

Staying

FOCUSED

the Rationale

Staying
FOCUSED

We are focused on leveraging on the strengths of our innovative technologies, diverse product offerings and continued operational excellence to fulfil our potential amidst a competitive business environment. We are confident that we are in a position of strength both financially and strategically to achieve our goals of generating shareholder value with long-term sustainable growth.

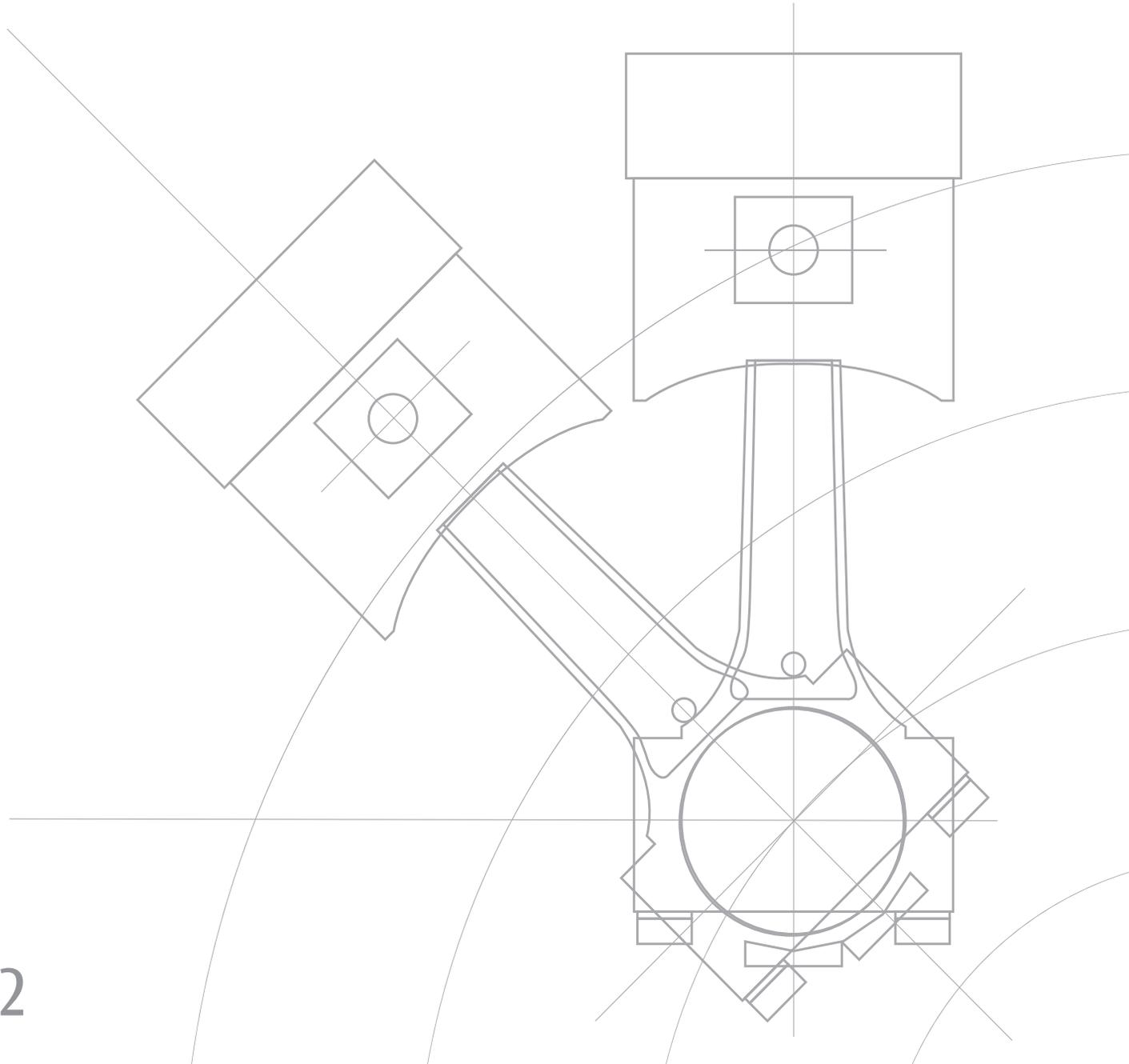
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OUR SHARED ATTRIBUTES

Over the years, our people have been defined by a common set of qualities – qualities that collectively differentiate us from our industry 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



Notice of Annual General Meeting



NOTICE IS HEREBY GIVEN THAT THE 40TH ANNUAL GENERAL MEETING OF THE COMPANY WILL BE HELD AT THE MULTI-PURPOSE HALL, GROUND FLOOR, SAPURA @ MINES, NO. 7, JALAN TASIK, THE MINES RESORT CITY, 43300 SERI KEMBANGAN, SELANGOR DARUL EHSAN ON TUESDAY, 21 JUNE 2016 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 2016. *Please refer to Note 1*
2. To approve payment of a final single tier dividend of 3 sen per ordinary share in respect of the financial year ended 31 January 2016. *Ordinary Resolution 1*
3. To re-elect the following Directors who retire by rotation pursuant to Article 109 of the Articles of Association of the Company and being eligible, offer themselves for re-election:
 - (i) Dato' Shahrman bin Shamsuddin *Ordinary Resolution 2*
 - (ii) Encik Wan Ahamad Sabri bin Wan Daud *Ordinary Resolution 3*
4. To reappoint the following Directors who retire pursuant to Section 129(6) of the Companies Act, 1965 and being eligible, offer themselves for reappointment until the conclusion of the next Annual General Meeting:
 - (i) Tan Sri Dato' Seri Ir. Shamsuddin bin Abdul Kadir *Special Resolution 1*
 - (ii) Dato' Azlan bin Hashim *Special Resolution 2*
5. To reappoint Datuk Kisai bin Rahmat as an Independent Non-Executive Director pursuant to Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012 until the conclusion of the next Annual General Meeting. *Ordinary Resolution 4*
6. To reappoint Messrs. Ernst & Young as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. *Ordinary Resolution 5*
7. **DIRECTORS' FEES** *Ordinary Resolution 6*
To approve the Directors' fees for the financial year ended 31 January 2016.

Notice of Annual General Meeting

8. **AUTHORITY FOR DIRECTORS TO ISSUE SHARES UNDER SECTION 132D OF THE COMPANIES ACT, 1965**

*Ordinary Resolution 7
Please refer to Note 6*

"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."

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS HEREBY GIVEN THAT a final single tier dividend of 3 sen per ordinary share in respect of the financial year ended 31 January 2016, if approved by the shareholders at the 40th Annual General Meeting, will be payable on 3 August 2016 to Depositors registered in the Record of Depositors at the close of business on 18 July 2016.

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 18 July 2016 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
30 May 2016

NOTES:

1. Audited Financial Statements

This Agenda 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, the Audited Financial Statements need not be approved by the shareholders and 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 2016 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.

The 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 with the Share Registrar of the Company, Tricor Investor & Issuing House Services Sdn. Bhd. at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, 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 Company's Share Registrar's Office prior to the commencement of this Meeting.

4. Proposed Reappointment and Retention of Independent Director

Datuk Kisai bin Rahmat has been the Company's Independent Director for more than 9 years cumulatively. The proposed Ordinary Resolution 4, if passed, will allow him to be retained and to continue acting as an Independent Director of the Company in line with Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012 until the conclusion of the next Annual General Meeting. Details of the Board's justification and recommendation for the retention of Datuk Kisai bin Rahmat as an Independent Director are set out in the Corporate Governance Statement on page 035 of this Annual Report.

5. Directors' Fees

The Directors' fees for the financial year ended 31 January 2016 amounted to RM345,000.

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

Subject to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the proposed Ordinary Resolution 7 is for the propose of granting a renewed mandate and if passed, would 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 as at the date of such issuance ("Renewed Mandate"). The Renewed Mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

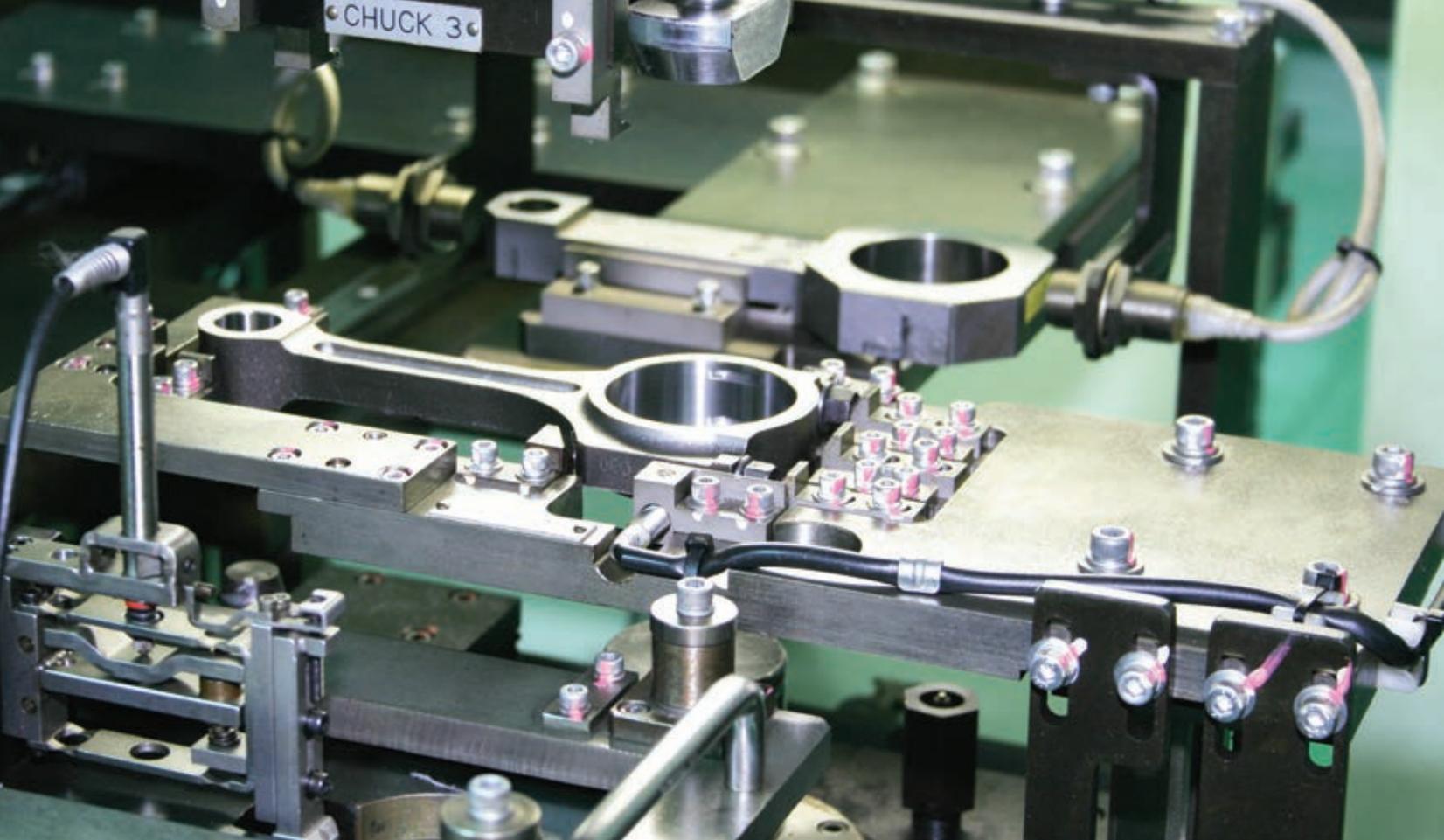
The Renewed Mandate will enable Directors to take swift action in case of a need for corporate exercises or fund raising activities or in the event business opportunities arise which involve issuance of new shares and to avoid delay and cost in convening general meetings to approve such issuance of shares.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

As at the date of this Notice, no new shares were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting held on 30 June 2015 which will lapse at the conclusion of the Annual General Meeting.

Statement Accompanying Notice of the 40th 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 reappointment in accordance with Section 129(6) of the Companies Act, 1965 are:
 - Tan Sri Dato' Seri Ir. Shamsuddin bin Abdul Kadir
 - Dato' Azlan bin Hashim
- The Director standing for reappointment in accordance with Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012 is Datuk Kisai bin Rahmat.
- Details of the above Directors who are standing for re-election and reappointment are provided for in the "Directors' Profile" on pages 014 to 018 of this Annual Report. Details of their interests in the securities of the Company are set out in the "Analysis of Shareholdings" on page 119 of this Annual Report.



HIGH PRECISION MACHINING

We manufacture high value precision and critical parts for the automotive industry that meet the strictest quality standards.

Corporate Profile

Sapura Industrial Berhad started its business in automotive components manufacturing in the early 1980s through an acquisition of a coil spring business from Henderson's Ltd, Australia. Taking off from just the coil spring – Sapura Industrial has since expanded its business to include the manufacture of high value-added machined engine, transmission & brake components as well as stabiliser bars and chassis module assemblies for the automotive industry as well as cold drawn high-grade structured steel bars used in the automotive, electrical & electronics industries.

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 Securities Malaysia 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.



Corporate HQ & Stabiliser Bar Plant, Bangi

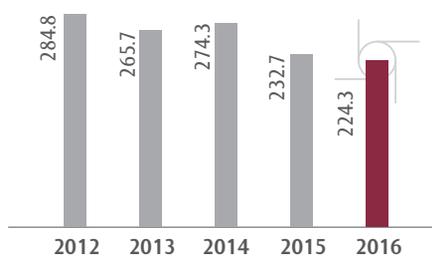


1984 – Acquisition of Coil Spring Plant, Port Klang

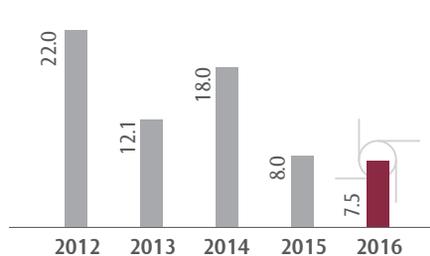
Financial Highlights

		← 31 January →				
		2012	2013	2014	2015	2016
Revenue	(RM'mil)	284.8	265.7	274.3	232.7	224.3
Profit after taxation	(RM'mil)	22.0	12.1	18.0	8.0	7.5
Profit attributable to owners of the parent	(RM'mil)	22.0	13.5	18.2	8.2	7.7
Shareholders' fund/Equity	(RM'mil)	89.4	85.5	100.3	100.3	102.8
Basic earnings per share	(sen)	30.27	18.54	25.07	11.33	10.62
Diluted earnings per share	(sen)	30.27	18.54	25.07	11.33	10.62
Net asset per share attributable to owners of the parent	(RM)	1.23	1.17	1.39	1.40	1.43
Number of ordinary shares at financial year end	('mil)	72.8	72.8	72.8	72.8	72.8

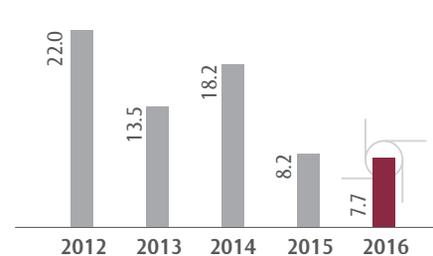
Revenue (RM' Million)



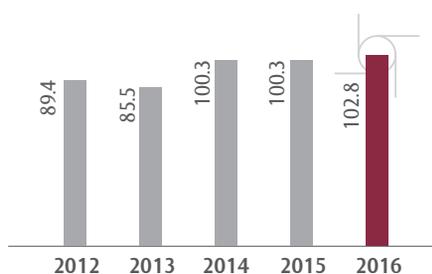
Profit after taxation (RM' Million)



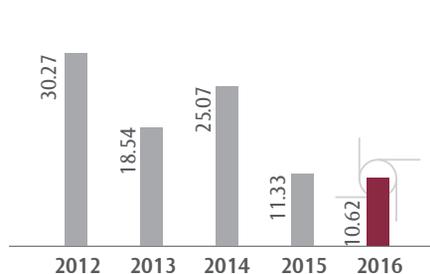
Profit attributable to owners of the parent (RM' Million)



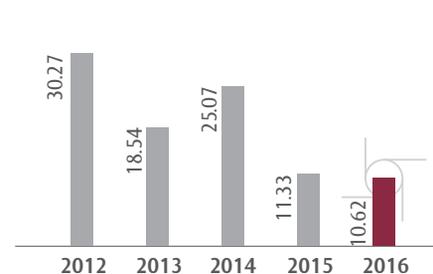
Shareholders' fund/Equity (RM' Million)



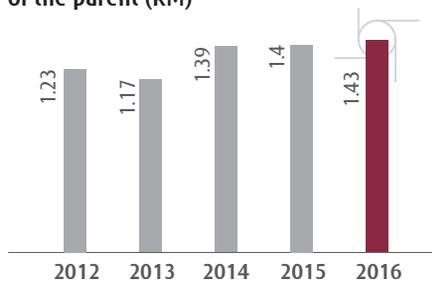
Basic earnings per share (sen)



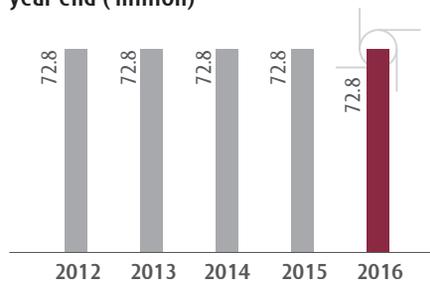
Diluted earnings per share (sen)



Net asset per share attributable to owners of the parent (RM)



Number of ordinary shares at financial year end ('million)



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
Md. Shah bin Hussin

DIRECTOR IN CHARGE OF SHAREHOLDERS' COMMUNICATIONS

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

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

COMPANY SECRETARY

Liyana Lee binti Abdullah
(MIA No : 10293)

REGISTERED OFFICE

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

AUDITORS

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

SHARE REGISTRAR

OFFICE:
Tricor Investor & Issuing House
Services Sdn. Bhd.
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel : +603-2783 9299
Fax : +603-2783 9222

CUSTOMER SERVICE CENTRE:
Unit G-3, Ground Floor
Vertical Podium
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

