–	666,640	–	666,640
	<u>9,133,101</u>	<u>14,462,319</u>	<u>230,888</u>	<u>1,188,551</u>

23. LOANS AND BORROWINGS (CONT'D)

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Total				
Bank overdrafts (Note 20)	495,140	693,010	–	–
Revolving credits	9,200,000	11,000,000	3,200,000	6,000,000
Bankers' acceptances	15,236,476	9,478,524	–	–
Term loans	17,124,910	24,977,449	666,640	1,999,984
Obligations under finance leases	779,378	1,452,392	521,910	911,951
	<u>42,835,904</u>	<u>47,601,375</u>	<u>4,388,550</u>	<u>8,911,935</u>

The remaining maturities of the loans and borrowings as at 31 January 2014 are as follows:

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Within 1 year	33,702,803	33,139,056	4,157,662	7,723,384
More than 1 year and less than 2 years	5,489,333	7,402,718	201,310	903,947
More than 2 years and less than 5 years	3,643,768	7,059,601	29,578	284,604
	<u>42,835,904</u>	<u>47,601,375</u>	<u>4,388,550</u>	<u>8,911,935</u>

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

	Group		Company	
	2014 RM %	2013 RM %	2014 RM %	2013 RM %
Bank overdrafts	8.55	8.71	–	–
Revolving credits	4.59	4.85	4.62	4.63
Bankers' acceptances	3.95	2.37	4.33	–
Term loans	4.59	4.71	4.60	4.65

The secured bank overdrafts 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 certain subsidiaries and a negative pledge over all fixed and other assets of the Company.

The Company has extended corporate guarantees amounting to RM108,834,500 (2013: RM108,834,500) as at the reporting date to banks and financial institutions for banking facilities granted to certain subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 January 2014

24. HIRE PURCHASE AND FINANCE LEASE LIABILITIES

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Minimum lease payments:				
Not later than 1 year	436,047	812,573	311,850	431,729
Later than 1 year and not later than 2 years	210,383	421,802	132,597	311,850
Later than 2 years and not later than 5 years	192,666	332,769	113,185	244,676
	<u>839,096</u>	<u>1,567,144</u>	<u>557,632</u>	<u>988,255</u>
Less: Finance charges	(59,718)	(114,752)	(35,722)	(76,304)
	<u>779,378</u>	<u>1,452,392</u>	<u>521,910</u>	<u>911,951</u>
Analysis of present value of finance lease liabilities:				
Not later than 1 year	394,892	739,557	291,022	390,040
Later than 1 year and not later than 2 years	198,296	399,856	122,825	291,022
Later than 2 years and not later than 5 years	186,190	312,979	108,063	230,889
	<u>779,378</u>	<u>1,452,392</u>	<u>521,910</u>	<u>911,951</u>
Less: Amount due within 12 months (Note 23)	(394,892)	(739,557)	(291,022)	(390,040)
Amount due after 12 months (Note 23)	<u>384,486</u>	<u>712,835</u>	<u>230,888</u>	<u>521,911</u>

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

The finance leases of the Group and of the Company attract interest rate during the year varying between 2.23% to 3.95% (2013: 2.23% to 4.07%) and 2.23% to 3.71% (2013: 2.23% to 3.95%) per annum respectively.

Other information of financial risks of finance leases are disclosed in Note 30.

25. DEFERRED TAX

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
At the beginning of year	7,038,702	7,479,511	–	–
Recognised in profit or loss (Note 10)	(3,058)	(440,809)	–	–
At the end of year	<u>7,035,644</u>	<u>7,038,702</u>	<u>–</u>	<u>–</u>

25. DEFERRED TAX (CONT'D)

Deferred tax assets of the Group:

	Unutilised reinvestment and investment tax allowances RM	Unabsorbed capital allowances RM	Provisions RM	Total RM
At 1 February 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
At 31 January 2013	(505,133)	28,975	(1,278,515)	(1,754,673)
Recognised in profit or loss	85,334	(68,856)	8,155	24,633
At 31 January 2014	(419,799)	(39,881)	(1,270,360)	(1,730,040)

Deferred tax liabilities of the Group:

