

Financial Statements

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DIRECTORS' REPORT

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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 2008.

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	Company
	RM	RM
Profit for the year	5,121,267	2,286,078
Attributable to:		
Equity holders of the Company	5,136,334	2,286,078
Minority interest	(15,067)	–
	5,121,267	2,286,078

There were no material transfers to or from reserves or provisions during the financial year.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year.

At the forthcoming Annual General Meeting, a final tax exempt dividend in respect of the financial year ended 31 January 2008 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 accumulated losses in the financial year ending 31 January 2009.

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
 Datuk Shahril bin Shamsuddin
 Datuk Kisai bin Rahmat
 Dato' Azlan bin Hashim
 Dato' Mazlin bin Md Junid
 Shahriman bin Shamsuddin
 Ir. Md. Shah bin Hussin
 Shah Hakim bin Zain
 Azmi bin Hashim (alternate director to Dato' Azlan bin Hashim)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than as may arise from the share options to be granted pursuant to the Employee Share Option Scheme ("ESOS").

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 as shown in Note 8 to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 34 to the financial statements.

DIRECTORS' INTERESTS

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

	Number of Ordinary Shares of RM1 each			
	At 1.2.2007	Acquired	Sold	At 31.1.2008
Sapura Industrial Berhad				
Tan Sri Dato' Seri Ir. Shamsuddin bin Abdul Kadir	1,661,250	—	—	1,661,250
Datuk Shahril bin Shamsuddin	1,426,875	—	—	1,426,875
Shahriman bin Shamsuddin	663,175	—	—	663,175
Ir. Md. Shah bin Hussin (includes shares held by an associate)	90,498	—	—	90,498
Dato' Azlan bin Hashim	15,000	—	—	15,000
Sapura Resources Berhad				
Tan Sri Dato' Seri Ir. Shamsuddin bin Abdul Kadir	55,500	—	—	55,500
Datuk Shahril bin Shamsuddin	83,250	—	—	83,250
Shahriman bin Shamsuddin	83,250	—	—	83,250

DIRECTORS' INTERESTS (CONT'D.)

	Number of Ordinary Shares of RM1 each		
	At	*	At
	1.2.2007	Transferred	31.1.2008
Sapura Holdings Sdn. Bhd.			
Tan Sri Dato' Seri Ir. Shamsuddin bin Abdul Kadir	11,165,626	(11,165,626)	–
Datuk Shahril bin Shamsuddin	30,147,187	–	30,147,187
Shahriman bin Shamsuddin	30,147,187	–	30,147,187

	Number of Ordinary Shares of RM1 each		
	At	**	At
	1.2.2007	Cancelled	31.1.2008
Sapura Technology Berhad			
Tan Sri Dato' Seri Ir. Shamsuddin bin Abdul Kadir	1,358,749	(1,358,749)	–
Datuk Shahril bin Shamsuddin	61,958	(61,958)	–
Shahriman bin Shamsuddin	38,625	(38,625)	–

	Number of Options Over Ordinary Shares of RM1 each		
	At	^	At
	1.2.2007	Granted	Lapsed
Sapura Resources Berhad			
Datuk Shahril bin Shamsuddin	1,350,000	–	(1,350,000)

* Shares transferred to Brothers Capital Sdn. Bhd. ("BCSB"). The directors and shareholders of BCSB are Datuk Shahril bin Shamsuddin and Shahriman bin Shamsuddin.

** Shares cancelled pursuant to Sapura Technology Berhad's Selective Capital Repayment Exercise under Section 64 of the Companies Act, 1965.

^ Options granted to Datuk Shahril bin Shamsuddin pursuant to Sapura Resources Berhad's ("SRB") Employee Share Option Scheme had lapsed entailing his redesignation from Managing Director to Non-Executive Director of SRB effective 1 March 2007.

Datuk Shahril bin Shamsuddin and Shahriman bin Shamsuddin by virtue of their interests in shares in the holding company are also deemed interested in shares of all the holding company's subsidiaries to the extent the holding company has an interest.