STOCK EXCHANGE LISTING

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

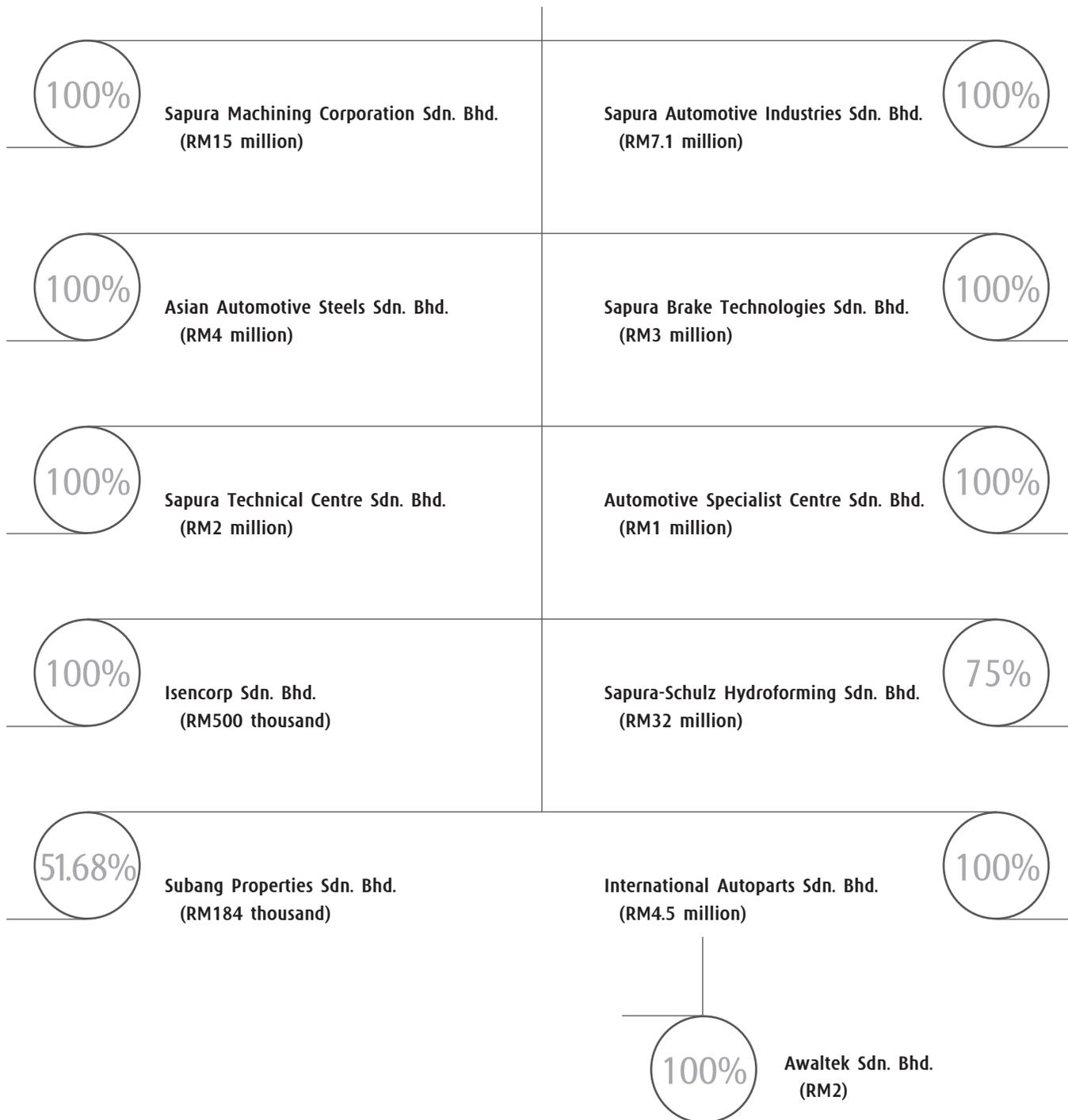
Corporate Structure

As at 9 May 2016



Sapura Industrial Berhad

Paid Up Capital : RM72.776 million





CHASSIS & MO MODULE ASSEMBLY

Besides being one of the major brake systems and modular suppliers, we also produce high-end and high-value assembly components for the manufacture of finished modules.

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' SHAHRIMAN 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

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

Tan Sri Dato' Seri Ir. Shamsuddin bin Abdul Kadir, a Malaysian aged 84, was appointed to the Board of Sapura Industrial Berhad (SIB) as Non-Executive Director and Chairman on 12 March 1974. He was appointed as Executive Chairman on 26 June 2013.

Tan Sri Shamsuddin is the Chairman and Founder of the Sapura Group. Well into its 41st year, the Sapura Group has since diversified and currently participates in key industries through three public listed companies. Sapura Industrial Berhad started its business in automotive components manufacturing in the early 1980s when Tan Sri Shamsuddin first acquired the coil spring business from Henderson's Ltd, Australia. SIB has since evolved into a leading player in the automotive industry.

Tan Sri Shamsuddin graduated from Brighton Technical College in the United Kingdom and began his career at Telekom Malaysia where he held several key positions. In 1975, he formed the Sapura Group which has since grown into a leading knowledge and technology company in Malaysia.

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 from 2001 to 2009 and was inaugurated as the Pro Chancellor in 2009. 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. For his numerous contributions, he has been awarded with Honorary Doctorates from various Malaysian universities.

Tan Sri Shamsuddin is a senior fellow of the Institution of Engineers Malaysia and 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 bin Shamsuddin, a Malaysian aged 55, 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.

Tan Sri Shahril is also the President and Group Executive Officer of Sapura Group, which manages a diversified portfolio of businesses that include secured communications technologies, aviation, automotive manufacturing as well as property development and education. He is also serving as President and Group Chief Executive Officer and Executive Director of SapuraKencana Petroleum Berhad and is a Non-Executive Director of Sapura Resources Berhad.

Tan Sri Shahril is a member of the Massachusetts Institute of Technology (MIT) Sloan Asian Executive Board and a member of the Board of Governors for Asia School of Business which is a Bank Negara Malaysia – MIT Sloan collaboration. He is also a member of Universiti Teknologi

Malaysia's International Advisory Panel and a member of the Board of Trustees, Treasurer and Executive Committee for the Perdana Leadership Foundation.

Tan Sri Shahril holds a Master of Science in Management of Technology from the MIT Sloan School of Management and a Bachelor of Science in Industrial Technology from California Polytechnic State University.

Directors' Profile

03

DATO' SHAHRIMAN BIN SHAMSUDDIN

Executive Director

Dato' Shahriman bin Shamsuddin, a Malaysian aged 47, was appointed to the Board of Sapura Industrial Berhad as an Executive Director on 29 January 2002.

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

Dato' Shahriman 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.

04

DATUK KISAI BIN RAHMAT

Independent Non-Executive Director

Datuk Kisai bin Rahmat, a Malaysian aged 65, was first appointed to the Board of Sapura Industrial Berhad on 18 October 2006. Datuk Kisai is the Chairman of the Audit Committee and member of the Board Nomination and Remuneration Committee of Sapura Industrial Berhad.

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

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

DATO' AZLAN BIN HASHIM

Non-Independent Non-Executive Director

Dato' Azlan bin Hashim, a Malaysian aged 74, 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 AmLabuan Holdings (L) Limited and a Director of 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 65, 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 is a member of the Board Nomination and Remuneration Committee of Sapura Industrial Berhad.

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.

WAN AHAMAD SABRI BIN WAN DAUD

Independent Non-Executive Director

Encik Wan Ahamad Sabri bin Wan Daud, a Malaysian aged 61, was first appointed to the Board of Sapura Industrial Berhad on 9 March 2011. Encik Wan Ahamad Sabri is the member of the Audit Committee and Board Nomination and Remuneration Committee of Sapura Industrial Berhad.

Encik Wan Ahamad Sabri has over 30 years of experience in marketing and trading of non-ferrous metals, coal and minerals in the international market. He also has extensive international business contacts. He had served in various senior management positions within the MMC Group both locally and overseas. He is currently a Management Consultant of a company dealing in the sourcing of non-ferrous metals and mineral products.

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

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' Shahriman 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 2016 can be found on page 037 of this Annual Report.

HELMI BIN SHEIKH MAHMOOD

Chief Executive Officer

Encik Helmi bin Sheikh Mahmood, a Malaysian aged 52, was appointed as the Chief Executive Officer of Sapura Industrial Berhad (SIB) on 1 October 2014.

Encik Helmi holds a Master of Science in Manufacturing Systems Engineering from Warwick University, United Kingdom and a Bachelor of Science in Mechanical Engineering from University of Tri-State, U.S.A.

Encik Helmi began his career as an Engineer in Sapura Machining Corporation Sdn. Bhd., a subsidiary of SIB in 1994. With over 20 years of experience in the manufacturing sector he has held various senior positions in SIB Group since 2002,

which include General Manager of various subsidiaries and Chief Operating Officer of SIB Group effective 1 January 2012 before assuming his present position.

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

Encik Helmi 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 9 May 2016, Encik Helmi holds 61,917 shares in the Company.

Chairman's Statement

Dear Shareholders,

The year under review ended 31 January 2016 (FY 2016) will go down on record as one of the most challenging periods for the Malaysian economy and Corporate Malaysia. Despite the headwinds on both the domestic and external fronts, I am pleased to report that Sapura Industrial Berhad (SIB or the Group) has continued to maintain a stable growth trajectory. The Group delivered a satisfactory financial performance to record a revenue of RM224.3 million and profit after tax of RM7.5 million. The resilience of our earnings underscores the fundamental strength of the Group and the strong prospects in moving forward.



The Group delivered
a satisfactory financial performance
to record a revenue of

RM224.3 million

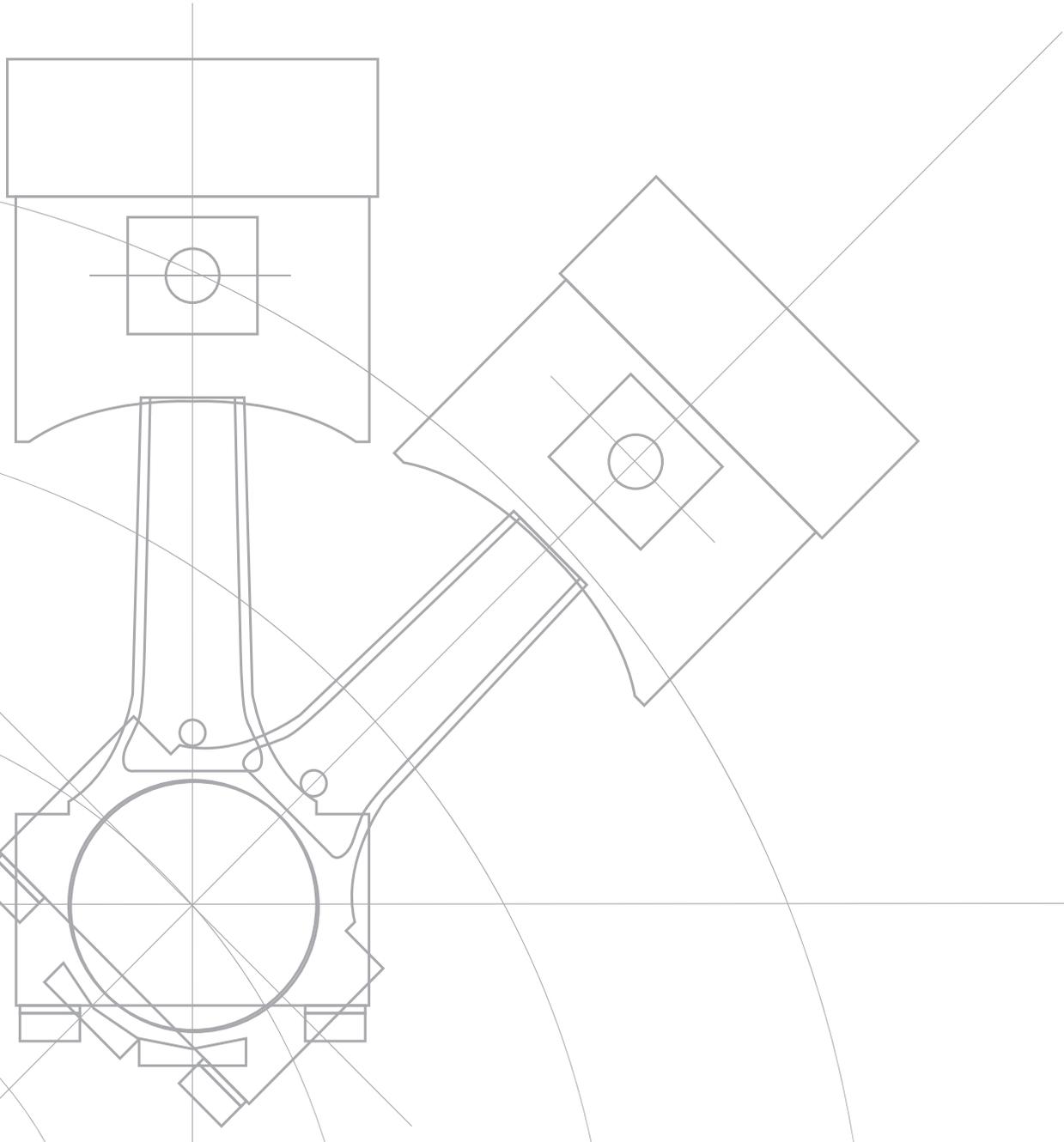
and profit after tax of

RM7.5 million

With over 30 years of manufacturing experience behind us, and taking a long-term disciplined approach, our goal is to deliver profitable growth and sustainable value for our shareholders. This is being realised through a business model that is anchored in three main lines of business. We have also forged cogent strategies based on leveraging the capabilities and scale of the Group. Perhaps most importantly, we have a highly skilled and dedicated workforce that is committed to delivering results during challenging times. While we continue to work towards strengthening our earnings base and competitive position, we have also made significant strides in operational cost efficiency, cost cutting and productivity improvements. Our distinctive capabilities of advanced technology, proven expertise, brand presence and strong relationships with our growing customers will continue to underpin our progress.

Our responsible approach to managing our business and performance prove we are on the right track. Looking at the bigger picture, experience has taught us that economic uncertainties and downturns are cyclical in nature. We are definitely on the threshold of a new and brighter future, but we need to stay focused on our commitment of long-term development and the goal to take the Group to new heights. The momentum is definitely there and with our Vision and Mission to guide us, SIB moves forward with the confidence that we know where we are going and what we have to do to get there.

On behalf of the Board of Directors, it gives me great pleasure to present this Annual Report and Audited Accounts of Sapura Industrial Berhad for FY 2016.



Chairman's Statement



BUSINESS ENVIRONMENT

The global economy has been projected to grow by 3.1% in 2015, which is marginally lower than 3.4% recorded in 2014. While the advanced economies will see a modest pick-up, there will be slower growth in emerging markets and developing economies (Source : Economic Report 2015/16, page 2-1). At the time the 2016 Budget was presented, the Malaysian Gross Domestic Product (GDP) was originally projected to grow by between 4.5% and 5.5% in 2015 (2014 : 6%). Since then, the Budget has been recalibrated and according to Bank Negara Malaysia, the full year GDP growth for 2015 has been adjusted to 5%.

Against this backdrop, Malaysia's automotive industry has demonstrated its resilience to achieve a higher total industry volume (TIV) of 666,674 units in 2015, eclipsing the previous year's sales record of 666,487 units. The Malaysian Automotive Association (MAA) has attributed the new all-time high achievement to

factors such as "a fairly stable economy and employment market, normalisation of vehicle sales after the implementation of the Goods and Services Tax (GST), very aggressive sales campaigns by car companies and the introduction of new models at very competitive prices" (Source : Malaysian Automotive Association, Market Review for 2015 and Outlook for 2016).

The passenger vehicle segment grew 0.5% to 591,298 units, while total registration for commercial vehicles in 2015 declined by 3.5% to 75,376 units. Local Original Equipment Manufacturers (OEMs) continued to dominate the market, with Perodua and Proton having a 32.0% and 15.3% market share respectively. Perodua's performance in 2015 reflects the success of the Axia, which has continued its strong form since its launch in September 2014. Honda and Toyota were the leaders among the foreign marques, with a 14.2% and 14.1% market share respectively.

In a year that saw the value of the Ringgit depreciating to levels not seen since 1998, the Malaysian automotive industry has suffered deteriorating margins due to higher input and operational costs. Imported contents including raw materials, completely knocked-down parts (CKD) and completely built units are all denominated in foreign currencies, while domestic selling prices are fixed in Ringgit.

FINANCIAL PERFORMANCE

Our business model continued to prove resilient and enabled us to deliver a set of satisfactory results. For FY 2016, the Group registered revenue of RM224.3 million, which is only marginally lower than RM232.7 million recorded previously. Net profit for FY 2016 was posted at RM7.5 million, a 6% decline from RM8.0 million in the previous year.

SIB's bottom-line performance also reflects the various initiatives the Group has put in place to mitigate the impact of the declining Ringgit



against the United States Dollar and the Japanese Yen resulting in higher cost of imported raw materials and child parts. However, impact of the cost increase was offset by the cost-sharing arrangements that were made with some of our customers and vendors in the supply chain. Our financial performance also reflects intensive efforts undertaken group-wide to contain costs and improve operational efficiency and productivity.

The national car segment remained by far the biggest contributor to Group revenue, with Perodua having replaced Proton as our biggest customer. What is gratifying is that all our efforts to diversify our customer and revenue base are showing results and we are seeing an increasing share from other international marques, notably Honda and Mazda. Having secured new contracts from Honda for its new City and HRV models, the OEM's contribution to our revenue has more than doubled in FY 2016. With an increase in our customer base, not only have we expanded our market share but we have also broadened the product range that we can now offer our customers.

DIVIDEND

It has always been the objective of the Board to maintain our dividend at levels that are sustainable through all market conditions. I am pleased to report that for the ninth consecutive year, we will be extending our record of dividend payment. For FY 2016, the Board has recommended a single tier final dividend of 3 sen per ordinary share totaling RM2,183,272, to be approved by shareholders at the forthcoming Annual General Meeting of the Company.

This is in addition to a single tier interim dividend of 3 sen per ordinary share that was paid on 16 January 2016. The total dividend pay-out for the year under review would be 6 sen per ordinary share.

MANAGING PERFORMANCE

Through the years, SIB has adopted a prudent approach to cope with evolving market conditions, keeping its operations lean and flexible and moving forward at a deliberate, measured pace. By continually improving our business fundamentals from three main perspectives – Commercially, Technically and Operationally – our strategies have served us well in a dynamic and challenging market.

Managing our performance in FY 2016 has not been easy, but by effectively executing our business strategies outlined in previous reports, there have been some real plusses. The continuing resilience of our business is underpinned by our focus on several priority areas that include the following:

Expanding Revenue Base. From the revenue perspective, we have made significant headway in diversifying our customer and revenue base. Just six years ago, our customer base only comprised the national car segment but it has now been expanded to include some of the biggest brands in the global automotive business such as Honda, Mazda, Suzuki, Mitsubishi, Volkswagen and many others.

Having been in the business as long as we have, we understand that satisfied customers are a pre-condition for a successful long-term business. We believe in cultivating strong and lasting ties and by listening to our customers and meeting their exact requirements, we are steadily expanding our customer base. Customers also want suppliers they can depend on, and in FY 2016, SIB achieved an on-time-delivery target of 95% on our orders.