	Accelerated capital allowances RM	Development expenditure capitalised RM	Total RM
At 1 February 2012	8,562,121	810,035	9,372,156
Recognised in profit or loss	(438,051)	(140,730)	(578,781)
At 31 January 2013	8,124,070	669,305	8,793,375
Recognised in profit or loss	94,422	(122,113)	(27,691)
At 31 January 2014	8,218,492	547,192	8,765,684

Deferred tax asset of the Company:

	Unabsorbed capital allowances RM
At 1 February 2012	(46,280)
Recognised in profit or loss	22,851
At 31 January 2013	(23,429)
Recognised in profit or loss	(118,045)
At 31 January 2014	(141,474)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 January 2014

25. DEFERRED TAX (CONT'D)

Deferred tax liability of the Company:

	Accelerated capital allowances RM
At 1 February 2012	46,280
Recognised in profit or loss	(22,851)
At 31 January 2013	23,429
Recognised in profit or loss	118,045
At 31 January 2014	<u>141,474</u>

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

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Unused tax losses	47,276,115	47,312,934	20,273,450	20,246,868
Unabsorbed capital allowances	38,834,543	38,711,265	–	2,979,912
Unabsorbed reinvestment and investment tax allowances	1,801,467	1,772,191	–	–
Other temporary differences	10,374,482	6,528,643	3,733,351	3,081,862
	<u>98,286,607</u>	<u>94,325,033</u>	<u>24,006,801</u>	<u>26,308,642</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	
	2014 RM	2013 RM	2014 RM	2013 RM
Trade payables – third parties	16,117,040	17,241,832	–	–
Other payables				
Accruals	227,410	325,281	1,200	1,200
Other payables	21,062,045	16,894,447	3,620,446	3,021,232
Amount due to subsidiaries	–	–	26,277,820	25,131,752
Amount due to related companies	185,802	2,248,785	178,228	2,229,531
	<u>21,475,257</u>	<u>19,468,513</u>	<u>30,077,694</u>	<u>30,383,715</u>
Total trade and other payables	<u>37,592,297</u>	<u>36,710,345</u>	<u>30,077,694</u>	<u>30,383,715</u>
Total trade and other payables	37,592,297	36,710,345	30,077,694	30,383,715
Add: Loans and borrowings (Note 23)	<u>42,835,904</u>	<u>47,601,375</u>	<u>4,388,550</u>	<u>8,911,935</u>
Total financial liabilities carried at amortised cost	<u>80,428,201</u>	<u>84,311,720</u>	<u>34,466,244</u>	<u>39,295,650</u>

(a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 60 (2013: 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 (2013: 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	
	2014	2013	2014 RM	2013 RM
Authorised				
At 1 February/31 January	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>
Issued and fully paid				
At 1 February/31 January	<u>72,775,737</u>	<u>72,775,737</u>	<u>72,775,737</u>	<u>72,775,737</u>

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company residual assets.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 January 2014

28. COMMITMENTS

(a) Capital commitments

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Capital expenditures				
Property, plant and equipment:				
Approved and contracted for	–	924,000	–	–
Approved but not contracted for	10,243,300	10,010,288	994,400	280,300
	<u>10,243,300</u>	<u>10,934,288</u>	<u>994,400</u>	<u>280,300</u>

(b) Operating lease commitment - Group as lessee

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

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

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Future minimum lease payables:				
Not later than 1 year	3,482,544	3,468,625	1,170,708	1,170,708
Later than 1 year and not later than 5 years	2,722,614	712,692	1,170,708	–
	<u>6,205,158</u>	<u>4,181,317</u>	<u>2,341,416</u>	<u>1,170,708</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	
	2014 RM	2013 RM	2014 RM	2013 RM
Holding company				
Corporate service fee	662,454	1,721,624	662,454	1,721,626
Subsidiaries				
Interest expense	—	—	89,622	10,316
Rental expense	—	—	1,190,666	1,189,030
Interest income	—	—	(147,974)	(64,122)
Management fees	—	—	(21,902,751)	(19,954,116)
Dividend income	—	—	(8,100,000)	(8,700,000)
Rental income	—	—	(1,456,447)	(1,470,977)
Companies within Sapura Holdings Sdn. Bhd. Group				
Sapura Resources Berhad				
- Rental expense	37,164	96,470	37,164	96,470

Information regarding outstanding balance arising from related party transactions as at 31 January 2014 are disclosed in Notes 18 and 26.