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

EMPLOYEE SHARE OPTION SCHEME

The Company's Employee Share Option Scheme ("ESOS") is governed by the New By-Laws approved by the shareholders at an Extraordinary General Meeting held on 12 January 2006.

The salient features and other terms of the ESOS are disclosed in Note 22(b) to the financial statements.

OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) it necessary to write off any bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year, except as disclosed in Note 33 to the financial statements.
- (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 ability 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 and 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 29 May 2008.

DATUK KISAI BIN RAHMAT

IR. MD. SHAH BIN HUSSIN

STATEMENT BY DIRECTORS

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PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Datuk Kisai bin Rahmat and Ir. Md. Shah bin Hussin, being two of the directors of Sapura Industrial Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 045 to 099 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards 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 2008 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 29 May 2008.

DATUK KISAI BIN RAHMAT

IR. MD. SHAH BIN HUSSIN

STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Liyana Lee bte Abdullah, being the officer primarily responsible for the financial management of Sapura Industrial Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 045 to 099 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly
declared by the abovenamed
Liyana Lee bte Abdullah at
Kajang in Selangor Darul Ehsan
on 29 May 2008

LIYANA LEE BTE ABDULLAH

Before me,

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REPORT OF THE AUDITORS

TO THE MEMBERS OF SAPURA INDUSTRIAL BERHAD (Incorporated in Malaysia)

We have audited the financial statements set out on pages 045 to 099. These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of:
 - (i) the financial position of the Group and of the Company as at 31 January 2008 and of the results and the cash flows of the Group and of the Company for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries have been properly kept in accordance with the provisions of the Act.

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.

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.

ERNST & YOUNG
No. AF 0039
Chartered Accountants

HABIBAH BTE ABDUL
No.1210/05/10(J)
Partner

Kuala Lumpur, Malaysia
29 May 2008

INCOME STATEMENTS

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FOR THE YEAR ENDED 31 JANUARY 2008

	Note	Group		Company	
		2008 RM	2007 RM (restated)	2008 RM	2007 RM
Revenue	3	145,357,151	166,523,692	13,308,030	5,565,809
Cost of sales		(113,967,275)	(147,743,776)	–	–
Gross profit		31,389,876	18,779,916	13,308,030	5,565,809
Other income	4	3,914,895	2,975,495	3,538,572	4,678,661
Administrative expenses		(21,412,429)	(82,104,275)	(12,917,754)	(53,419,353)
Selling and marketing expenses		(828,492)	(1,071,857)	(287,735)	(251,615)
Other expenses		(117,516)	(293,022)	(88,700)	(258,800)
Operating profit/(loss)		12,946,334	(61,713,743)	3,552,413	(43,685,298)
Finance costs	5	(3,823,129)	(6,156,865)	(1,401,945)	(2,163,099)
Profit/(loss) before tax	6	9,123,205	(67,870,608)	2,150,468	(45,848,397)
Income tax expense	9	(4,001,938)	(2,169,172)	135,610	–
Profit/(loss) for the year		5,121,267	(70,039,780)	2,286,078	(45,848,397)
Attributable to:					
Equity holders of the Company		5,136,334	(57,907,722)	2,286,078	(45,848,397)
Minority interests		(15,067)	(12,132,058)	–	–
		5,121,267	(70,039,780)	2,286,078	(45,848,397)
Earnings/(loss) per share attributable to equity holders of the Company (sen)					
Basic/diluted	10	7.06	(79.57)		

The accompanying notes form an integral part of the financial statements.