Cost Down and Resourcing Activities. As another measure to help offset the impact of foreign exchange fluctuations on material costs, we actively embarked on cost down exercises with our various suppliers. In managing our supply chain, we have also been thinking strategically on resourcing activities as an important dimension that can impact the bottom-line. Wherever possible, we have sourced for alternative suppliers who can offer not only more competitive pricing but also performance consistency.

Human Capital Development. We have taken measures to rationalise our production workforce based on the Group's requirements and this has resulted in lower outsourced foreign labour. At the same time, the Group is aware of the need for a continual development of knowledge workers in keeping with the demands of an evolving industry. Several proactive measures have therefore been put in place to ensure the development and growth of knowledge workers.

Apart from collaboration with universities such as Universiti Malaysia Pahang (UMP), where several of our staff members are pursuing their Masters programmes, we are also benefiting from the Malaysia Japan Automotive Industries Cooperation (MAJAICO) programme in various disciplines. We have also collaborated with external experts to put in place a Mentoring Programme for career and leadership development of suitably qualified candidates.

Chairman's Statement

Capital Expenditure. The Group has always been prudent in its capital expenditure (CAPEX) and in FY 2016, we continued to drive financial discipline. Taking an even more cautious approach, we consolidated facilities to focus on lean operations and re-evaluated our CAPEX requirements, taking immediate actions to re-prioritise our investment programmes, spending only where absolutely necessary. By deferring investment in new projects and non-critical operations, we were able to reduce our overall CAPEX for the year by almost 50%, thereby meeting our cost-reduction targets.

Cost Improvement Initiatives. Everyday across our business, we are actively seeking opportunities to incrementally increase our profitability through maximising operational efficiencies. During the year, more emphasis was given to quality control with the aim of achieving zero defects, reducing rejection rates and customer complaints. As part of our cost down initiatives and to increase profit margins, we have also set new targets to eliminate waste in the manufacturing process by establishing a methodical approach to analyse and calculate waste.

Research and Development. Innovation has a vital role to play in the challenges we face. Each year, we invest capital on research and development (R&D) to drive market leadership and operational excellence. Our aim is to achieve global competitiveness in product research and development. We take pride in our home-grown R&D efforts and some of our contributions include development of side-load spring technology, tubular stabilisers, rubber post-vulcanisation bonding, stabiliser bar bending machine design and rule-based design automation. With the new Letters of Award (LOAs) that we have secured over the past year, we have developed new products such as high stress springs, semi-active suspension and tube stabilisers. We have supplied Honda with front and rear stabiliser bars for their new City and HRV models. The new LOA from Mazda include the supply of front and rear brake discs and stabiliser bars as well as for modular assembly.

Moving Up the Value Chain. When SIB started out in the 1980s, we were only a manufacturer of automobile suspension parts. Since then, our product offerings have expanded to include a wide array of automotive parts. From raw material processing, we are now a manufacturer of finished modules. To enhance our capabilities and move further up the value chain, our technology partners are among the best in the business and come from all over the world. They include ADVICS Co. Ltd., Marubeni Automotive Corporation, GKN Sinter Metals and Mahle, to name a few.

We have also improved in terms of our system for process development technology. In line with the trend towards greater automation, we have successfully developed software for design automation of tooling such as die sets and jigs.

Raising the Bar on Quality. SIB prides itself on the quality of its products and services. All our operating divisions have earned certification to internationally recognised quality management systems such as ISO 9001 and TS 16949. We are also certified to ISO 14001 and OHSAS 18001 for environmental and occupational health and safety management systems. SIB is now aspiring towards accreditation to VDA (Verband der Automobilindustrie), a German quality management standard initiated by the automotive industry. VDA certification will give

the Group access to supply parts to German automakers as well as facilitate entry into the Euro Zone market.

Awards and Accolades. The numerous awards and accolades the Group has received are a measure of how well it stacks up against the competition. Over the years, we have won awards from Perodua for Overall Excellent Performance, Excellent Cost Reduction and Excellent Cost Control Vendor. We have also received awards from Proton, Honda and Volvo. In 2015, we continued to receive Perodua's Best Quality and Honda's Quality Appreciation awards.



Recipient of Honda Quality Award 2015



Recipient of Perodua Best Quality Vendor Award 2015

INDUSTRY OUTLOOK

The global economy is expected to be even more challenging in 2016. According to the International Monetary Fund (IMF), global GDP will grow at a slower pace of 3.4% (Source : 2016 Budget Recalibration Speech, 28 January 2016, page 6). For Malaysia, the challenges and downside risks that confronted the economy in 2015 are expected to persist in 2016. Nonetheless, the Malaysian economy is still projected to grow by between 4% and 5% in 2016, led by domestic demand. The economy is also expected to operate under conditions of full employment, with inflation remaining benign.

The MAA foresees 2016 as another difficult year for the automotive business, having taken various economic and other factors into consideration. Among others, it cites the persistent weakness of the Ringgit as a factor affecting business confidence and consumer sentiments. Consumers will become increasingly cautious of committing to big-ticket discretionary spending given the rising cost of living. The availability of financing could also be a bottleneck for auto sales, with the tightening of lending guidelines for hire purchase loans by the authorities.

On the positive side, the introduction of new models by Perodua, Honda and Mazda with the latest additional specifications, design styles at very competitive prices may sustain buying interest. Against a slowing economic environment and waning consumer sentiments, the MAA expects a 2.5% contraction in 2016 TIV to 650,000.

Meanwhile, the sharp decline in the Ringgit could manifest itself in 2016 in the form of an increase in car prices. In January 2016, the Ringgit reached a new low of 4.4200 against the Greenback, making it one of the worst performing currencies in the region. The start of the new year has already brought increased prices for some non-national car makers such as Toyota, Honda, Lexus, Kia, Peugeot, Citroen and

Audi. Proton has already announced that its car prices will be revised upwards from 15 February 2016, although Perodua has no plans to follow suit as we go into print. In this environment, margins will continue to come under pressure as consumers opt for lower end variants, where margins are thinner.

In February 2016, Malaysia joined 11 other countries to sign the Trans-Pacific Partnership Agreement (TPPA), which will bring challenges as well as opportunities for players in the automotive business. Export growth is projected to increase for manufacturers of automotive components (Source : Study on Potential Economic Impact of TPPA on the Malaysian Economy and Selected Key Economic Sectors, Final Report, December 2015) as they will benefit from greater market access. But Malaysian players will need to sharpen their resilience and improve on the quality of their product offerings, which is what SIB is already doing. Also looming in the horizon is a proposal by the Government to impose a levy on foreign workers, which for manufacturers, would effectively increase the cost of doing business. Due to come into effect from 1 February 2016, the Government has since decided to defer its implementation pending further consultations.

OUR PATH FORWARD

SIB is in the business for the long-haul and navigating economically challenging times is not uncharted territory for the Group. We have weathered not one but two economic downturns. The first was the Asian financial crisis of 1997-1998 and to a lesser extent, the 2008-2009 sub-prime crisis that originated in the United States. In both instances, the country was plunged into an economic recession. Today, the Malaysian economy is still on a growth trajectory and international rating agencies such as Moody's, Standard & Poor's and Fitch remain confident in the nation's strong economic fundamentals by assigning it a good credit rating.



Key drivers. The automotive industry still has much to offer in terms of growth. Population growth and demographics continue to drive change across our business. Green technology is increasingly gaining prominence and there is a continual drive to improve the fuel efficiency of cars, while at the same time increasing manufacturing efficiency and product safety. Advanced electricity and hybrid alternatives are also replacing traditional mechanical processes and manufacturers are increasingly opting for lightweight designs and materials. With the increasing liberalisation of the industry, new OEM players are entering the Malaysian market and they represent fresh business opportunities.

Under the National Automotive Policy (NAP) unveiled in 2014, the Government is committed to transform Malaysia into a regional hub for the manufacturing, assembly and distribution of auto vehicles. The NAP also aims to promote export-oriented Malaysian manufacturers as well as components and parts vendors. The changing market conditions within our industry underscore the importance of our operational excellence initiatives, which enable us to be nimble and efficiently adapt and position our product portfolio to meet the requirements of the car of the future.

Chairman's Statement

Competitive strengths. What you see today is a Group that is on track and delivering on its game plan. The fundamentals of the Group remain strong and will ensure that we are positioned to generate value well into the future. Our brand is one of our most important assets and backed by more than three decades of experience, we have become a name trusted for the quality of its products and services. By continually investing in technology, we have developed strong core competencies in our three main lines of business. Building on that platform, we have established a strong and loyal customer base that continues to expand. The quality of our workforce is another reason that will ensure our continued success. Having a strong balance sheet also means that we have the capacity to invest and take advantage of emerging investment opportunities in the most attractive growth markets.

Focused on growth. The goals we have set ourselves in the coming year and the years ahead are aggressive but achievable. Geographic expansion in targeted global markets remains an important part of our growth agenda and seeds are being planted for the future without any specific timetable. Automotive manufacturers are increasingly using global platforms and direct component sourcing and the Group is well positioned to benefit from these trends.

We have established a solid reputation supplying components to foreign OEMs operating in Malaysia, such as Honda, Mazda, Suzuki, Mitsubishi and Volkswagen. The next step is for us to be included in their global sourcing programme, but this is by no means an easy or straight-forward process. It involves several rounds of painstaking audits, but it is only a matter of time that we achieve our goal to be a global supplier to the international marques. During the year, SIB was shortlisted by Mazda to be included in its global sourcing programme.

Diversifying our business. SIB's entrepreneurial culture has always been one of our biggest competitive strengths. Developing new business and investing beyond our core automotive business is part of our long-term strategy for the future. Building on the Group's strong machining



skills and capabilities, we are pursuing possibilities of venturing into the non-automotive business, focusing in the high-tech industries with niche market and having synergies with our existing capabilities.

These are still early days and we are aware that all new ventures carry a certain amount of risk and require investment and time to grow. However, this must be within our risk appetite and must also complement the Group's strengths and capabilities in precision machining. There is no doubt that plenty of work lies ahead. Our destiny lies in our own hands and we intend to shape SIB's future with entrepreneurial courage, far-sightedness and undiminished energy as we prepare to renew, remake and redefine ourselves for the 21st Century.

The outlook for SIB in the coming year is one of continuing revenue growth and profitability. If it is any indication that we have a busy year ahead, we are now in the final stages of preparing for the mass production of new parts following LOAs that were awarded in 2015. Among others, we have secured LOAs from Perodua, Proton, Honda and Mazda. Our product development people are already busy working on the new parts that will be needed for the new models that several car makers, national and non-national, will be launching in FY 2017. If all goes according to plan, SIB is in for a very busy year ahead and this bodes well for our business.

APPRECIATION

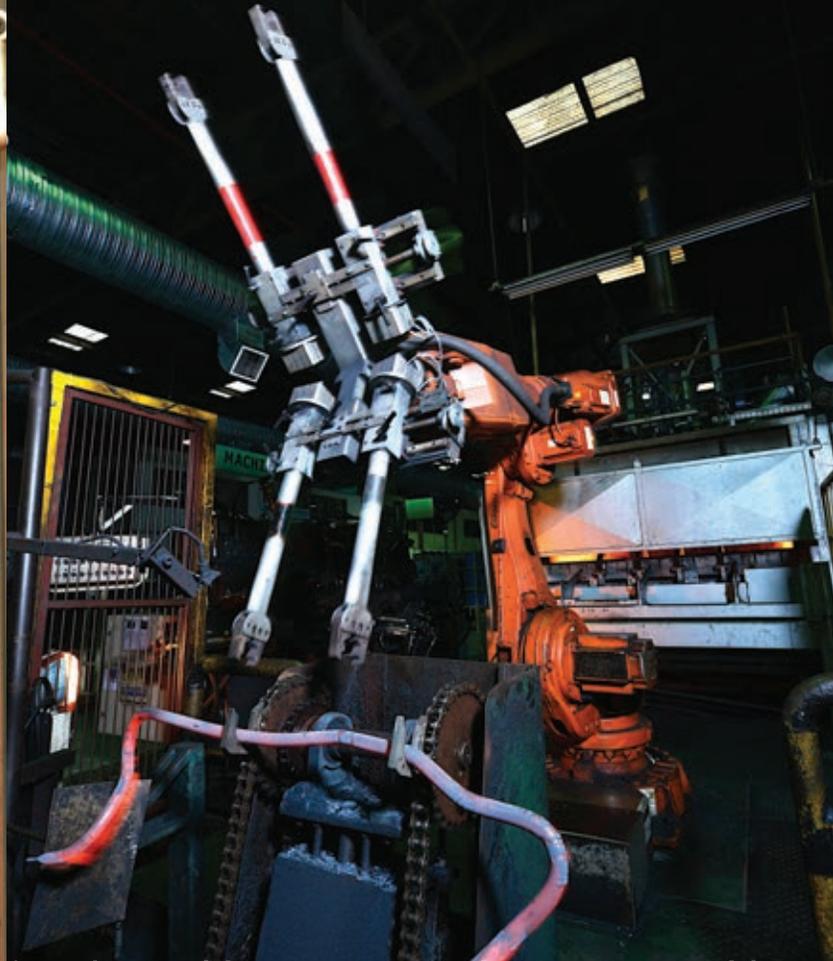
The Group's employees are the ultimate source of its competitive advantage and in a challenging year, it brought out the very best in our people. Working together as a cohesive team, they delivered results. I thank all our employees for their hard work and dedication in a demanding year.

More so than in any other year, we depended on the support of our customers, associates, business partners and the many government agencies we deal with on a regular basis. Our shareholders deserve special mention for placing their trust in us.

We have also benefited from the insights and experience of my fellow Board members. The Group is fortunate to have such a wealth of knowledge and experience at our disposal.

I thank all of you.

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



HOT & COLD FORMING

Our advance hot and cold forming technology produces high strength steel components that have become the staple of the modern automotive industry.

Corporate Social Responsibility

AT SAPURA INDUSTRIAL BERHAD (SIB), WE RECOGNISE THAT CORPORATE SOCIAL RESPONSIBILITY (CSR) EXTENDS BEYOND TRADITIONAL PHILANTHROPIC EFFORTS. WE BELIEVE IN CONTRIBUTING IN MEANINGFUL WAYS AND THIS HAS ALWAYS BEEN AT THE VERY HEART OF WHAT THE ORGANISATION BELIEVES IN. IRRESPECTIVE OF THE CONSTRAINED ECONOMIC CONDITIONS, WE ARE CLEAR ABOUT THE IMPORTANT ROLE WE PLAY IN DRIVING POSITIVE CHANGE ACROSS OUR FOUR PILLARS - AT WORK, IN THE MARKET-PLACE, THE COMMUNITIES IN WHICH WE LIVE AND OPERATE AND MANAGING OUR IMPACT ON THE ENVIRONMENT.

At the Sapura Group level, CSR initiatives and programmes are driven by three vehicles, namely Sapura Community, Yayasan Shamsuddin Abdul Kadir and Yayasan Siti Sapura Husin. Sapura Community started out as an employee welfare and social club, but has evolved to serve as a platform for all Sapura employees to come together and be involved in welfare work as well as participate in sports and recreational activities. The two foundations are platforms for the Group's outreach programmes bringing assistance to the disadvantaged and under-privileged.

WORKPLACE DEVELOPMENT

The quality of our people is an important factor in ensuring SIB's continuing success well into the future and we compete with the rest of Corporate Malaysia in attracting and retaining the best the market has to offer. Our goal is to create an environment marked by teamwork, accountability, innovation and openness. We want our employees to be motivated and to perform to their full potential and all our people are treated with respect and dignity and without discrimination.

Building enduring capabilities is an ongoing objective and we remain attentive to the career needs of our people. The Group provides development opportunities for all our employees, which include formal training, job rotation, workshops, seminars and mentoring. Suitably qualified candidates are also given the opportunity to further their studies under an arrangement with





Universiti Malaysia Pahang (UMP). Despite a tough year, SIB did not compromise on its manpower training and development programmes. These helped ensure that each employee received the minimum number of training man-hours budgeted for the year. One of the main challenges of the human resource function is to ensure a pipeline of leaders and talent to fill critical positions. We have now developed a succession plan to ensure leadership continuity.

The health and safety of our people have always been a main priority. We have established a Health, Safety and Environment (HSE) Committee at all our operating units with a dedicated Safety Officer whose task is to enforce the Group's HSE management system. Safety performance at the workplace is continually monitored; steps are taken to identify areas of non-compliance and disciplinary action is taken when necessary. For our HSE performance, we have won the Ministry of Human Resources' National Excellent OSH Award for two consecutive years in 2014 and again in 2015.

Corporate Social Responsibility



Continuing a tradition that began in 2009 when it was launched, Sapura Community also made it possible for 45 employees across Sapura Group to perform the Umrah.

During FY 2016, 17 students, including three from SIB, received Sapura's Anugerah Cendekiawan in recognition of their academic excellence. The coveted Anugerah Cemerlang Siti Sapura which honours the most holistic all-rounded recipient was awarded to Muhammad Ali Imran bin Mohamed Kamil, whose father is our Plant Manager. The award is in honour of the late Puan Sri Siti Sapura Husin, who championed the cause in nurturing the potential of the young generation.

We value the contributions of our employees, even those who are no longer with us. For the children of employees who have passed away whilst in service, we continue to support them through a small monthly contribution. Together with other children of deserving employees, they also receive financial support every year-end in preparation for the new school year.

We believe that in order to have a dynamic and committed work force, we need to engage our people in activities that encourage teamwork and camaraderie outside the workplace. Our employees are encouraged to participate in the many sporting activities such as badminton and futsal that are organised on a regular basis. We also seek to foster cross-engagement of staff from the different business units, through Group wide sports activities such as white water rafting, paintball, go-kart and bowling. Various sporting events were also organised with our customers and suppliers to build rapport.



WE HAVE FORMED A PARTNERSHIP WITH UMP FOR TECHNOLOGICAL COLLABORATION IN THE AREAS OF RESEARCH AND DEVELOPMENT (R&D), INDUSTRIAL TRAINING AND CAPACITY BUILDING. THIS COLLABORATION HAS LED TO IMPROVEMENTS IN AUTOMOTIVE PRODUCT DESIGN AND UPGRADING OF MANUFACTURING SKILLS, TECHNIQUES AND PROCEDURES.



SIB Engineers and final year students of UMP convened at the Research Colloquium 2016

MARKETPLACE DEVELOPMENT

Among SIB's CSR objectives in respect of the marketplace is to achieve high standards of openness and accountability. The Board believes that good governance is a key driver of the Group's performance in the long-term. In this respect, we are continually updating and upgrading our governance structures and controls, with a particular focus on risk and compliance procedures.