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

(b) Compensation of key management personnel

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

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Wages and salaries	3,652,529	3,985,159	3,199,668	3,494,026
Contributions to defined contribution plan	438,841	478,829	384,303	419,705
Benefits-in-kind	129,957	143,002	112,828	127,546
	<u>4,221,327</u>	<u>4,606,990</u>	<u>3,696,799</u>	<u>4,041,277</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 January 2014

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 2014. 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.

The interest rate profile of the Group's and the Company's interest-bearing financial instruments, based on carrying amount as at reporting date was:

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Fixed rate instruments				
Financial liabilities	(1,274,518)	(2,145,402)	(521,910)	(911,951)
Floating rate instruments				
Financial assets	14,133,128	3,012,314	–	–
Financial liabilities	(41,561,386)	(45,455,973)	(3,866,640)	(7,999,984)

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 RM45,575 (2013: RM35,785) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings, if interest rates had been 25 basis points lower/higher, with all other variables held constant, the Company's profit net of tax and total equity would have been RM16,059 (2013: RM19,957) 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.

30. FINANCIAL INSTRUMENTS (CON'D)

(c) Foreign exchange risk (cont'd)

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 constant.

		Group Profit net of tax	
		2014	2013
		RM	RM
USD/RM	- strengthened 5%	(108,730)	(132,161)
	- weakened 5%	108,730	132,161
JPY/RM	- strengthened 5%	(29,179)	(1,541)
	- weakened 5%	29,179	1,541
GBP/RM	- strengthened 5%	(2,424)	(7,102)
	- weakened 5%	2,424	7,102
Euro/RM	- strengthened 5%	(319,234)	(301,333)
	- weakened 5%	319,234	301,333

(d) Liquidity risk

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

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	← 2014 →		Total RM
	On demand or within one year RM	One to five years RM	
Group			
Financial liabilities:			
Trade and other payables	37,592,297	–	37,592,297
Loans and borrowings	34,686,205	9,873,042	44,559,247
Total undiscounted financial liabilities	72,278,502	9,873,042	82,151,544
Company			
Financial liabilities:			
Trade and other payables	30,077,694	–	30,077,694
Loans and borrowings	4,335,759	244,617	4,580,376
Total undiscounted financial liabilities	34,413,453	244,617	34,658,070

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 January 2014

30. FINANCIAL INSTRUMENTS (CON'D)

(d) Liquidity risk (cont'd)

	← 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

(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 2014, other than as disclosed in Note 18.

(f) Fair Values

The carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables and current portion of loans and borrowings are reasonable approximate of their fair values due to the relatively short term nature of these financial instruments.

The following table analyses financial instruments not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position. The different levels have been defined as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable input).

30. FINANCIAL INSTRUMENTS (CON'D)

(f) Fair Values (cont'd)

Fair values below are categorised within the Level 3 fair value hierarchy which is described as inputs for the asset or liability that are based on unobservable market data (unobservable input).

	Group		Company	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Financial liabilities				
At 31 January 2014:				
Obligations under finance leases (non-current)	384,486	392,633	230,888	233,163
Term loans (non-current)	9,706,978	9,827,474	–	–
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

Inter-relationship between significant unobservable inputs and fair value measurement are as follows:

- (a) The estimated fair value of the obligations under finance leases and term loans would increase/(decrease) if the interest rate applied to the borrowings increase/(decrease).

The Group and the Company do not have any financial assets or financial liabilities measured at Level 1 and Level 2 hierarchy.

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 2014 and 2013.

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	
	2014 RM	2013 RM	2014 RM	2013 RM
Loans and borrowings	42,835,904	47,601,375	4,388,550	8,911,935
Trade and other payables	37,592,297	36,710,345	30,077,694	30,383,715
Less: Cash and bank balances	(17,749,078)	(10,066,376)	(180,390)	(528,532)
Net debt	62,679,123	74,245,344	34,285,854	38,767,118
Equity attributable to the owners of the parent, representing total capital	101,440,180	85,376,573	35,822,822	29,878,752
Capital and net debt	164,119,303	159,621,917	70,108,676	68,645,870
Gearing ratio	38%	47%	49%	56%

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 January 2014

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.