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BALANCE SHEETS

AS AT 31 JANUARY 2008

	Note	Group		Company	
		2008 RM	2007 RM (restated)	2008 RM	2007 RM (restated)
ASSETS					
Non-current assets					
Property, plant and equipment	12	63,910,379	72,893,835	2,555,024	3,206,412
Prepaid land lease payments	13	22,143,155	23,119,381	14,986,730	15,155,664
Development expenditure	14	5,238,588	6,829,389	–	–
Investments in subsidiaries	15	–	–	28,957,878	28,957,878
Investments in associate	16	–	–	–	–
Other investments	17	–	–	–	–
		91,292,122	102,842,605	46,499,632	47,319,954
Current assets					
Inventories	18	23,326,351	29,595,145	–	–
Amounts due from related parties	19	44,664	351,241	16,024,684	5,746,900
Trade and other receivables	20	36,956,898	32,029,484	887,326	1,125,117
Dividend receivable		–	–	21,354,992	21,590,000
Cash and bank balances	21	19,052,713	6,509,903	35,486	79,895
		79,380,626	68,485,773	38,302,488	28,541,912
TOTAL ASSETS		170,672,748	171,328,378	84,802,120	75,861,866
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	30	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
Accumulated losses		(15,483,110)	(20,619,444)	(43,053,316)	(45,339,394)
		59,492,753	54,356,419	31,922,547	29,636,469
Minority interests		523,965	539,032	–	–
Total equity		60,016,718	54,895,451	31,922,547	29,636,469

	Note	Group		Company	
		2008 RM	2007 RM (restated)	2008 RM	2007 RM (restated)
EQUITY AND LIABILITIES (CONT'D.)					
Non-current liabilities					
Retirement benefit obligations	22(a)	1,627,727	1,454,071	145,098	167,413
Provision	23	–	–	8,146,155	9,710,000
Borrowings	24	27,593,015	35,479,633	19,072,269	12,189,345
Deferred taxation	26	7,888,111	6,046,584	–	–
		37,108,853	42,980,288	27,363,522	22,066,758
Current liabilities					
Amounts due to related parties	27	7,442,279	5,409,662	6,762,958	6,449,594
Trade and other payables	28	24,339,646	17,724,119	2,132,058	2,122,046
Borrowings	24	41,765,252	50,318,858	16,621,035	15,586,999
		73,547,177	73,452,639	25,516,051	24,158,639
Total liabilities		110,656,030	116,432,927	52,879,573	46,225,397
TOTAL EQUITY AND LIABILITIES		170,672,748	171,328,378	84,802,120	75,861,866

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 JANUARY 2008

<----- Attributable to Equity Holders of the Company ----->							
	Note	<--- Non-Distributable --->		Retained	Total	Minority	Total
		Share	Share	Profits/ (Accumulated Losses)			
		Capital	Premium	Losses)	RM	Interest	Equity
		RM	RM	RM	RM	RM	RM
At 1 February 2006							
As previously stated		72,775,737	2,200,126	34,863,246	109,839,109	30,388,931	140,228,040
Prior year adjustments	2.3(d)	-	-	6,063,819	6,063,819	-	6,063,819
At 1 February 2006 (restated)		72,775,737	2,200,126	40,927,065	115,902,928	30,388,931	146,291,859
Loss for the year		-	-	(57,907,722)	(57,907,722)	(12,132,058)	(70,039,780)
Capital reduction		-	-	-	-	(17,717,841)	(17,717,841)
Dividends	11	-	-	(3,638,787)	(3,638,787)	-	(3,638,787)
At 31 January 2007		72,775,737	2,200,126	(20,619,444)	54,356,419	539,032	54,895,451

<----- Attributable to Equity Holders of the Company ----->							
	Note	<--- Non-Distributable --->		Accumulated	Total	Minority	Total
		Share	Share	Losses			
		Capital	Premium	Losses	RM	Interest	Equity
		RM	RM	RM	RM	RM	RM
At 1 February 2007							
As previously stated		72,775,737	2,200,126	(25,049,672)	49,926,191	539,032	50,465,223
Prior year adjustments	2.3(d)	-	-	4,430,228	4,430,228	-	4,430,228
At 1 February 2007 (restated)		72,775,737	2,200,126	(20,619,444)	54,356,419	539,032	54,895,451
Profit for the year		-	-	5,136,334	5,136,334	(15,067)	5,121,267
At 31 January 2008		72,775,737	2,200,126	(15,483,110)	59,492,753	523,965	60,016,718

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

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FOR THE YEAR ENDED 31 JANUARY 2008