Under the National Automotive Policy unveiled in 2014 and with the implementation of the Trans-Pacific Partnership Agreement, the Malaysian automotive sector needs to upgrade itself to be more globally competitive. We have formed a partnership with UMP for technological collaboration in the areas of research and development (R&D), industrial training and capacity building. This collaboration has led to improvements in automotive product design and upgrading of manufacturing skills, techniques and procedures. We are also looking into expanding our capabilities within the hybrid vehicle segment and development of green technology.

As we progress up the value chain, we are committed to our Vendor Development Programme. We work closely with our vendors to achieve Levels 3, 4 and 5 capabilities as well as gain accreditation to the necessary quality certifications such as ISO and TS 16949. We also provide support and advice to improve overall performance in the areas of quality, safety, cost and delivery. Regular audits and visits are conducted by SIB to ensure our suppliers follow the improvement schedule to meet the targeted results. This has benefitted more than 70 vendors and suppliers that we deal with on a regular basis and has contributed to the overall improvement of the automotive supply chain. SIB continues to be an active member of the Proton and Perodua Vendor Associations, which serve to maintain a harmonious relationship between the national car makers and its vendors.

For the past several years, SIB has opened its doors to students from local institutions of higher learning to undergo practical training. Our internship programme provides an opportunity for trainees to understand how business functions in a real-life setting and thereby accelerate their future career. Students accepted into our programme for a period of 3 to 6 months are assigned to the various manufacturing facilities to gain exposure.

Corporate Social Responsibility



COMMUNITY DEVELOPMENT

As part of the Group's outreach programmes, a series of activities were organised during the year. Sapura Group has a long tradition of celebrating and sharing the many festivities in the country with the less fortunate. Last year we were delighted to share the joys and bliss of Ramadhan and Syawal with our employees and orphans from various homes around Selangor at the *Sapura Majlis Berbuka Puasa* and *Majlis Aidilfitri* Open House. During the month of Ramadhan, apart from monetary contributions to the mosques, our people volunteered their time and effort to visit two welfare homes in Kajang, bringing with them a donation of groceries and much needed household items. It is through such programmes that we establish goodwill and build meaningful links in the communities in which we are an integral part of.

Our people have been tremendously supportive of the blood donation campaigns which are held twice a year within our premises. 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.



ENVIRONMENTAL PRESERVATION

Going beyond platitudes, we are committed to play our role in environmental preservation, including programmes to monitor progress against specific targets and objectives. This means reducing the environmental impact of emissions and wastes materials, and conserving energy and material resources. In striving for sustainability, we have implemented environmental management systems based on the internationally recognised ISO 14001 standards.

In line with the Environmental Quality Act (Scheduled Waste) Regulations 2005 we have drawn up a Material Safety Data Sheet that sets out the appropriate disposal methods of any hazardous materials registered as scheduled waste. Waste materials produced by the Group include coolants, hydraulic oil, zinc phosphates and other chemical compounds and are safely disposed off by a licensed waste transporter and contractor. Last year, relevant personnel from SIB also attended special training on "Certified Environmental Professionals in Scheduled Waste Management".

We are continually looking at ways to improve our internal manufacturing processes not only to reduce the environmental impact of emissions and waste materials but also to conserve energy and material resources, thereby reducing costs. In promoting green technology, all of our plants comply with Proton's 3R rules to promote "Reusability, Recyclability and Recoverability" as well as Perodua's concept of CBB, an acronym for "Clean, Bright and Beautiful". For example, our manufacturing facilities have been installed with cooling systems and transparent roofs to reduce the use of energy.

Back in 2012, we initiated a programme to refurbish and rehabilitate obsolete machinery that would otherwise be considered as waste. Having been retrofitted and recalibrated to meet current requirements, the refurbished machinery has the functionality of any new equivalent. While our refurbishment programme was initiated to meet our own requirements, we are now meeting a growing demand from local manufacturers. By recycling old machinery, we benefit from cost-savings, besides contributing towards the preservation of the environment.

MOVING FORWARD

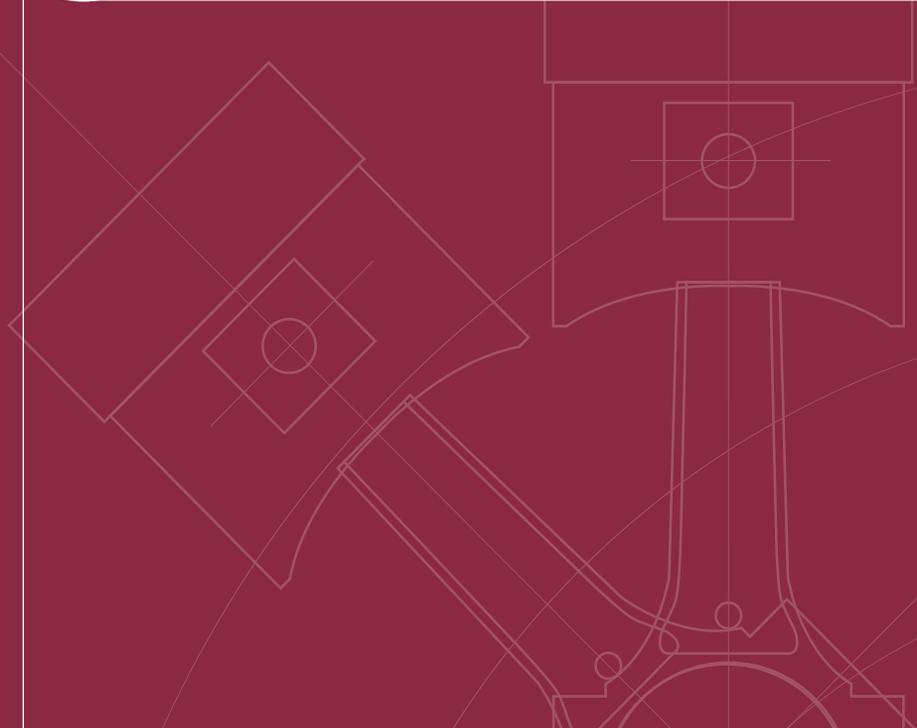
Much has been achieved in our CSR efforts over the past year. We are continually raising our ambitions, generating new ideas which are meaningful and relevant to the needs of today. These impactful initiatives will continue to be the platform which binds us as a strong team moving forward.





RESEARCH & DEVELOPMENT

Our strength in R&D ensures the Company is kept abreast with the latest technical and technological advancements and know-how.



Corporate Governance Statement

Sapura Industrial Berhad (SIB or the Company) Board of Directors (the "Board") regards sound Corporate Governance as vital to the success of the Company's business. It is about commitment to values and ethical conduct. Thus, the Board is fully committed to 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.

This statement together with the Statement on Risk Management & Internal Control and the Audit Committee Report discloses the manner in which the Company has adopted the principles and recommendations as set out in the Malaysian Code on Corporate Governance 2012 ("the Code") and Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR"). Where there are differences from the Recommendations of the Code, they are disclosed herein with explanations.

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

THE BOARD OF DIRECTORS

Principal Responsibilities of the Board

The Board is responsible to guide and monitor the affairs of the Group on behalf of shareholders. Its principal responsibilities cover:

- Reviewing 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,
- 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,
- Reviewing the adequacy and the integrity of management information and internal controls system, and
- Reviewing and approving Financial Statements.

Board Balance and Composition

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 page 014 to page 018 of this Annual Report. The diverse professional backgrounds of the directors provide the Board with an effective mix of members with industry-specific knowledge and broad business and commercial experience.

The Board is mindful that the Code recommends for Board to comprise a majority of Independent Directors if the Chairman holds an executive position. Members of the Board recognises the Chairman's prominent role and contribution to the Company since the Company was set up. The Board is comfortable that there is no undue risk involved as all major matters are referred to the Board for consideration and approval. Furthermore, there are independent directors who are professionals of credibility and repute, who demonstrate independent judgement and objectivity in the Board's deliberations.

Recommendation 3.2 of the Code states that the tenure of Independent Directors shall not exceed a cumulative term of nine (9) years. Datuk Kisai bin Rahmat has been the Company's Independent Director for more than nine (9) years cumulatively. Following an assessment by the Board Nomination and Remuneration Committee ("BNRC") and the Board, Datuk Kisai bin Rahmat continues to serve as an Independent Director upon shareholders' approval at the last Annual General Meeting of the Company on the basis of the following justifications:-

- i. His appointment is made in accordance with the requirements of the MMLR and therefore is able to bring independent and objective judgement to the Board;
- ii. He is able to provide proper check and balance in the proceedings of the Board and the Committees;
- iii. His vast experience in the industry and technical background allows him to participate actively and contribute during the deliberations or discussions at the Board and Committee meetings; and
- iv. He exercises due care as Senior Independent Non-Executive Director of the Company and carries out his professional and fiduciary duties in the interest of the Company and shareholders.

Corporate Governance Statement

In consideration of the above, the Board has concluded to seek shareholders' approval to again retain Datuk Kisai bin Rahmat as Independent Non-Executive Director of the Company at the forthcoming Annual General Meeting.

The Board continually assesses the composition and the tenure 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. SIB measures the independence of its Directors based on the criteria prescribed under the MMLR in which a Director should be independent and free from any business or other relationship that could interfere with the exercise of independent judgement or the ability to act in the best interests of the Company.

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 constitutes of individuals who are committed to business integrity and professionalism in all its activities.

The Company recognises and embraces the benefits of having a diverse Board, and sees increasing diversity at Board level as an essential element in maintaining a competitive advantage. A truly diverse Board will include and make good use of differences in the skills, regional and industry experience, background, race, gender and other distinctions between directors. These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately. All Board appointments are made on merit, taking into account the skills, experience, independence and knowledge which the Board as a whole requires to be effective. In line with recommendation under the Code for Gender diversity, the Board will consider such appointments based on needs and requirements.

Each Board member is expected to commit sufficient time to carry out his role as Director and/or member of the Board Committee in which he is a member. In accordance with the requirements of the MMLR, none of the Directors of the Company holds more than five (5) directorships in public listed companies. The current

Independent Directors of the Company do not sit on the Board of any other public listed companies. This ensures the Independent Directors' commitments, resources and time are focused for an effective input to the Board.

Board Charter

The Board has established and adopted the Board Charter with the objective of ensuring that good Corporate Governance is applied in all of the Company's business dealings. The Board Charter serves as reference and guidance, providing Board members and Management insight into the functions of SIB Board.

Through its Code of Conduct and Business Ethics, the Board strives to adhere to the highest ethical standards in discharging its responsibilities and continues to promote integrity and ethical conduct among its members, employees and third parties in all aspects of the Company's business operations, including confidentiality of information, conflicts of interest, health, safety and environmental ("HSE") performance as well as establishing whistle blowing policy among others.

ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

The Chairman and Chief Executive Officer (CEO)

The Company aims to ensure a balance of power and authority between the Chairman and the Chief Executive Officer with a clear vision of responsibility between the running of the Board and the Company's business respectively. The positions of Chairman and Chief Executive Officer is separated and clearly defined.

Role of Chairman

The Chairman is responsible for leadership of the Board in ensuring the effectiveness of all aspects of its role. The Chairman is responsible for managing the business of the Board to ensure that all Directors are properly briefed on issues arising at Board meetings, leading the Board in setting the values and standards of the Company, maintaining a relationship of trust with and between the Executive and Non-Executive Directors and ensuring the provision of accurate, timely and clear information to Directors.

The Chairman, in consultation with the CEO and the Company Secretary, sets the agenda for Board meetings and ensures that all relevant issues are on the agenda and that sufficient time is allowed

for the discussion of complex or contentious issues. Where appropriate, informal meetings are arranged beforehand to enable thorough preparation for the Board discussion. The Chairman also ensures that every Board resolution is put to vote to ensure the will of the majority prevails.

Role of Chief Executive Officer

The Chief Executive Officer is the conduit between the Board and the Management in ensuring the success of the Company's governance and management functions. The appointment of the CEO is governed by the applicable laws and regulations including without limitation the guidelines and directives as may be issued by the regulatory authorities which may be applicable to the Company from time to time as well as the Internal Guidelines.

The Chief Executive Officer has the executive responsibility for the day-to-day operation of the Company's business, ensuring business excellence and operational efficiency on behalf of the Board. He implements and coordinates the policies, corporate strategies and decisions adopted by the Board. The CEO is supported by the Senior Management team and Group Functional teams with vast experience, skills and knowledge of the industry.

BOARD MEETINGS

Meetings and Procedure

All Board and Board Committee meetings for the ensuing financial year are scheduled in advance so as to enable the Directors to plan and organise their respective schedules for the year.

The Board ordinarily meets at least four (4) times a year at quarterly intervals, with additional/special 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. Whenever necessary, Senior Management and/or external advisers may be invited to attend the Board and/or the Board Committee meetings to provide their professional views, advice and explanation on specific items so as to enable the Board and/or the Committees to arrive at a considered and informed decision.

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	Meeting Attendance
1.	Tan Sri Dato' Seri Ir. Shamsuddin bin Abdul Kadir	Executive Chairman	6/6
2.	Tan Sri Dato' Seri Shahril bin Shamsuddin	Deputy Chairman Non-Independent Non-Executive	3/6
3.	Dato' Shahrizan bin Shamsuddin	Executive Director	5/6
4.	Dato' Azlan bin Hashim	Non-Independent Non-Executive	3/6
5.	Datuk Kisai bin Rahmat	Independent Non-Executive	6/6
6.	Md. Shah bin Hussin	Independent Non-Executive	6/6
7.	Wan Ahamad Sabri bin Wan Daud	Independent Non-Executive	6/6

Corporate Governance Statement

To facilitate an effective discharge of responsibilities, dedicated Board Committees have been established and 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 MMLR 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 043 to 045.

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 and Board Committees, 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 include 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 executive directors and the CEO. The remuneration of the executive 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 MMLR. 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)
Encik Md. Shah bin Hussin
(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 number of meetings which the BNRC shall hold will depend on the circumstances but as a minimum, there must be at least one (1) meeting in the financial year. During the financial year, BNRC held one (1) meeting wherein all the members of BNRC attended the meeting.

The BNRC's Terms of Reference cover the following areas:

- Objectives;
- Composition and appointment of its members;
- Meetings and procedures;
- Functions and duties;
- Selection and Assessment of Directors.

Minutes of Meetings

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 is practicable. The directors concerned will then abstain from any decision making process in which they are involved.

Supply of Information

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

Company Secretary

The Directors have full and unrestricted access to the advice and services of the Company Secretary who supports and 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, legislations and best practices on governance. The Company Secretary is also responsible for management of the company's registrars. The Company Secretary provides support to the Chairman of the Board to ensure the effective functioning of the Board and also organises and attends all Board meetings and Board Committees meetings, ensuring that an accurate and proper record of deliberation of issues discussed, decisions and conclusions are taken.

The Company Secretary records, prepares and circulates the minutes of the meetings of the Board and Board Committees and ensures that the minutes are properly kept at the registered office of the Company and produced for inspection, if required. In addition, the Company Secretary also updates the Board regularly on amendments to the Listing Requirements, practice and guidance notes, circular from Bursa Malaysia Securities Berhad, legal and regulatory developments and impact, if any, to the Company and its business. The appointment and removal of the Company Secretary is also a matter for the Board to decide to ensure qualified and suitable individual is selected.

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, where necessary, at the Group's expense from time to time. This is to enable the Board to discharge its duties in relation to matters being deliberated. The Procedure will involve informing the Company Secretary who will propose a list of advisors for consideration. The advice given could also be shared with the other Board members. Similar access is also extended to the Board Committees on the same basis.

Appointment to the Board

The proposed appointment of new Board members is 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 including time commitment. 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. All Directors have completed the Mandatory Accreditation Programme prescribed by Bursa Malaysia.

Corporate Governance Statement

The Board endeavours 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 program. During the financial year under review, members of the Board attended the following 'in-house' training programmes:

- Companies Acts – Updates on the Roles and Responsibilities of Company Directors: What's New in the Last 2 years?
- Six Sigma – Overview on How Six Sigma Can Achieve Business Excellence
- Updates of Fraud, Corruption and Money Laundering (FCM), Recognising FCM "Red Flags" and preventing FCM
- Strategy & Risk Management – Updates of Risk and Strategy Planning, Blue Ocean Strategy; Overview of Inverse Risk Logic; and Business Planning and Key Challenges for the Board
- Innovation – A global and country perspective and the Company's innovation strategy.

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.

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 2016 are as follows:

	Executive RM	Non-Executive RM	Total RM
Fees	–	345,000	345,000
Salaries and other emoluments	3,041,000	–	3,041,000
Bonus	386,000	–	386,000
Other emoluments	–	43,000	43,000
Benefits-in-kind	28,450	–	28,450
Contributions to defined contribution plan	212,160	–	212,160
Total	3,667,610	388,000	4,055,610

Any Director, aged 70 or above is subject to reappointment by shareholders on an annual basis in accordance with Section 129(6) of the Companies Act, 1965.

The Board makes recommendations concerning the re-election, reappointment and the continuation in office of any Director for shareholders' approval at the AGM.

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. The Remuneration package was benchmarked against industry standards.

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

Bands	Executive	Non-Executive	Total
RM50,001 – RM100,000	–	5	5
RM1,650,000 – RM1,700,000	1	–	1
RM1,950,000 – RM2,000,000	1	–	1
Total	2	5	7

SHAREHOLDERS

The Annual General Meeting

The Company has been using the Annual General Meeting 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. The Board, Senior Management of the Group as well as the Company's auditors are present to respond to issues raised during the meeting.

Dialogue between Company 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.

Senior Independent Director

The Board has identified Datuk Kisai bin Rahmat as the Senior Independent Non-Executive Director of the Board to whom any concerns on issues affecting the Company and the Group may be conveyed. He may be contacted at director-sib@sapuraindustrial.com.my.

Corporate Website

The Company has established a website at www.sapuraindustrial.com.my where shareholders and stakeholders can access information regarding Sapura Industrial Berhad Group. Information on the website includes amongst others the Group's corporate structure, main business activities and announcements to Bursa Malaysia.

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.

Corporate Governance Statement

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 046 and 047 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 043 to 045 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 043 to 045 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 21 April 2016.

Audit Committee's Report

The Audit Committee of Sapura Industrial Berhad is pleased to present their report for the financial year ended 31 January 2016.

COMPOSITION

The members of the Audit Committee during the financial year comprised the following Directors:

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.

Audit Committee's Report

7. Review of the quarterly results with the Management and review of 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 and 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 code of conduct that raises questions of management integrity.
9. Consider any matters the External Auditors may wish to bring to the attention of the Directors or shareholders.
10. Consider the major findings of internal investigations and management's response.
11. Review of any significant transactions which are not a normal part of the Company's business.
12. To recommend to the Board the appointment and reappointment of the External Auditors and any question of their resignation or dismissal.
13. Such other responsibilities as may be agreed to by the Audit Committee and the Board of Directors.