(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 RM163,239,983 (2013:RM155,148,247) and RM97,530,003 (2013: RM91,545,953) of revenue in the current financial year.

Business Segments

	Manufacturing RM	Investment Holding RM	Others RM	Eliminations RM	Notes	Consolidated RM
31 January 2014						
Revenue						
External	269,506,384	–	4,799,490	–		274,305,874
Inter-segment	10,148,823	30,002,751	–	(40,151,574)	A	–
Total revenue	279,655,207	30,002,751	4,799,490	(40,151,574)		274,305,874
Results						
Segment results, representing profit/ (loss) from operations	24,970,056	8,630,882	414,904	(8,305,698)		25,710,144
Finance costs						(1,964,358)
Taxation						(5,740,711)
Profit net of tax						18,005,075
Assets						
Consolidated segment assets	202,450,558	72,232,185	6,670,307	(87,935,533)		193,417,517

32. SEGMENT INFORMATION (CONT'D)

(d) Information on major customers (cont'd)

Business Segments (cont'd)

	Manufacturing RM	Investment Holding RM	Others RM	Eliminations RM	Notes	Consolidated RM
Liabilities						
Consolidated segment liabilities	132,337,845	36,409,363	20,926,554	(96,537,241)		93,136,521
Other information						
Capital expenditure	12,177,970	201,602	655,802	–	B	13,035,374
Depreciation	14,564,825	826,202	241,015	–		15,632,042
Amortisation	888,710	–	–	–		888,710
Non-cash expenses other than depreciation, amortisation and interest	1,727,623	263,470	4,086	(255,533)	C	1,739,646
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	126,715,131	41,237,195	20,779,998	(91,816,875)		96,915,449
Other information						
Capital expenditure	7,327,613	602,457	36,456	–	B	7,966,526
Depreciation	12,364,296	850,347	121,842	–		13,336,485
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 (CONT'D)

31 January 2014

32. SEGMENT INFORMATION (CONT'D)

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:

	2014 RM	2013 RM
Property, plant and equipment	12,227,898	7,151,570
Development expenditure	807,476	814,956
	<u>13,035,374</u>	<u>7,966,526</u>

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

	Note	2014 RM	2013 RM
Foreign exchange gain:			
- Unrealised	5	(33,008)	(45,556)
- Realised	5	(4,404)	(216,035)
Foreign exchange loss:			
- Unrealised	7	434,039	446,689
- Realised	7	899,187	268,660
Impairment loss on development expenditure	7	34,584	-
Inventories written off	7	179,137	865,735
Property, plant and equipment written off	7	230,111	25,662
		<u>1,739,646</u>	<u>1,345,155</u>

33. 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 2014 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	
	2014 RM	2013 RM	2014 RM	2013 RM
Total accumulated losses of the Company and its subsidiaries				
- Realised	(71,261,155)	(79,622,734)	(39,153,041)	(45,097,111)
- Unrealised	(7,436,675)	(7,038,702)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	(78,697,830)	(86,661,436)	(39,153,041)	(45,097,111)
Less: Consolidation adjustments	105,162,147	97,062,146	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Retained profits/(accumulated losses) as per financial statements	26,464,317	10,400,710	(39,153,041)	(45,097,111)
	<hr/>	<hr/>	<hr/>	<hr/>

ANALYSIS OF SHAREHOLDINGS

As at 7 May 2014

Authorised Share Capital	:	RM100,000,000
Issued and Paid-up Share Capital	:	RM72,775,737 Comprising 72,775,737 Ordinary Shares of RM1.00 each
No. of Shareholders	:	3,846

DISTRIBUTION OF ORDINARY SHARES

Based on Record of Depositors as at 7 May 2014

Size of Holdings	No. of Shares	% Over Total Shares	No. of Holders	% Over Total Shareholders
Less than 100	2,389	0	86	2.24
100 to 1,000	235,475	0.32	338	8.79
1,001 to 10,000	9,475,803	13.02	2,965	77.09
10,001 to 100,000	11,276,881	15.50	420	10.92
100,001 to less than 5% of issued shares	12,513,050	17.20	35	0.91
5% and above of issued shares	39,272,139	53.96	2	0.05
TOTAL	72,775,737	100.00	3,846	100.00