MEETINGS HELD FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2016

The Audit Committee held five (5) meetings during the financial year ended 31 January 2016 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 2016 and the details of attendance are as follows:-

No.	Name of Directors	Attendance
1.	Datuk Kisai bin Rahmat (Chairman, Independent)	5 out of 5
2.	Dato' Azlan bin Hashim (Non-Independent)	1 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 quarterly and year end financial statements before recommending to the Board for approval to announce to Bursa Malaysia Securities Berhad.
- Ensured that financial statements comply with applicable financial reporting standard and considered the following on a regular basis:
 - Changes in accounting policies and practices and implementation thereof.
 - Significant adjustments arising from the external audit process.
 - Going concern assumption.
 - Adequacy and appropriateness of disclosure.
- Reviewed the External Auditor's scope of work and audit plan for the financial year.
- Considered significant issues arising from the annual audit by the External Auditor.
- Held separate meetings with the External and Internal Auditors, excluding the attendance of the Management, to discuss any problems and reservations.
- Considered together with Management the audit fees of External Auditor for recommendation to the Board for approval.
- Considered the suitability and independence of the External Auditor with the Management. Factors considered including the adequacy of experience and resources of the firm and professional staff assigned to the audit and level of non-audit services rendered for the financial year under review. The audit Committee procures a written confirmation from them that they are and have been independent throughout the conduct of the audit engagement.

- Reviewed the internal audit plan to confirm the annual audit of the Group.
- Reviewed and appraised the audit reports by the Internal Auditors.
- Reviewed the adequacy of Internal Audit Department's resources and budget to meet the planned activities across the Group.
- Reviewed and appraised the audit reports by the Internal Auditors and Management's response and follow-up actions to major findings.
- Reviewed and appraised the various corporate governance, risk management and internal control systems.
- 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 to improve the robustness of its risk monitoring and control activities.

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 reports directly to the Audit Committee and its principal responsibility is to provide independent and objective assurance on the adequacy and effectiveness of the risk management, internal control and governance processes. The purpose, authority and responsibility of Internal Audit Department are articulated in an Internal Audit Charter.

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

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

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

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

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

Internal Audit's function, including its activities are guided by its Charter and the International Standards for the Professional Practice of Internal Auditing.

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 RM570,824.

DATUK KISAI BIN RAHMAT
Chairman
Audit Committee

Statement on Risk Management and Internal Control

Main Market Listing Requirements of Bursa Malaysia Securities Berhad (MMLR) requires the Board of Directors (the Board) to include in their annual report a statement about the state of its internal control. The revised 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 acknowledges its overall 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. Such a system covers not only financial controls but also operational and compliance controls.

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, fraud or loss.

The Management is responsible for implementing the Board's policies and procedures on risks and controls by identifying and

assessing the risks faced and in design, operation and monitoring of suitable internal control to mitigate and control these risks.

In pursuing its responsibility, the Board has an ongoing process for identifying, evaluating and managing significant risks faced by the Group. This 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. The Audit Committee has delegated the oversight of risk management to Group Risk Management Committee (GRMC), although the Board retains overall accountability of the Group's risk profile.

An Enterprise - Wide Risk Management framework through the application of the Corporate Risk Scorecard (CRS) has been established for Sapura Industrial Berhad. The framework allows for a comprehensive process by which all the key risks can be identified and controls documented. Risks are scored and ranked by priority of "Impact" and "possibility" for management actions. Controls are then identified, classified and evaluated for appropriateness and effectiveness. Residual risks will then be identified and managed in a proper manner as well as assign responsibility to relevant levels of management and operations.

An overview of the Group's overall risk management framework is presented in the following diagram:



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. GRMC did a review of the CRS half-yearly and reported to the Audit Committee, including necessary action taken to remedy significant weaknesses identified from the review. This process has been in place throughout the financial year under review and up to date of this report, and has been reviewed by the Board.

The Group will continue its focus on institutionalising risk management as a business culture within the Group.

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. Internal Audit function reports directly to the Audit Committee and is independent of the activities it audits.

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 sets 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 to review operational performance and issues including progress of ongoing initiatives.

ADEQUACY AND EFFECTIVENESS OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Board confirms that it has reviewed the adequacy and effectiveness of the risk management and internal control framework. 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 its review and 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 in accordance with the Recommended Practice Guide 5 (Revised) issued by Malaysian Institute of Accountants 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 effectiveness of risk management and internal control within the Group.

Recommended Practice Guide (Revised) does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

Statement made in accordance with a resolution of the Board of Directors dated 21 April 2016.

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 shareholders' interests during the financial year under review.

3. RECURRENT RELATED PARTY TRANSACTIONS ENTERED INTO DURING FINANCIAL YEAR ENDED 31 JANUARY 2016 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 2016.

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. AUDIT AND NON-AUDIT FEES

The amount of annual audit fees payable to Messrs. Ernst & Young by the Group and the Company is RM151,800 and RM41,800 respectively.

Apart from the annual audit fees, there were non-audit fees amounting to RM26,000 and RM6,000 paid to Messrs. Ernst & Young by the Group and the Company respectively 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.

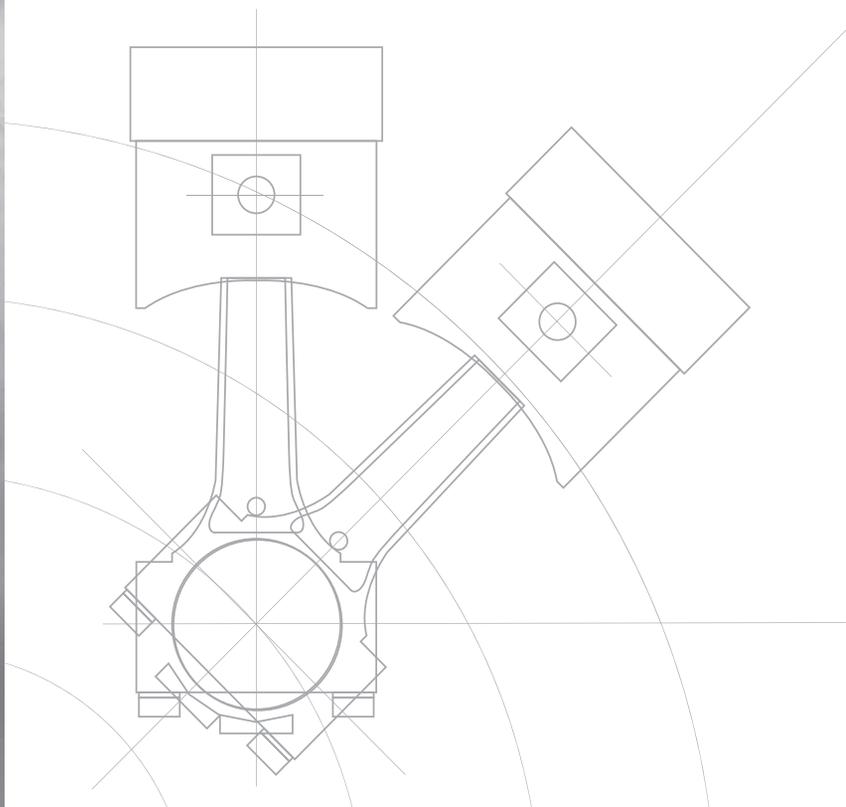
The Directors are responsible for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Group and of the Company and which enable them to ensure that the financial statements are in compliance with the provisions of the Companies Act,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



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Directors' Report

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 2016.

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	7,495,533	4,275,039
Attributable to:		
Owners of the parent	7,725,295	4,275,039
Non-controlling interest	(229,762)	–
	7,495,533	4,275,039

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 2015 were as follows:

	RM
In respect of the financial year ended 31 January 2015:	
Final single tier dividend of 3% on 72,775,737 ordinary shares, declared on 30 June 2015 and paid on 11 August 2015	2,183,272
In respect of the financial year ended 31 January 2016:	
Interim single tier dividend of 3% on 72,775,737 ordinary shares, declared on 30 November 2015 and paid on 26 January 2016	2,183,272

Directors' Report

DIVIDENDS (CONT'D.)

At the forthcoming Annual General Meeting, a final single tier dividend in respect of the financial year ended 31 January 2016 of 3% on 72,775,737 ordinary shares, amounting to a dividend payable of RM2,183,272 (3 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 2017.

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
Tan Sri Dato' Seri Shahril bin Shamsuddin
Dato' Shahrizan 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' Report

DIRECTORS' INTERESTS

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

	Number of ordinary shares of RM1 each			At 31.1.2016
	At 1.2.2015	Acquired	Sold	
The Company				
Sapura Industrial Berhad				
Direct interest:				
Tan Sri Dato' Seri Ir. Shamsuddin bin Abdul Kadir	34,172,139	—	—	34,172,139
Tan Sri Dato' Seri Shahril bin Shamsuddin	1,426,875	—	—	1,426,875
Dato' Shahrman bin Shamsuddin	663,175	—	—	663,175

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

OTHER STATUTORY INFORMATION

- (a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts have been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

Directors' Report

OTHER STATUTORY INFORMATION (CONT'D.)

(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 21 April 2016

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 058 to 117 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 2016 and of their financial performance and cash flows for the year then ended.

The information set out in Note 33 on page 118 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 21 April 2016.

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 058 to 118 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 21 April 2016

Liyana Lee binti Abdullah

Before me,

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 2016 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 058 to 117.

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 2016 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 ("the Act"), 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.

Independent Auditors' Report to the members of Sapura Industrial Berhad

(Incorporated in Malaysia)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS (CONT'D.)

- (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 118 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
21 April 2016

Muhammad Affan bin Daud
No. 3063/02/18(J)
Chartered Accountant

Statements of Comprehensive Income

For the year ended 31 January 2016

	Note	Group		Company	
		2016 RM	2015 RM	2016 RM	2015 RM
Revenue	4	224,276,583	232,714,779	22,999,674	23,069,367
Cost of sales		(188,855,194)	(193,663,847)	–	–
Gross profit		35,421,389	39,050,932	22,999,674	23,069,367
Other income	5	3,414,824	3,908,312	2,092,294	2,775,433
Administrative expenses		(28,434,263)	(28,933,127)	(19,797,515)	(19,638,732)
Selling and marketing expenses		(841,698)	(1,289,863)	(527,036)	(862,142)
Other expenses		(236,506)	(268,176)	(21,030)	(16,033)
Profit from operations		9,323,746	12,468,078	4,746,387	5,327,893
Finance costs	6	(1,879,800)	(1,698,741)	(471,348)	(430,759)
Profit before tax	7	7,443,946	10,769,337	4,275,039	4,897,134
Taxation	10	51,587	(2,744,858)	–	–
Profit net of tax		7,495,533	8,024,479	4,275,039	4,897,134
Other comprehensive income:					
Actuarial loss on retirement benefits net of tax		(621,364)	–	(263,848)	–
Total comprehensive income for the year		6,874,169	8,024,479	4,011,191	4,897,134
Profit attributable to:					
Owners of the parent		7,725,295	8,244,208	4,275,039	4,897,134
Non-controlling interests		(229,762)	(219,729)	–	–
		7,495,533	8,024,479	4,275,039	4,897,134
Total comprehensive income attributable to:					
Owners of the parent		7,103,931	8,244,208	4,011,191	4,897,134
Non-controlling interests		(229,762)	(219,729)	–	–
		6,874,169	8,024,479	4,011,191	4,897,134
Earnings per share attributable to owners of the parent (sen):					
Basic/diluted	11	10.62	11.33		

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

Statements of Financial Position

As at 31 January 2016

	Note	Group		Company	
		2016 RM	2015 RM	2016 RM	2015 RM
Assets					
Non-current assets					
Property, plant and equipment	13	91,103,802	90,844,661	15,876,965	16,492,501
Development expenditure	14	2,019,077	2,756,831	–	–
Investments in subsidiaries	15	–	–	28,957,878	28,957,878
Deferred tax asset	25	73,233	–	–	–
		93,196,112	93,601,492	44,834,843	45,450,379
Current assets					
Inventories	16	24,883,171	22,326,210	–	–
Tax recoverable		1,563,587	2,277,950	–	–
Trade and other receivables	17	42,842,988	51,943,379	20,032,751	20,694,714
Other current assets	18	2,087,990	2,676,744	93,949	130,831
Dividend receivable		–	–	4,650,000	3,750,000
Short term investment	19	3,830,862	–	–	–
Cash and bank balances	20	9,126,686	6,316,001	838,048	144,269
		84,335,284	85,540,284	25,614,748	24,719,814
Total assets		177,531,396	179,141,776	70,449,591	70,170,193
Equity and liabilities					
Current liabilities					
Retirement benefit obligations	21	24,053	16,970	7,377	5,256
Trade and other payables	26	34,005,731	31,561,753	33,556,033	32,750,324
Tax payable		360,751	–	–	–
Loans and borrowings	23	20,810,040	22,430,812	2,272,288	2,480,297
		55,200,575	54,009,535	35,835,698	35,235,877
Net current assets		29,134,709	31,530,749	(10,220,950)	(10,516,063)
Non-current liabilities					
Retirement benefit obligations	21	5,798,632	4,566,601	1,955,917	1,498,871
Financial guarantee	22	–	–	61,888	218,713
Loans and borrowings	23	7,628,907	11,446,825	236,816	502,107
Deferred tax liabilities	25	6,095,513	8,818,671	–	–
		19,523,052	24,832,097	2,254,621	2,219,691
Total liabilities		74,723,627	78,841,632	38,090,319	37,455,568
Net assets		102,807,769	100,300,144	32,359,272	32,714,625

Statements of Financial Position

As at 31 January 2016

	Note	Group		Company	
		2016 RM	2015 RM	2016 RM	2015 RM
Equity and liabilities (cont'd.)					
Equity attributable to owners of the parent					
Share capital	27	72,775,737	72,775,737	72,775,737	72,775,737
Share premium		2,200,126	2,200,126	2,200,126	2,200,126
Retained profits		29,440,581	26,703,194	(42,616,591)	(42,261,238)
		104,416,444	101,679,057	32,359,272	32,714,625
Non-controlling interests		(1,608,675)	(1,378,913)	–	–
Total equity		102,807,769	100,300,144	32,359,272	32,714,625
Total equity and liabilities		177,531,396	179,141,776	70,449,591	70,170,193

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 2016

	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 2015		72,775,737	2,200,126	26,703,194	101,679,057	(1,378,913)	100,300,144
Total comprehensive income for the year		–	–	7,103,931	7,103,931	(229,762)	6,874,169
Dividends on ordinary shares	12	–	–	(4,366,544)	(4,366,544)	–	(4,366,544)
At 31 January 2016		72,775,737	2,200,126	29,440,581	104,416,444	(1,608,675)	102,807,769
As at 1 February 2014		72,775,737	2,200,126	26,464,317	101,440,180	(1,159,184)	100,280,996
Total comprehensive income for the year		–	–	8,244,208	8,244,208	(219,729)	8,024,479
Dividends on ordinary shares	12	–	–	(8,005,331)	(8,005,331)	–	(8,005,331)
At 31 January 2015		72,775,737	2,200,126	26,703,194	101,679,057	(1,378,913)	100,300,144

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 2016

		← Non-distributable →		Accumulated	Total
	Note	Share capital RM	Share premium RM	losses RM	RM
As at 1 February 2015		72,775,737	2,200,126	(42,261,238)	32,714,625
Total comprehensive income for the year		–	–	4,011,191	4,011,191
Dividends on ordinary shares	12	–	–	(4,366,544)	(4,366,544)
At 31 January 2016		72,775,737	2,200,126	(42,616,591)	32,359,272
As at 1 February 2014		72,775,737	2,200,126	(39,153,041)	35,822,822
Total comprehensive income for the year		–	–	4,897,134	4,897,134
Dividends on ordinary shares	12	–	–	(8,005,331)	(8,005,331)
At 31 January 2015		72,775,737	2,200,126	(42,261,238)	32,714,625

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 2016

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Operating activities				
Profit before tax	7,443,946	10,769,337	4,275,039	4,897,134
Adjustments for:				
Depreciation of property, plant and equipment	11,170,427	11,731,358	678,342	780,740
Property, plant and equipment written off	8,684	86,200	339	18,556
Amortisation of development expenditure	992,008	745,597	–	–
Short term accumulating absences	12,987	8,924	4,958	(2,652)
Interest income	(283,560)	(272,877)	(144,770)	(159,738)
Impairment loss on other receivables	–	–	1,329,882	816,026
Write back of corporate guarantee	–	–	(156,825)	(154,165)
Net unrealised loss on foreign exchange	375,383	43,476	–	–
Increase in liability for defined benefit plan	578,285	550,452	195,318	192,655
Loss on disposal of property, plant and equipment	–	6,856	–	18,836
Write back of provision for doubtful debts	–	–	(757,927)	(448,291)
Dividend income	–	–	(4,650,000)	(3,750,000)
Inventories written off	613,988	604,308	–	–
Interest expense	1,879,800	1,698,741	471,348	430,759
Development expenditure written off	706,121	–	–	–
Operating profit before working capital changes	23,498,069	25,972,372	1,245,704	2,639,860
(Increase)/decrease in inventories	(3,170,949)	3,313,349	–	–
Decrease/(increase) in trade and other receivables	9,100,391	6,272,727	90,008	(2,840,248)
(Decrease)/increase in other current assets	588,754	(960,581)	36,882	(347,853)
Increase/(decrease) in trade and other payables	2,392,807	(6,816,588)	800,752	2,434,914
Cash generated from operations	32,409,072	27,781,279	2,173,346	1,886,673
Interest paid	(1,879,800)	(1,698,741)	(471,348)	(430,759)
Taxes paid	(1,699,688)	(4,389,915)	–	–
Retirement benefits paid	(60,738)	(421,834)	–	(258,769)
Net cash generated from operating activities	28,768,846	21,270,789	1,701,998	1,197,145
Investing activities				
Dividend received	–	–	3,750,000	8,100,000
Purchase of property, plant and equipment	(11,438,252)	(15,056,771)	(63,145)	(106,029)
Short term investment in money market funds	(3,830,862)	–	–	–
Interest received	283,560	272,877	144,770	159,738
Proceeds from disposal of property, plant and equipment	–	38,862	–	24,502
Development expenditure incurred	(960,375)	(995,236)	–	–
Net cash (used in)/generated from investing activities	(15,945,929)	(15,740,268)	3,831,625	8,178,211

Statements of Cash Flows

For the year ended 31 January 2016

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Financing activities				
Net repayment of term loans	(3,198,121)	(1,591,382)	–	(666,640)
Net repayment of short term borrowings	(1,887,993)	(7,380,209)	(200,000)	(1,000,000)
Net repayment of hire purchase and lease financing	(352,576)	218,949	(273,300)	260,494
Dividends on ordinary shares	(4,366,544)	(8,005,331)	(4,366,544)	(8,005,331)
Net cash used in financing activities	(9,805,234)	(16,757,973)	(4,839,844)	(9,411,477)
Net increase/(decrease) cash and cash equivalents	3,017,683	(11,227,452)	693,779	(36,121)
Cash and cash equivalents at beginning of year	6,026,486	17,253,938	144,269	180,390
Cash and cash equivalents at end of year (Note 20)	9,044,169	6,026,486	838,048	144,269

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

Notes to the Financial Statements

– 31 January 2016

1. CORPORATE INFORMATION

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

The 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.

The Financial Statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 21 April 2016.

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 2016, 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 2015, 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 July 2014.

Description	Effective for annual period beginning on or after
Amendments to MFRS 2: Share-based Payment (Annual Improvements 2010-2012 Cycle)	1 July 2014
Amendments to MFRS 3: Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)	1 July 2014
Amendments to MFRS 8: Operating Segments (Annual Improvements 2010-2012 Cycle)	1 July 2014
Amendments to MFRS 13: Fair Value Measurement (Annual Improvements 2011-2013 Cycle)	1 July 2014
Amendments to MFRS 116: Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)	1 July 2014
Amendments to MFRS 119: Employee Benefits – Defined Benefit Plans: Employee Contributions	1 July 2014
Amendments to MFRS 124: Related Party Disclosures (Annual Improvements 2010-2012 Cycle)	1 July 2014
Amendments to MFRS 138: Intangible Assets (Annual Improvements 2010-2012 Cycle)	1 July 2014
Amendments to MFRS 140: Investment Property (Annual Improvements 2010-2013 Cycle)	1 July 2014

Adoption of the above standards and interpretations did not have any significant effect on the financial performance or position of the Group and of the Company.

Notes to the Financial Statements

– 31 January 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 New and revised pronouncements yet in effect

The Group has not adopted the following standards and interpretations that have been issued but not yet effective.

Effective for annual periods beginning on or after 1 January 2016

Amendments to MFRS 5	Non-current Assets Held for Sale and Discontinued Operations (Annual Improvement 2012-2014 Cycle)
Amendments to MFRS 7	Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)
Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 11	Joint Arrangements: Accounting for Acquisition of Interests in Joint Operations
Amendments to MFRS 101	Presentation of Financial Statements (Disclosure Initiative)
Amendments to MFRS 116 and MFRS 138	Property, Plant and Equipment (Clarification of Acceptable Methods of Depreciation and Amortisation)
Amendments to MFRS 116 and MFRS 141	Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants
Amendments to MFRS 119	Employee Benefits (Annual Improvements 2010-2014 Cycle)
Amendments to MFRS 127	Separate Financial Statements: Equity Method in Separate Financial Statements
Amendments to MFRS 134	Amendments to MFRS 134 Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)
MFRS 14	Regulatory Deferral Accounts

Effective for annual periods beginning on or after 1 January 2017

MFRS 107	Statement of Cash Flows (Disclosure Initiative)
Amendments to MFRS 112	Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses

Effective for annual periods beginning on or after 1 January 2018

MFRS 9	Financial Instruments (2015)
MFRS 15	Revenue from Contracts with Customers

Effective for annual periods beginning on or after 1 January 2019

MFRS 16	Leases
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Deferred yet to be effective

Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
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The Group and the Company are expected to apply the abovementioned pronouncements beginning from the respective dates the pronouncements become effective. The initial application of the abovementioned pronouncements are not expected to have any material impacts to the financial statements of the Group and the Company except as mentioned below:

i. MFRS 15 Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111 Construction Contracts, MFRS 118 Revenue, IC Interpretation 13 Customer Loyalty Programmes, IC Interpretation 15, Agreements for Construction of Real Estate, IC Interpretation 18, Transfers of Assets from Customers and IC Interpretation 131, Revenue – Barter Transactions Involving Advertising Services. The Group is currently assessing the financial impact that may arise from the adoption of MFRS 15.

Notes to the Financial Statements

– 31 January 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

ii. MFRS 9 Financial Instrument

MFRS 9 replaces the guidance in MFRS 139 *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting. The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

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

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.

Notes to the Financial Statements

– 31 January 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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.

2.7 Property, plant and equipment and depreciation

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

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

Notes to the Financial Statements

– 31 January 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.7 Property, plant and equipment and depreciation (cont'd.)

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.

(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.

Notes to the Financial Statements

– 31 January 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.8 Intangible assets (cont'd.)

(b) Intangible asset – Development expenditure (cont'd.)

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.

Notes to the Financial Statements

– 31 January 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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.

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 profit or loss.

2.11 Financial assets

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

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.

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

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

The Group and the Company designated its short-term investment in money market funds as financial assets at fair value through profit or loss.

Notes to the Financial Statements

– 31 January 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.11 Financial assets (cont'd.)

(b) 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.

2.12 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.

Notes to the Financial Statements

– 31 January 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.12 Impairment of financial assets (cont'd.)

(a) Trade and other receivables and other financial assets carried at amortised cost (cont'd.)

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.

2.13 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.

2.14 Inventories

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

2.15 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.

Notes to the Financial Statements

– 31 January 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.16 Financial liabilities

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

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

Other financial liabilities

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

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

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

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

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

2.17 Financial guarantee contracts

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

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

Notes to the Financial Statements

– 31 January 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.18 Borrowing costs

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

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

2.19 Employee benefits

(a) Short term

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.

Notes to the Financial Statements

– 31 January 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.20 Leases

(a) As lessee

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

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

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

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.21 (e).

2.21 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.

Notes to the Financial Statements

– 31 January 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.21 Revenue (cont'd.)

(e) Rental income

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

2.22 Income taxes

(a) Current tax

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

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

(b) Deferred tax

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

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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries 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.

Notes to the Financial Statements

– 31 January 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.22 Income taxes (cont'd.)

(b) Deferred tax (cont'd.)

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

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

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

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

2.23 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 32, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.24 Share capital and share issuance expenses

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

2.25 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.

Notes to the Financial Statements

– 31 January 2016

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.

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 equipment

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

Notes to the Financial Statements

– 31 January 2016

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

3.2 Key sources of estimation uncertainty (cont'd.)

(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 RM19,442,204 (2015: RM12,046,000) and RM Nil (2015: RM Nil) respectively. The unrecognised tax losses, capital allowances, reinvestment allowances and provisions of the Group and of the Company were approximately RM104,495,439 (2015: RM105,984,860) and RM22,243,873 (2015: RM22,627,910) 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 17.

4. REVENUE

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Sales of goods	224,276,583	232,714,779	–	–
Management fees from subsidiaries	–	–	18,349,674	19,319,367
Dividends from subsidiaries	–	–	4,650,000	3,750,000
	224,276,583	232,714,779	22,999,674	23,069,367

Notes to the Financial Statements

– 31 January 2016

5. OTHER INCOME

Included in other income are:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Rental income	774,829	696,066	1,816,414	1,818,436
Interest income from:				
Short term investment	283,560	–	–	–
Deposit	–	272,877	–	–
Subsidiaries	–	–	144,770	159,738
Income from sales of scrap	1,498,609	1,918,941	–	–
Foreign exchange gain				
– Unrealised	144,871	516,458	–	–
– Realised	1,926	1,555	–	–

6. FINANCE COSTS

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Interests expense on:				
Term loans	895,247	782,324	–	8,129
Overdrafts	24,356	55,272	128	3,053
Revolving credit	475,717	502,936	178,635	218,799
Obligations under finance lease	49,884	65,585	39,784	35,781
Bankers' acceptances	319,050	185,733	–	–
Letter of credits	115,546	106,891	–	–
Advances from subsidiaries	–	–	252,801	164,997
	1,879,800	1,698,741	471,348	430,759

Notes to the Financial Statements

– 31 January 2016

7. PROFIT BEFORE TAX

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

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Employee benefits expense (Note 8)	38,826,696	38,873,357	15,402,909	15,478,055
Non-executive directors' remuneration (Note 9)	388,000	314,000	388,000	314,000
Amortisation of development expenditure (Note 14)	992,008	745,597	–	–
Auditors' remuneration				
– Statutory audit	151,800	138,000	41,800	38,000
– Other services	26,000	6,000	6,000	6,000
Tax agent fee	129,200	111,200	15,000	13,500
Depreciation of property, plant and equipment (Note 13)	11,170,427	11,731,358	678,342	780,740
Foreign exchange loss				
– Unrealised	520,254	559,934	–	–
– Realised	1,580,570	621,626	(133)	1,265
Development expenditure written off	706,121	–	–	–
Inventories written off	613,988	604,308	–	–
Property, plant and equipment written off	8,684	86,200	339	18,556
Loss on disposal of property, plant and equipment	–	6,856	–	18,836
Write back of corporate guarantee	–	–	(156,825)	(154,165)
Impairment loss on other receivables (Note 17)	–	–	1,329,882	816,026
Impairment writeback on other receivables (Note 17)	–	–	(757,927)	(448,291)
Rental expense:				
– Premises	632,321	506,551	1,383,461	1,247,402
– Motor vehicles	–	3,666	–	8,011
– Equipments	241,994	612,552	–	–

8. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Wages and salaries	29,550,936	29,745,971	11,492,856	11,737,786
Social security contribution	275,083	276,336	63,505	60,173
Contributions to defined contribution plan	2,865,055	2,900,665	1,300,095	1,319,607
Increase in liability for defined benefit plan (Note 21)	578,285	550,452	195,318	192,655
Short term accumulating compensated absences	12,987	8,924	4,958	(2,652)
Other benefits	5,544,350	5,391,009	2,346,177	2,170,486
	38,826,696	38,873,357	15,402,909	15,478,055

Included in employee benefits expense of the Group and of the Company are remuneration of executive directors of the Group and of the Company amounting to RM3,639,160 (2015: RM3,689,440) as further disclosed in Note 9.

Notes to the Financial Statements

– 31 January 2016

9. DIRECTORS' REMUNERATION

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Directors of the Company				
Executive:				
Salaries and other emoluments	3,041,000	2,891,000	3,041,000	2,891,000
Bonus	386,000	575,000	386,000	575,000
Contributions to defined contribution plan	212,160	223,440	212,160	223,440
Benefits-in-kind	28,450	19,196	28,450	19,196
	3,667,610	3,708,636	3,667,610	3,708,636
Non-Executive:				
Fees	345,000	265,000	345,000	265,000
Other emoluments	43,000	49,000	43,000	49,000
	388,000	314,000	388,000	314,000
	4,055,610	4,022,636	4,055,610	4,022,636
Analysis excluding benefits-in-kind:				
Total executive director's remuneration, excluding benefits-in-kind (Note 8)	3,639,160	3,689,440	3,639,160	3,689,440
Total non-executive directors' remuneration, excluding benefits-in-kind (Note 7)	388,000	314,000	388,000	314,000
Total directors' remuneration excluding benefits-in-kind	4,027,160	4,003,440	4,027,160	4,003,440

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	
	2016	2015
Executive directors:		
RM2,050,001 – RM2,100,000	–	1
RM1,950,001 – RM2,000,000	1	–
RM1,650,001 – RM1,700,000	1	–
RM1,600,001 – RM1,650,000	–	1
Non-executive directors:		
RM50,001 – RM100,000	5	3
Below RM50,000	–	2

Notes to the Financial Statements

– 31 January 2016

10. TAXATION

Major components of income tax expense

Major components of income tax expense for the years ended 31 January 2016 and 2015 are:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Current income tax:				
Malaysia income tax	2,438,681	1,325,656	–	–
Under/(over) provision in prior years	205,920	(363,825)	–	–
	2,644,601	961,831	–	–
Deferred tax (Note 25):				
Relating to origination and reversal of temporary differences	(503,235)	1,091,573	–	–
Relating to reduction in Malaysian income tax rate	(290,399)	–	–	–
(Over)/under provision in prior years	(1,902,554)	691,454	–	–
	(2,696,188)	1,783,027	–	–
	(51,587)	2,744,858	–	–

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2015: 25%) of the estimated assessable profit for the year.

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 January 2016 and 2015 are as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Profit before tax	7,443,946	10,769,337	4,275,039	4,897,134
Tax at Malaysian statutory tax rate of 24% (2015: 25%)	1,786,547	2,692,334	1,026,009	1,224,284
Income not subject to tax	–	–	(1,116,000)	(937,500)
Effect on opening deferred tax of reduction in Malaysian income tax rate	(290,399)	–	–	–
Expenses not deductible for tax purposes	506,360	190,512	182,160	146,577
Utilisation of reinvestment allowances	(569,227)	(953,886)	–	–
Deferred tax assets not recognised during the year	554,767	906,682	250,832	–
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(343,001)	(418,413)	(343,001)	(433,361)
(Over)/under provision of deferred tax expense in prior years	(1,902,554)	691,454	–	–
Under/(over) provision of income tax expense in prior years	205,920	(363,825)	–	–
	(51,587)	2,744,858	–	–

Notes to the Financial Statements

– 31 January 2016

11. EARNINGS PER SHARE

(a) Basic/diluted

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.

	2016 RM	2015 RM
Profit net of tax attributable to owners of the parent	7,725,295	8,244,208
Weighted average number of ordinary shares in issue	72,775,737	72,775,737
Basic/diluted earnings per share (sen)	10.62	11.33

(b) Diluted

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

12. DIVIDENDS

	Amount		Net dividends per share	
	2016 RM	2015 RM	2016 Sen	2015 Sen
Recognised during the year:				
Final single tier dividend for 31 January 2014 of 8% on 72,775,737 ordinary shares approved by shareholders on 18 June 2014 and paid on 23 July 2014	–	5,822,059	–	8
Interim single tier dividend for 31 January 2015 of 3% on 72,775,737 ordinary shares declared on 9 December 2014 and paid on 22 January 2015	–	2,183,272	–	3
Final single tier dividend for 31 January 2015 of 3% on 72,775,737 ordinary shares approved by shareholders on 30 June 2015 and paid on 11 August 2015	2,183,272	–	3	–
Interim single tier dividend for 31 January 2016 of 3% on 72,775,737 ordinary shares declared on 30 November 2015 and paid on 26 January 2016	2,183,272	–	3	–
	4,366,544	8,005,331	6	11

At the forthcoming Annual General Meeting, a final single tier dividend in respect of the financial year ended 31 January 2016 of 3% on 72,775,737 ordinary shares, amounting to a dividend payable of RM2,183,272 (3 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 2017.

Notes to the Financial Statements

– 31 January 2016

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 2016					
Costs					
At 1 February 2015	24,454,624	23,647,936	234,162,836	11,989,275	294,254,671
Additions	–	117,231	10,488,637	832,384	11,438,252
Write offs	–	–	(723,832)	(174,086)	(897,918)
At 31 January 2016	24,454,624	23,765,167	243,927,641	12,647,573	304,795,005
Accumulated depreciation and impairment					
At 1 February 2015	3,697,916	10,489,171	179,885,619	9,337,304	203,410,010
Depreciation charge for the year	249,588	582,246	9,416,581	922,012	11,170,427
Write offs	–	–	(722,157)	(167,077)	(889,234)
At 31 January 2016	3,947,504	11,071,417	188,580,043	10,092,239	213,691,203
Analysed as:					
Accumulated depreciation	3,947,504	8,886,776	153,625,895	9,916,223	176,376,398
Accumulated impairment losses	–	2,184,641	34,954,148	176,016	37,314,805
	3,947,504	11,071,417	188,580,043	10,092,239	213,691,203
Net carrying amount	20,507,120	12,693,750	55,347,598	2,555,334	91,103,802

Notes to the Financial Statements

– 31 January 2016

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 2015					
Costs					
At 1 February 2014	24,454,624	23,642,816	221,149,822	13,134,602	282,381,864
Additions	–	11,000	14,749,835	1,133,430	15,894,265
Disposals	–	–	–	(731,651)	(731,651)
Write offs	–	(5,880)	(1,740,221)	(1,543,706)	(3,289,807)
Reclassification	–	–	3,400	(3,400)	–
At 31 January 2015	24,454,624	23,647,936	234,162,836	11,989,275	294,254,671
Accumulated depreciation and impairment					
At 1 February 2014	3,448,328	10,018,539	172,378,992	9,722,333	195,568,192
Depreciation charge for the year	249,588	471,718	9,873,879	1,136,173	11,731,358
Disposals	–	–	(685,933)	–	(685,933)
Write offs	–	(1,086)	(1,682,169)	(1,520,352)	(3,203,607)
Reclassification	–	–	850	(850)	–
At 31 January 2015	3,697,916	10,489,171	179,885,619	9,337,304	203,410,010
Analysed as:					
Accumulated depreciation	3,697,916	8,304,530	144,931,471	9,161,288	166,095,205
Accumulated impairment losses	–	2,184,641	34,954,148	176,016	37,314,805
	3,697,916	10,489,171	179,885,619	9,337,304	203,410,010
Net carrying amount	20,756,708	13,158,765	54,277,217	2,651,971	90,844,661

Notes to the Financial Statements

– 31 January 2016

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					
At 31 January 2016					
Costs					
At 1 February 2015	16,571,044	2,265,637	10,423	4,932,577	23,779,681
Additions	–	–	–	63,145	63,145
Write offs	–	–	–	(21,733)	(21,733)
At 31 January 2016	16,571,044	2,265,637	10,423	4,973,989	23,821,093
Accumulated depreciation and impairment					
At 1 February 2015	2,406,202	1,519,991	579	3,360,408	7,287,180
Charge for the year	168,935	24,772	5,996	478,639	678,342
Write offs	–	–	–	(21,394)	(21,394)
At 31 January 2016	2,575,137	1,544,763	6,575	3,817,653	7,944,128
Analysed as:					
Accumulated depreciation	2,575,137	793,255	6,575	3,817,653	7,192,620
Accumulated impairment loss	–	751,508	–	–	751,508
	2,575,137	1,544,763	6,575	3,817,653	7,944,128
Net carrying amount	13,995,907	720,874	3,848	1,156,336	15,876,965

Notes to the Financial Statements

– 31 January 2016

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 2015					
Costs					
At 1 February 2014	16,571,044	2,265,637	10,423	5,062,955	23,910,059
Additions	–	–	–	855,936	855,936
Disposal	–	–	–	(585,812)	(585,812)
Write offs	–	–	–	(400,502)	(400,502)
At 31 January 2015	16,571,044	2,265,637	10,423	4,932,577	23,779,681
Accumulated depreciation and impairment					
At 1 February 2014	2,237,267	1,495,219	579	3,697,795	7,430,860
Charge for the year	168,935	24,772	–	587,033	780,740
Disposal	–	–	–	(542,474)	(542,474)
Write offs	–	–	–	(381,946)	(381,946)
At 31 January 2015	2,406,202	1,519,991	579	3,360,408	7,287,180
Analysed as:					
Accumulated depreciation	2,406,202	768,483	579	3,360,408	6,535,672
Accumulated impairment loss	–	751,508	–	–	751,508
	2,406,202	1,519,991	579	3,360,408	7,287,180
Net carrying amount	14,164,842	745,646	9,844	1,572,169	16,492,501

Notes to the Financial Statements

– 31 January 2016

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 RM11,438,252 (2015: RM15,894,265) and RM63,145 (2015: RM855,936) respectively, of which RM Nil (2015: RM837,494) and RM Nil (2015: RM749,907) 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	
	2016 RM	2015 RM	2016 RM	2015 RM
Factory equipment and machinery	476,827	659,468	–	–
Motor vehicle	806,858	1,144,242	649,078	913,426
	1,283,685	1,803,710	649,078	913,426

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	
	2016 RM	2015 RM	2016 RM	2015 RM
Leasehold land	1,455,788	1,472,068	–	–
Plant and machinery	30,954,959	35,037,640	–	–
	32,410,747	36,509,708	–	–

- (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	
	2016 RM	2015 RM	2016 RM	2015 RM
Plant, machinery, electrical installation, factory equipment and application tool	106,491,510	89,554,943	–	–
Furniture, fixture, equipment, renovation, computer and motor vehicle	7,513,593	7,448,847	2,236,614	1,906,247

Notes to the Financial Statements

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14. DEVELOPMENT EXPENDITURE

	Group	
	2016 RM	2015 RM
Cost		
At beginning of year	5,515,849	4,520,613
Incurred during the year	960,375	995,236
Write offs	(866,321)	–
At end of year	5,609,903	5,515,849
Accumulated amortisation		
At beginning of year	2,759,018	2,013,421
Amortisation during the year	992,008	745,597
Write offs	(160,200)	–
At end of year	3,590,826	2,759,018
Net carrying amount	2,019,077	2,756,831

15. INVESTMENT IN SUBSIDIARIES

	Company	
	2016 RM	2015 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

Notes to the Financial Statements

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15. INVESTMENT IN SUBSIDIARIES (CONT'D.)