DIRECTORS' SHAREHOLDINGS

Based on Register of Directors' Shareholdings as at 7 May 2014

Name of Directors	No. of ordinary shares of RM1.00 each			
	Direct Interest		Deemed Interest	
	No. of Shares Held	%	No. of Shares Held	%
Tan Sri Dato' Seri Ir. Shamsuddin bin Abdul Kadir	34,172,139	46.96	–	–
Tan Sri Dato' Seri Shahril bin Shamsuddin	1,426,875	1.96	–	–
Dato' Shahrman bin Shamsuddin	663,175	0.91	–	–
Dato' Azlan bin Hashim	–	–	–	–
Datuk Kisai bin Rahmat	–	–	–	–
Md. Shah bin Hussin	–	–	–	–
Wan Ahamad Sabri bin Wan Daud	–	–	–	–

THIRTY (30) LARGEST SHAREHOLDERS

Based on Record of Depositors as at 7 May 2014

No.	Name of Shareholders	No. of Shares Held	%
1	Tan Sri Dato' Seri Ir. Shamsuddin bin Abdul Kadir	34,172,139	46.96
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 Shahril bin Shamsuddin	1,426,875	1.96
5	Yeoh Kean Hua	1,171,500	1.61
6	RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Su Ming Yaw	697,100	0.96
7	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB for Dato' Shahril bin Shamsuddin (PB)	663,175	0.91
8	Lee Siew Hoon	518,000	0.71
9	Tan Yee Kong	355,000	0.49
10	Chia Siew Fung	300,000	0.41
11	Leong Hon Wah	300,000	0.41
12	Tan Yee Seng	280,000	0.38
13	Goh Sook Kee	243,000	0.33
14	Wong Chiap You	233,500	0.32
15	Lee Kim Seng	217,000	0.30
16	Eu Soon Keat	200,000	0.27
17	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Boon Huat	170,000	0.23
18	Lam Pun Ying	160,000	0.22
19	Edmund Song Swee Khoon	159,000	0.22
20	Lew Bok Hoa	151,500	0.21
21	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Tian Sang @ Tan Tian Song (E-PPG)	150,000	0.21
22	Universal Trustee (Malaysia) Berhad Ronfield Limited	150,000	0.21
23	Wong Lay Heong	150,000	0.21
24	Chua Kok Sian	147,000	0.20
25	TA Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Phua Lee Ping	147,000	0.20
26	John De Cruz	145,000	0.20
27	Maybank Nominees (Tempatan) Sdn. Bhd. Chung Zheng Uyee	143,700	0.20
28	Eu Soon Keat	140,000	0.19
29	Tan Kai Li	139,000	0.19
30	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Hooi Sin Guan	138,000	0.19
TOTAL		50,967,489	70.03

ANALYSIS OF SHAREHOLDINGS (CONT'D)

As at 7 May 2014

SUBSTANTIAL SHAREHOLDERS

Based on Record of Depositors as at 7 May 2014

Name of Shareholders	No. of ordinary shares of RM1.00 each			
	Direct Interest		Deemed Interest	
	No. of Shares Held	%	No. of Shares Held	%
Tan Sri Dato' Seri Ir. Shamsuddin bin Abdul Kadir	34,172,139	46.96	–	–
Puncak Exotika Sdn. Bhd.	5,100,000	7.01	–	–