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	
		2016 %	2015 %
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
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

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15. INVESTMENT IN SUBSIDIARIES (CONT'D.)

Non-controlling interests ("NCI")

	SSH RM	SPSB RM	Total RM
	25%	48.32%	
2016			
NCI percentage of ownership interest and voting interest			
Carrying amount of NCI	(2,108,540)	499,865	(1,608,675)
Loss allocated to NCI	(225,333)	(4,429)	(229,762)
2015			
NCI percentage of ownership interest and voting interest			
Carrying amount of NCI	(1,883,207)	504,294	(1,378,913)
Loss allocated to NCI	(216,633)	(3,096)	(219,729)

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

	SSH RM	SPSB RM	Total RM
	25%	48.32%	
Summarised statement of profit or loss for 2016:			
Revenue	–	–	–
Loss for the year, representing total comprehensive loss	(901,331)	(9,165)	(910,496)
Summarised statement of profit or loss for 2015:			
Revenue	–	–	–
Loss for the year, representing total comprehensive loss	(866,531)	(6,408)	(872,939)

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15. INVESTMENT IN SUBSIDIARIES (CONT'D.)

Non-controlling interests ("NCI") (cont'd.)

	SSH RM	SPSB RM	Total RM
	25%	48.32%	
Summarised statement of financial position as at 31 January 2016:			
Non-current assets	1,455,789	–	1,455,789
Current assets	13,010	1,046,886	1,059,896
Current liabilities	34,039,558	12,396	34,051,954
Net (liabilities)/assets	(32,570,759)	1,034,490	(31,536,269)
Summarised statement of financial position as at 31 January 2015:			
Non-current assets	1,472,068	–	1,472,068
Current assets	12,856	1,047,057	1,059,913
Current liabilities	33,154,352	3,402	33,157,754
Net (liabilities)/assets	(31,669,428)	1,043,655	(30,625,773)
Summarised statement of cash flows for 2016:			
Cash flows from operating activities representing net increase in cash and cash equivalents	207,151	(20)	207,131
Dividend paid to NCI	–	–	–
Summarised statement of cash flows for 2015:			
Cash flows from operating activities representing net increase in cash and cash equivalents	209,926	(20)	209,906
Dividend paid to NCI	–	–	–

16. INVENTORIES

	Group	
	2016 RM	2015 RM
At cost:		
Materials and component parts	13,575,703	11,725,026
Work-in-progress	2,003,443	2,150,321
Finished goods	4,991,100	4,786,905
Spares and tools	3,974,276	3,329,678
Consumables	338,649	334,280
	24,883,171	22,326,210

During the year, the amount of inventories recognised as an expense in cost of sales of the Group was RM85,936,212 (2015: RM80,342,635)

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17. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Trade receivables				
Third parties	41,086,198	46,278,962	–	–
Less: Allowance for impairment third parties	(78,420)	(78,420)	–	–
Trade receivables, net	41,007,778	46,200,542	–	–
Other receivables				
Amounts due from subsidiaries	–	–	57,277,988	57,322,735
Amounts due from related companies	104,575	156,308	66,376	91,772
Amounts due from an affiliate company	5,828,770	5,828,770	–	–
Refundable deposits	756,310	683,686	292,649	294,649
Other receivables	1,621,935	5,550,453	44,518	62,383
	8,311,590	12,219,217	57,681,531	57,771,539
Less: Allowance for impairment				
Amounts due from subsidiaries	–	–	(37,645,122)	(37,073,167)
Amounts due from related companies	(41,857)	(41,857)	(3,658)	(3,658)
Amounts due from an affiliate company	(5,828,770)	(5,828,770)	–	–
Refundable deposits	(7,090)	(7,090)	–	–
Other receivables	(598,663)	(598,663)	–	–
	(6,476,380)	(6,476,380)	(37,648,780)	(37,076,825)
Other receivables, net	1,835,210	5,742,837	20,032,751	20,694,714
Total trade and other receivables	42,842,988	51,943,379	20,032,751	20,694,714
Less: Refundable deposits net of impairment	(749,220)	(676,596)	(292,649)	(294,649)
Add: Cash and bank balances (Note 20)	9,126,686	6,316,001	838,048	144,269
Total loans and receivables	51,220,454	57,582,784	20,578,150	20,544,334

Notes to the Financial Statements

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17. TRADE AND OTHER RECEIVABLES (CONT'D.)

(a) Trade receivables

Trade receivables are non-interest bearing and the Group's normal trade credit terms range from 30 to 90 (2015: 30 to 90) days. Other credit terms are assessed and approved on a case-by-case basis. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

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

	Group	
	2016	2015
	RM	RM
Neither past due nor impaired	27,515,595	40,780,184
1 to 30 days past due not impaired	3,390,163	3,250,516
31 to 60 days past due not impaired	1,161,821	1,502,606
61 to 90 days past due not impaired	8,940,199	667,236
	13,492,183	5,420,358
Impaired	78,420	78,420
	41,086,198	46,278,962

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 RM13,492,183 (2015: RM5,420,358) 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.

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17. TRADE AND OTHER RECEIVABLES (CONT'D.)

(a) Trade receivables (cont'd.)

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	
	2016 RM	2015 RM
Trade receivables:		
Nominal value	78,420	78,420
Less: Allowance for impairment:		
– individually impaired	(78,420)	(78,420)
	–	–

Movement in allowance accounts:

	Group	
	2016 RM	2015 RM
At 1 February/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	
	2016 RM	2015 RM	2016 RM	2015 RM
Other receivables:				
Nominal value	6,476,380	6,476,380	37,648,780	37,076,825
Less: Allowance for impairment	(6,476,380)	(6,476,380)	(37,648,780)	(37,076,825)
	–	–	–	–

Notes to the Financial Statements

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17. TRADE AND OTHER RECEIVABLES (CONT'D.)

(b) Other receivables (cont'd.)

Movement in allowance accounts:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
At the beginning of year	6,476,380	6,476,380	37,076,825	36,709,090
Charge for the year (Note 7)	–	–	1,329,882	816,026
Impairment write back (Note 7)	–	–	(757,927)	(448,291)
At the end of year	6,476,380	6,476,380	37,648,780	37,076,825

Other receivables that are impaired

At the reporting date, the Group and the Company have provided an allowance of RM6,476,380 (2015: RM6,476,380) and RM37,648,780 (2015: RM37,076,825) respectively. These mainly relate to balances due from related parties which have been significantly long outstanding.

(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 RM2,564,557 (2015: RM1,294,737) which attract interest rate of 4.00% (2015: 4.00%) 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 (2015: 2) groups of debtors representing 67% (2015: 86%) of the total net trade receivables.

18. OTHER CURRENT ASSETS

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Prepayments	2,087,990	2,676,744	93,949	130,831

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19. SHORT TERM INVESTMENT

	Group	
	2016 RM	2015 RM
Held for trading investments		
Investment in money market funds, representing total financial assets at fair value through profit or loss	3,830,862	–

20. CASH AND BANK BALANCES

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Cash on hand and at banks	9,121,978	5,963,819	838,048	144,269
Deposits with licensed banks	4,708	352,182	–	–
Cash and bank balances	9,126,686	6,316,001	838,048	144,269
Less: Bank overdrafts (Note 23)	(82,517)	(289,515)	–	–
Cash and cash equivalents	9,044,169	6,026,486	838,048	144,269

The weighted average effective interest rates and average maturities of deposits with licensed banks at reporting date of the Group were 3.12% (2015: 2.73%) per annum and 30 days (2015: 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 2016. Under the Scheme, eligible employees are entitled to retirement benefits on attainment of the retirement age.

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

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Present value of unfunded defined benefit obligations, representing net liabilities	5,822,685	4,583,571	1,963,294	1,504,127
Analysed as:				
Current	24,053	16,970	7,377	5,256
Non-current	5,798,632	4,566,601	1,955,917	1,498,871
	5,822,685	4,583,571	1,963,294	1,504,127

Notes to the Financial Statements

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21. RETIREMENT BENEFIT OBLIGATIONS (CONT'D.)

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

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Current service costs	332,412	306,464	114,095	107,194
Interest cost	245,873	243,988	81,223	85,461
Total, included in employee benefits expense (Note 8)	578,285	550,452	195,318	192,655

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

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
At beginning of year	4,583,571	4,454,953	1,504,127	1,570,241
Recognised in profit or loss	578,285	550,452	195,318	192,655
Benefits paid	(60,738)	(421,834)	–	(258,769)
Actuarial losses	721,567	–	263,848	–
At end of year	5,822,685	4,583,571	1,963,293	1,504,127

Principal actuarial assumptions used:

	2016 %	2015 %
Discount rate	5.4	5.1
Expected rate of salary increases		
– Executives	5.0	5.5
– Non executives	5.0	5.5

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

Increase/decrease in discount rate would results to a decrease/increase in the present value of the defined benefit obligations.

Increase/decrease in expected salary increment rate would results to an increase/decrease in the present value of the defined benefit obligations.

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22. FINANCIAL GUARANTEE

	Provision for corporate guarantee RM
Company:	
At 1 February 2014	372,878
Unused amount reversed	(154,165)
At 1 February 2015	218,713
Unused amount reversed	(156,825)
At 31 January 2016	61,888

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	
	2016 RM	2015 RM	2016 RM	2015 RM
Current				
Secured:				
Bank overdrafts	82,517	289,515	–	–
Term loans	5,021,528	4,726,328	–	–
Obligations under finance leases (Note 24)	330,723	358,702	272,288	280,297
	5,434,768	5,374,545	272,288	280,297
Unsecured:				
Bankers' acceptances	5,875,272	7,856,267	–	–
Revolving credits	9,500,000	9,200,000	2,000,000	2,200,000
	15,375,272	17,056,267	2,000,000	2,200,000
	20,810,040	22,430,812	2,272,288	2,480,297

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– 31 January 2016

23. LOANS AND BORROWINGS (CONT'D.)

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Non-current				
Secured:				
Term loans	7,313,879	10,807,200	–	–
Obligations under finance leases (Note 24)	315,028	639,625	236,816	502,107
	7,628,907	11,446,825	236,816	502,107
Total				
Bank overdrafts (Note 20)	82,517	289,515	–	–
Revolving credits	9,500,000	9,200,000	2,000,000	2,200,000
Bankers' acceptances	5,875,272	7,856,267	–	–
Term loans	12,335,407	15,533,528	–	–
Obligations under finance leases	645,751	998,327	509,104	782,404
	28,438,947	33,877,637	2,509,104	2,982,404

The remaining maturities of the loans and borrowings as at 31 January 2016 are as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Within 1 year	20,810,040	22,430,812	2,272,288	2,480,297
More than 1 year and less than 2 years	4,527,024	4,235,568	236,816	272,288
More than 2 years and less than 5 years	3,101,883	7,211,257	–	229,819
	28,438,947	33,877,637	2,509,104	2,982,404

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

	Group		Company	
	2016 %	2015 %	2016 %	2015 %
Bank overdrafts	8.00	8.00	–	–
Revolving credits	4.74	4.75	4.89	4.75
Bankers' acceptances	3.31	2.29	–	–
Term loans	4.33	4.33	–	–

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

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23. LOANS AND BORROWINGS (CONT'D.)

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 RM118,858,000 (2015: RM118,858,000) as at the reporting date to banks and financial institutions for banking facilities granted to certain subsidiaries.

24. HIRE PURCHASE AND FINANCE LEASE LIABILITIES

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Minimum lease payments:				
Not later than 1 year	357,143	402,417	291,225	313,084
Later than 1 year and not later than 2 years	176,309	356,397	121,808	291,225
Later than 2 years and not later than 5 years	158,435	333,665	130,707	251,437
	691,887	1,092,479	543,740	855,746
Less: Finance charges	(46,136)	(94,152)	(34,636)	(73,342)
	645,751	998,327	509,104	782,404
Analysis of present value of finance lease liabilities:				
Not later than 1 year	330,723	358,702	272,288	280,297
Later than 1 year and not later than 2 years	151,044	332,347	113,096	272,288
Later than 2 years and not later than 5 years	163,984	307,278	123,720	229,819
	645,751	998,327	509,104	782,404
Less: Amount due within 12 months (Note 23)	(330,723)	(358,702)	(272,288)	(280,297)
Amount due after 12 months (Note 23)	315,028	639,625	236,816	502,107

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 2.38% to 3.56% (2015: 2.38% to 3.95%) and 2.38% to 3.10% (2015: 2.38% to 3.56%) per annum respectively.

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

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25. DEFERRED TAX

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
At the beginning of year	8,818,671	7,035,644	–	–
Recognised in profit or loss (Note 10)	(2,696,188)	1,783,027	–	–
Recognised in equity	(100,203)	–	–	–
At the end of year	6,022,280	8,818,671	–	–
Present after appropriate offsetting as follows:				
Deferred tax assets	(73,233)	–	–	–
Deferred tax liabilities	6,095,513	8,818,671	–	–
	6,022,280	8,818,671	–	–

Deferred tax assets of the Group:

	Unutilised reinvestment and investment tax allowances RM	Unabsorbed capital allowances RM	Provisions RM	Total RM
At 1 February 2014	(419,799)	(39,881)	(1,270,360)	(1,730,040)
Recognised in profit or loss	(897,587)	–	(383,971)	(1,281,558)
At 31 January 2015	(1,317,386)	(39,881)	(1,654,331)	(3,011,598)
Recognised in profit or loss	(291,418)	(1,227,715)	(35,195)	(1,554,328)
Recognised in equity	–	–	(100,203)	(100,203)
At 31 January 2016	(1,608,804)	(1,267,596)	(1,789,729)	(4,666,129)

Deferred tax liabilities of the Group:

	Accelerated capital allowances RM	Development expenditure capitalised RM	Total RM
At 1 February 2014	8,218,492	547,192	8,765,684
Recognised in profit or loss	2,934,824	129,761	3,064,585
At 31 January 2015	11,153,316	676,953	11,830,269
Recognised in profit or loss	(1,047,341)	(94,519)	(1,141,860)
At 31 January 2016	10,105,975	582,434	10,688,409

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25. DEFERRED TAX (CONT'D.)

Deferred tax asset of the Company:

	Unabsorbed capital allowances RM
At 1 February 2014	(141,474)
Recognised in profit or loss	141,474
At 31 January 2015	–
Recognised in profit or loss	–
At 31 January 2016	–

Deferred tax liability of the Company:

	Accelerated capital allowances RM
At 1 February 2014	141,474
Recognised in profit or loss	(141,474)
At 31 January 2015	–
Recognised in profit or loss	–
At 31 January 2016	–

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

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Unused tax losses	49,386,165	48,511,566	18,531,194	18,915,231
Unabsorbed capital allowances	41,269,716	39,628,483	–	–
Unabsorbed reinvestment and investment tax allowances	5,724,801	6,889,500	–	–
Other temporary differences	8,114,757	10,955,311	3,712,679	3,712,679
	104,495,439	105,984,860	22,243,873	22,627,910

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.

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26. TRADE AND OTHER PAYABLES

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Trade payables – third parties	12,202,509	11,704,134	–	–
Other payables				
Accruals	210,925	262,534	–	–
Other payables	21,566,389	19,566,968	4,418,895	3,525,894
Amount due to subsidiaries	–	–	29,128,905	29,203,887
Amount due to related companies	25,908	28,117	8,233	20,543
	21,803,222	19,857,619	33,556,033	32,750,324
Total trade and other payables	34,005,731	31,561,753	33,556,033	32,750,324
Add: Loans and borrowings (Note 23)	28,438,947	33,877,637	2,509,104	2,982,404
Total financial liabilities carried at amortised cost	62,444,678	65,439,390	36,065,137	35,732,728

(a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 60 (2015: 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 (2015: 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.

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27. SHARE CAPITAL

	Number of ordinary shares of RM1 each		Amount	
	2016	2015	2016 RM	2015 RM
Authorised				
At 1 February/31 January	100,000,000	100,000,000	100,000,000	100,000,000
Issued and fully paid				
At 1 February/31 January	72,775,737	72,775,737	72,775,737	72,775,737

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's residual assets.

28. COMMITMENTS

(a) Capital commitments

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Capital expenditures				
Property, plant and equipment:				
Approved and contracted for	1,186,811	–	–	–
Approved but not contracted for	7,051,000	4,366,500	2,295,000	18,000

(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	
	2016 RM	2015 RM	2016 RM	2015 RM
Future minimum lease payables:				
Not later than 1 year	3,653,436	3,493,936	1,370,304	1,170,708
Later than 1 year and not later than 5 years	3,805,769	1,643,114	1,344,992	–
	7,459,205	5,137,050	2,715,296	1,170,708

Notes to the Financial Statements

– 31 January 2016

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	
	2016 RM	2015 RM	2016 RM	2015 RM
Subsidiaries				
Interest expense	–	–	252,801	164,997
Rental expense	–	–	1,173,686	1,189,030
Interest income	–	–	(144,770)	(159,738)
Management fees	–	–	(18,349,674)	(19,319,367)
Dividend income	–	–	(4,650,000)	(3,750,000)
Rental income	–	–	(1,456,447)	(1,456,447)
Directors' related companies				
Sapura Resources Berhad and its subsidiaries				
Rental expenses	212,753	76,694	212,753	76,694

Information regarding outstanding balance arising from related party transactions as at 31 January 2016 are disclosed in Notes 17 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 executive directors of the Company and directors of subsidiary companies under the Group was as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Wages and salaries	6,253,477	7,051,481	6,253,477	6,551,061
Contributions to defined contribution plan	550,045	654,366	550,045	594,164
Benefits-in-kind	116,730	130,400	116,730	114,424
	6,920,252	7,836,247	6,920,252	7,259,649

Notes to the Financial Statements

– 31 January 2016

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 2016. 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	
	2016	2015	2016	2015
	RM	RM	RM	RM
Fixed rate instruments				
Financial assets	–	–	2,564,557	1,294,737
Financial liabilities	(728,268)	(1,287,842)	(509,104)	(782,404)
Floating rate instruments				
Financial assets	4,708	352,182	–	–
Financial liabilities	(27,710,679)	(32,589,795)	(2,000,000)	(2,200,000)

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 RM23,566 (2015: RM48,378) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings and, 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 RM8,966 (2015: RM12,533) 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.

Notes to the Financial Statements

– 31 January 2016

30. FINANCIAL INSTRUMENTS (CONT'D.)

(c) Foreign exchange risk

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

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

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group’s profit net of tax to a reasonably possible change in the USD, JPY, GBP, IDR 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	
		2016 RM	2015 RM
USD/RM	– strengthened 5%	(106,207)	(134,974)
	– weakened 5%	106,207	134,974
JPY/RM	– strengthened 5%	(2,830)	(19,158)
	– weakened 5%	2,830	19,158
GBP/RM	– strengthened 5%	(6,243)	(1,854)
	– weakened 5%	6,243	1,854
IDR/RM	– strengthened 5%	(28,713)	(11,605)
	– weakened 5%	28,713	11,605
Euro/RM	– strengthened 5%	(281,850)	(262,637)
	– weakened 5%	281,850	262,637

(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.

Notes to the Financial Statements

– 31 January 2016

30. FINANCIAL INSTRUMENTS (CONT'D.)

(d) Liquidity risk (cont'd.)

Analysis of financial instruments by remaining contractual maturities

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

	← 2016 →		
	On demand or within one year RM	One to five years RM	Total RM
Group			
Financial liabilities:			
Trade and other payables	34,005,731	–	34,005,731
Loans and borrowings	20,918,059	8,137,635	29,055,694
Total undiscounted financial liabilities	54,923,790	8,137,635	63,061,425
Company			
Financial liabilities:			
Trade and other payables	33,556,033	–	33,556,033
Loans and borrowings	2,389,025	259,240	2,648,265
Total undiscounted financial liabilities	35,945,058	259,240	36,204,298
	← 2015 →		
	On demand or within one year RM	One to five years RM	Total RM
Group			
Financial liabilities:			
Trade and other payables	31,561,753	–	31,561,753
Loans and borrowings	23,731,392	12,969,652	36,701,044
Total undiscounted financial liabilities	55,293,145	12,969,652	68,262,797
Company			
Financial liabilities:			
Trade and other payables	32,750,324	–	32,750,324
Loans and borrowings	2,617,584	542,662	3,160,246
Total undiscounted financial liabilities	35,367,908	542,662	35,910,570

Notes to the Financial Statements

– 31 January 2016

30. FINANCIAL INSTRUMENTS (CONT'D.)

(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 2016, other than as disclosed in Note 17.

(f) Market risk

Market risk is the risk that the fair value of future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group is exposed to equity price risk arising from investment in unit funds. Investment in unit funds comprises of combination of money market instruments and institutional bonds which have lower risk as compared to equity and commodity investment. These instruments are classified as held for trading financial assets. The Group does not have any exposure to commodity price risk.

At the reporting date, the exposure to investment in unit funds at fair value was RM3,380,862 (2015: RM Nil). An increase or decrease of 10% on market index of investment in unit funds could have an impact of approximately RM338,086 (2015: RM Nil) on the profit or loss of the Group.

(g) 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).

Notes to the Financial Statements

– 31 January 2016

30. FINANCIAL INSTRUMENTS (CONT'D.)

(g) 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 2016:				
Obligations under finance leases (non-current)	315,028	324,916	236,816	246,409
Term loans (non-current)	7,313,879	8,518,627	–	–
At 31 January 2015:				
Obligations under finance leases (non-current)	639,625	654,583	502,107	515,094
Term loans (non-current)	10,807,200	11,222,954	–	–

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 investment in unit funds of the Group amounting RM3,380,862 (2015: RM Nil) are measured as Level 2 hierarchy based on reference to fair value provided by the bank at the close of business on the reporting date.

The Group and the Company do not have any financial assets or financial liabilities measured at Level 1 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 2016 and 2015.

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.

Notes to the Financial Statements

– 31 January 2016

31. CAPITAL MANAGEMENT (CONT'D.)

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Loans and borrowings	28,438,947	33,877,637	2,509,104	2,982,404
Trade and other payables	34,005,731	31,561,753	33,556,033	32,750,324
Less: Cash and bank balances	(9,126,686)	(6,316,001)	(838,048)	(144,269)
Net debt	53,317,992	59,123,389	35,227,089	35,588,459
Equity attributable to the owners of the parent, representing total capital	104,416,444	101,679,057	32,359,272	32,714,625
Capital and net debt	157,734,436	160,802,446	67,586,361	68,303,084
Gearing ratio	34%	37%	52%	52%

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 RM96,876,020 (2015: RM119,497,350) and RM97,799,207 (2015: RM91,742,666) each respectively of revenue in the current financial year.

Notes to the Financial Statements

– 31 January 2016

32. SEGMENT INFORMATION (CONT'D.)

Business segments

	Manufacturing RM	Investment Holding RM	Others RM	Eliminations RM	Notes	Consolidated RM
31 January 2016						
Revenue						
External	220,165,239	–	4,111,344	–		224,276,583
Inter-segment	7,930,964	22,999,674	–	(30,930,638)	A	–
Total revenue	228,096,203	22,999,674	4,111,344	(30,930,638)		224,276,583
Results						
Segment results, representing profit/(loss) from operations	9,200,540	4,746,387	85,033	(4,708,214)		9,323,746
Finance costs						(1,879,800)
Taxation						51,587
Profit net of tax						7,495,533
Assets						
Consolidated segment assets	193,523,560	70,449,591	8,208,901	(94,650,656)		177,531,396
Liabilities						
Consolidated segment liabilities	117,891,241	38,090,318	22,599,595	(103,857,527)		74,723,627
Other information						
Capital expenditure	12,281,319	63,145	54,163	–	B	12,398,627
Depreciation	10,324,614	678,341	167,472	–		11,170,427
Amortisation	992,008	–	–	–		992,008
Non-cash expenses other than depreciation, amortisation and interest	1,723,460	572,294	140,185	(731,763)	C	1,704,176

Notes to the Financial Statements

– 31 January 2016

32. SEGMENT INFORMATION (CONT'D.)

Business segments (cont'd.)

	Manufacturing RM	Investment Holding RM	Others RM	Eliminations RM	Notes	Consolidated RM
31 January 2015						
Revenue						
External	228,157,584	–	4,557,195	–		232,714,779
Inter-segment	8,048,181	23,069,367	–	(31,117,548)	A	–
Total revenue	236,205,765	23,069,367	4,557,195	(31,117,548)		232,714,779
Results						
Segment results, representing profit/(loss) from operations	10,716,130	5,327,893	398,729	(3,974,674)		12,468,078
Finance costs						(1,698,741)
Taxation						(2,744,858)
Profit net of tax						8,024,479
Assets						
Consolidated segment assets	192,083,955	70,170,193	7,326,382	(90,438,754)		179,141,776
Liabilities						
Consolidated segment liabilities	119,203,936	37,455,567	21,412,620	(99,230,491)		78,841,632
Other information						
Capital expenditure	15,792,246	855,936	241,319	–	B	16,889,501
Depreciation	10,682,820	780,740	267,798	–		11,731,358
Amortisation	745,597	–	–	–		745,597
Non-cash expenses other than depreciation, amortisation and interest	1,293,824	386,291	18,131	(964,262)	C	733,984

Notes to the Financial Statements

– 31 January 2016

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:

	2016 RM	2015 RM
Property, plant and equipment	11,438,252	15,894,265
Development expenditure	960,375	995,236
	12,398,627	16,889,501

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

	Note	2016 RM	2015 RM
Unrealised foreign exchange gain	5	(144,871)	(516,458)
Unrealised foreign exchange loss	7	520,254	559,934
Impairment loss on development expenditure	7	706,121	–
Inventories written off	7	613,988	604,308
Property, plant and equipment written off	7	8,684	86,200
		1,704,176	733,984

Notes to the Financial Statements

– 31 January 2016

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 2016 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	
	2016 RM	2015 RM	2016 RM	2015 RM
Total accumulated losses of the Company and its subsidiaries				
– Realised	(62,382,115)	(65,595,446)	(42,616,591)	(42,261,238)
– Unrealised	(6,397,663)	(8,862,147)	–	–
	(68,779,778)	(74,457,593)	(42,616,591)	(42,261,238)
Less: Consolidation adjustments	98,220,359	101,160,787	–	–
Retained profits/(accumulated losses) as per financial statements	29,440,581	26,703,194	(42,616,591)	(42,261,238)

Analysis of Shareholdings

As at 9 May 2016

Authorised Share Capital : RM100,000,000
 Issued and Paid-up Share Capital : RM72,775,737 Comprising of 72,775,737 Ordinary Shares of RM1.00 each.
 No. of Shareholders : 3,871

DISTRIBUTION OF ORDINARY SHARES

Based on Record of Depositors as at 9 May 2016

Size of Holdings	No. of Shares	% Over Total Shares	No. of Holders	% Over Total Shareholders
Less than 100	3,048	0	151	3.90
100 to 1,000	261,725	0.36	411	10.62
1,001 to 10,000	9,143,618	12.56	2,856	73.78
10,001 to 100,000	11,371,657	15.63	420	10.85
100,001 to less than 5% of issued shares	12,723,550	17.48	31	0.80
5% and above of issued shares	39,272,139	53.97	2	0.05
Total	72,775,737	100.00	3,871	100.00

DIRECTORS' SHAREHOLDINGS

Based on Register of Directors' Shareholdings as at 9 May 2016

Name of Directors	No. of ordinary shares of RM1.00 each held			
	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' Shahrizan bin Shamsuddin	663,175	0.91	—	—
Dato' Azlan bin Hashim	—	—	—	—
Datuk Kisai bin Rahmat	—	—	—	—
Md. Shah bin Hussin	—	—	—	—
Wan Ahamad Sabri bin Wan Daud	—	—	—	—

SUBSTANTIAL SHAREHOLDERS

Based on Record of Depositors as at 9 May 2016

Name of Directors	No. of ordinary shares of RM1.00 each held			
	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	—	—

Analysis of Shareholdings

As at 9 May 2016 (Continued)

THIRTY (30) LARGEST SHAREHOLDERS

Based on Record of Depositors as at 9 May 2016

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	HSBC Nominees (Asing) Sdn. Bhd. Exempt AN for Bank Julius Baer & Co. Ltd. (Singapore BCH)	3,000,000	4.12
4	Tan Sri Dato' Seri Shahril bin Shamsuddin	1,426,875	1.96
5	Yeoh Phek Leng	1,184,500	1.63
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' Shahrman bin Shamsuddin (PB)	663,175	0.91
8	Lee Siew Hoon	508,000	0.70
9	Lim Kien Hua	504,200	0.69
10	Chia Siew Fung	393,000	0.54
11	Tan Yee Kong	355,000	0.49
12	Wong Shak On	353,900	0.49
13	Tan Yee Seng	280,000	0.38
14	TA Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Phua Lee Ping	265,500	0.36
15	Goh Sook Kee	243,000	0.33
16	Leong Hon Wah	225,000	0.31
17	Ng Ah Geok	222,000	0.31
18	Eu Soon Keat	219,500	0.30
19	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Tian Sang @ Tan Tian Song (E-PPG)	217,700	0.30
20	Lee Kim Seng	217,000	0.30
21	Eu Soon Keat	158,000	0.22
22	Global Asset Trustee (M) Berhad Ronfield Limited	150,000	0.21
23	Lam Pun Ying	150,000	0.21
24	Wong Lay Heong	150,000	0.21
25	Lim Kian Huat	147,400	0.20
26	Edmund Song Swee Khoon	145,000	0.20
27	Tan Kai Li	139,000	0.19
28	Ananda Krishna A/L Sithamberam Pillay	133,500	0.18
29	Lam So Ha @ Lim Chong Swee	126,500	0.17
30	Public Nominees (Asing) Sdn. Bhd. Pledged Securities Account for Huang, Kuei-Pin (E-BWK)	125,000	0.17
TOTAL		51,671,989	71.00

Particulars of Properties

Location	Description/ Existing Use	Land Area	Tenure/Year of Expiring	Approximate Age of Building (years)	Net Book Value as at 31.01.2016 RM'000/Date of Last Revaluation/ *Acquisition
HS (M) 9725, PT No 11556 Mukim Kajang Daerah Hulu Langat Selangor Darul Ehsan Postal address : No. 11, Jalan P/1, Seksyen 13 Kawasan Perindustrian Bangi 43650 Bandar Baru Bangi Selangor Darul Ehsan	Industrial land/ factory cum office	1.2141 ha.	99-year lease expiring 29.09.2086	25	7,148/08.03.1994
HS (D) 52700 & 52701 PT No 40849 & 40850 Bandar Baru Bangi Daerah Hulu Langat Selangor Darul Ehsan Postal address : Lot 2 & 4, Jalan P/11, Seksyen 10 Kawasan Perindustrian Bangi 43650 Bandar Baru Bangi Selangor Darul Ehsan	Industrial land/ factory cum office	6,552m ² & 7,241m ²	99-year lease expiring 19.08.2098	21	5,924/*05.06.1992
HS (D) 87682, PT No 56915 Seksyen 9, Bandar Baru Bangi Daerah Hulu Langat Selangor Darul Ehsan Postal address : Lot 5, Persiaran Usahawan Taman IKS, Seksyen 9 43650 Bandar Baru Bangi Selangor Darul Ehsan	Vacant industrial land	20,460.5m ²	99-year lease expiring 18.07.2103	Nil	5,116/*12.06.2002
HS (D) 87683, PT No 56916 Seksyen 9, Bandar Baru Bangi Daerah Hulu Langat Selangor Darul Ehsan Postal address : Lot 7, Persiaran Usahawan Taman IKS, Seksyen 9 43650 Bandar Baru Bangi Selangor Darul Ehsan	Vacant industrial land	20,502.6m ²	99-year lease expiring 18.07.2103	Nil	5,012/*01.11.2001

Particulars of Properties

(Continued)

Location	Description/ Existing Use	Land Area	Tenure/Year of Expiring	Approximate Age of Building (years)	Net Book Value as at 31.01.2016 RM'000/Date of Last Revaluation/ *Acquisition
HS (D) 25354, PT No 6733 Mukim Gurun, Daerah Kuala Muda Kedah Darul Aman Postal address : Lot 58 Kawasan Perindustrian Berat Gurun 08300 Gurun Kedah Darul Aman	Industrial land/ factory cum office	49,824m ²	99-year lease expiring 06.02.2104	11	3,956/08.05.2007
HS (M) 549, PT No 98 Mukim Bukit Katil Daerah Melaka Tengah, Melaka Postal address : Lot 98, Jalan Usaha 7 Kawasan Perindustrian Ayer Keroh 75450 Melaka	Vacant industrial land	5a1r.15.2p	99-year lease expiring 30.05.2072	Nil	2,510/*30.01.1995
HS (D) 52726 & 52727 PT No 40875 & 40876 Bandar Baru Bangi Daerah Hulu Langat Selangor Darul Ehsan Postal address : Lot 1 & 3, Jalan P/14, Seksyen 10 Kawasan Perindustrian Bangi 43650 Bandar Baru Bangi Selangor Darul Ehsan	Industrial land/ factory cum office	2,326m ² & 1,833m ²	99-year lease expiring 19.08.2098	20	2,079/*15.11.1994
HS(D) 23239, PT 1755 Seksyen 20 Bandar & Daerah Kuala Selangor Selangor Darul Ehsan Postal address : Lot No 6, Jalan Perusahaan 6 Kawasan Perusahaan Kuala Selangor 45000 Kuala Selangor Selangor Darul Ehsan	Industrial land/ factory cum office	11,800m ²	99-year lease expiring 11.10.2108	20	1,456/19.01.2005
TOTAL					33,201

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 _____

_____ NRIC No. _____
(FULL NAME IN CAPITAL LETTERS)

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 40th Annual General Meeting to be held at the Multi-Purpose Hall, Ground Floor, Sapura @ Mines, No. 7, Jalan Tasik, The Mines Resort City, 43300 Seri Kembangan, Selangor Darul Ehsan on Tuesday, 21 June 2016 at 11.00 a.m. or at any adjournment thereof.

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

Resolutions		For	Against
Ordinary Resolution 1	Payment of 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	Reappointment of Tan Sri Dato' Seri Ir. Shamsuddin bin Abdul Kadir		
Special Resolution 2	Reappointment of Dato' Azlan bin Hashim		
Ordinary Resolution 4	Reappointment of Datuk Kisai bin Rahmat as Independent Non-Executive Director		
Ordinary Resolution 5	Reappointment of Messrs. Ernst & Young as Auditors of the Company		
Ordinary Resolution 6	Payment of Directors' fees		
Ordinary Resolution 7	To authorise the Directors under Section 132D of the Companies Act, 1965, to allot and issue new shares in the Company		

Signature/Common Seal of Shareholder

Dated this _____ day of _____ 2016

Notes:

- A member whose name appears in the Record of Depositors of the Company as at 10 June 2016 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.
- The 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 with the Share Registrar of the Company, Tricor Investor & Issuing House Services Sdn. Bhd. at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, not less than forty eight (48) hours before the time set for holding the Meeting or any adjournment thereof.

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Affix
Stamp

Share Registrar
TRICOR INVESTOR & ISSUING HOUSE SERVICES SDN. BHD.
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Malaysia

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