PARTICULARS OF PROPERTIES

Location	Description / Existing Use	Land Area	Tenure/Year of Expiring	Approximate Age of Building (years)	Net Book Value as at 31.01.2014 RM'000 / Date of Last Revaluation/ *Acquisition
<p>HS (M) 9725, PT No 11556 Mukim Kajang Daerah Hulu Langat Selangor Darul Ehsan</p> <p>Postal address : No. 11, Jalan P/1, Seksyen 13 Kawasan Perindustrian Bangi 43650 Bandar Baru Bangi Selangor Darul Ehsan</p>	Industrial land / factory cum office	1.2141 ha.	99-year lease expiring 29.09.2086	23	7,650 / 08.03.1994
<p>HS (D) 52700 & 52701 PT No 40849 & 40850 Bandar Baru Bangi Daerah Hulu Langat Selangor Darul Ehsan</p> <p>Postal address : Lot 2 & 4, Jalan P/11, Seksyen 10 Kawasan Perindustrian Bangi 43650 Bandar Baru Bangi Selangor Darul Ehsan</p>	Industrial land / factory cum office	6,552m ² & 7,241m ²	99-year lease expiring 19.08.2098	19	6,272 / *05.06.1992
<p>HS (D) 87682, PT No 56915 Seksyen 9, Bandar Baru Bangi Daerah Hulu Langat Selangor Darul Ehsan</p> <p>Postal address : Lot 5, Persiaran Usahawan Taman IKS, Seksyen 9 43650 Bandar Baru Bangi Selangor Darul Ehsan</p>	Vacant industrial land	20,460.5m ²	99-year lease expiring 18.07.2103	Nil	5,236 / *12.06.2002
<p>HS (D) 87683, PT No 56916 Seksyen 9, Bandar Baru Bangi Daerah Hulu Langat Selangor Darul Ehsan</p> <p>Postal address : Lot 7, Persiaran Usahawan Taman IKS, Seksyen 9 43650 Bandar Baru Bangi Selangor Darul Ehsan</p>	Vacant industrial land	20,502.6m ²	99-year lease expiring 18.07.2103	Nil	5,128 / *01.11.2001

PARTICULARS OF PROPERTIES (CONT'D)

Location	Description / Existing Use	Land Area	Tenure/Year of Expiring	Approximate Age of Building (years)	Net Book Value as at 31.01.2014 RM'000 / Date of Last Revaluation/ *Acquisition
<p>HS (D) 25354, PT No 6733 Mukim Gurun, Daerah Kuala Muda Kedah Darul Aman</p> <p>Postal address : Lot 58 Kawasan Perindustrian Berat Gurun 08300 Gurun Kedah Darul Aman</p>	Industrial land / factory cum office	49,824m ²	99-year lease expiring 06.02.2104	9	4,116 / 08.05.2007
<p>HS (M) 549, PT No 98 Mukim Bukit Katil Daerah Melaka Tengah, Melaka</p> <p>Postal address : Lot 98, Jalan Usaha 7 Kawasan Perindustrian Ayer Keroh 75450 Melaka</p>	Industrial land / factory cum office	5a1r.15.2p	99-year lease expiring 30.05.2072	34	2,576 / *30.01.1995
<p>HS (D) 52726 & 52727 PT No 40875 & 40876 Bandar Baru Bangi Daerah Hulu Langat Selangor Darul Ehsan</p> <p>Postal address : Lot 1 & 3, Jalan P/14, Seksyen 10 Kawasan Perindustrian Bangi 43650 Bandar Baru Bangi Selangor Darul Ehsan</p>	Industrial land / factory cum office	2,326m ² & 1,833m ²	99-year lease expiring 19.08.2098	18	2,164 / *15.11.1994
<p>HS(D) 23239, PT 1755 Seksyen 20 Bandar & Daerah Kuala Selangor Selangor Darul Ehsan</p> <p>Postal address : Lot No 6, Jalan Perusahaan 6 Kawasan Perusahaan Kuala Selangor 45000 Kuala Selangor Selangor Darul Ehsan</p>	Industrial land / factory cum office	11,800 m ²	99-year lease expiring 11.10.2108	18	1,488 / 19.01.2005
TOTAL					34,630

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 38th 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, 18 June 2014 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	Payment of final single tier dividend		
Ordinary Resolution 2	Re-election of Dato' Shahrman bin Shamsuddin		
Ordinary Resolution 3	Re-election of Encik Wan Ahamad Sabri bin Wan Daud		
Special Resolution 1	Re-appointment of Tan Sri Dato' Seri Ir. Shamsuddin bin Abdul Kadir		
Special Resolution 2	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		

Signature/Common Seal of Shareholder

Dated this _____ day of _____ 2014

Notes:

- A member whose name appears in the Record of Depositors of the Company as at 10 June 2014 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.

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FOLD HERE

STAMP

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



Sapura Industrial Berhad (17547-W)

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

www.sapuraindustrial.com.my