	Note	Share Capital RM	Non- distributable Share Premium RM	Retained Profits/ (Accumulated Losses) RM	Total RM
At 1 February 2006		72,775,737	2,200,126	4,147,790	79,123,653
Loss for the year		–	–	(45,848,397)	(45,848,397)
Dividends	11	–	–	(3,638,787)	(3,638,787)
At 31 January 2007		72,775,737	2,200,126	(45,339,394)	29,636,469
At 1 February 2007		72,775,737	2,200,126	(45,339,394)	29,636,469
Profit for the year		–	–	2,286,078	2,286,078
At 31 January 2008		72,775,737	2,200,126	(43,053,316)	31,922,547

The accompanying notes form an integral part of the financial statements.

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CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 JANUARY 2008

	2008 RM	2007 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before tax	9,123,205	(67,870,608)
Adjustments for:		
Depreciation of property, plant and equipment	9,870,205	15,611,394
Amortisation of prepaid lease payments	249,591	249,588
Property, plant and equipment written off	992,477	1,566,893
Amortisation of development expenditure	2,072,382	2,065,168
Short term accumulating compensated absences	38,261	7,764
Interest income	(192,284)	(361,922)
Provision for doubtful debts	101,994	5,498,781
Net unrealised loss on foreign exchange	2,729	135,055
Increase in liability for defined benefit plan	221,539	215,391
Net loss on disposal of property, plant and equipment	65,929	16,021
Impairment loss on property, plant and equipment	–	36,563,297
Impairment loss on prepaid lease payments	–	360,640
Write down of inventories	497,267	8,937,320
Interest expense	3,823,129	6,156,865
Development expenditure written off	222,383	10,811
Operating profit before working capital changes	27,088,807	9,162,458
(Increase)/decrease in receivables	(5,585,397)	23,085,281
Decrease in inventories	5,771,527	3,365,768
Increase/(decrease) in payables	5,422,451	(22,380,375)
Net changes in related parties balances	2,231,801	598,047
Cash generated from operations	34,929,189	13,831,179
Interest paid	(3,823,129)	(6,156,865)
Tax paid	(356,772)	(734,621)
Net cash generated from operating activities	30,749,288	6,939,693

	2008 RM	2007 RM
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(992,495)	(2,507,134)
Interest received	192,284	361,922
Proceeds from disposal of property, plant and equipment	379,173	338,422
Capital repayment by a subsidiary to minority shareholders	–	(16,717,841)
Development expenditure incurred	(1,309,162)	(1,075,686)
Net cash used in investing activities	(1,730,200)	(19,600,317)
CASH FLOW FROM FINANCING ACTIVITIES		
Net repayment of terms loans	(7,505,160)	(9,806,156)
Net (repayment)/drawdown of short term borrowings	(6,264,000)	5,423,402
Repayment of hire purchase and lease financing	(936,336)	(535,845)
Dividends paid	(36,054)	(3,615,556)
Net cash used in financing activities	(14,741,550)	(8,534,155)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	14,277,538	(21,194,779)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	395,103	21,589,882
CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE 21)	14,672,641	395,103

The accompanying notes form an integral part of the financial statements.

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CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 JANUARY 2008

	2008 RM	2007 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before tax	2,150,468	(45,848,397)
Adjustments for:		
Depreciation of property, plant and equipment	410,518	491,325
Amortisation of prepaid lease payments	168,934	168,934
Dividend income	(8,577,000)	–
Short term accumulating compensated absences	19,533	5,219
Interest income	(669,754)	(518)
Interest expense	1,401,945	2,163,099
Provision for doubtful debts	1,780,973	5,881,016
Increase in liability for defined benefit plan	25,568	20,577
Gain on capital return by a subsidiary	–	(3,629,469)
Loss/(gain) on disposal of property, plant and equipment	68,410	(59,231)
Impairment loss on prepaid lease payments	–	360,640
Impairment loss on investment in a subsidiary	–	27,641,250
(Write back)/provision for corporate guarantee	(1,563,845)	9,710,000
Property, plant and equipment written off	–	50,884
Operating loss before working capital changes	(4,784,250)	(3,044,671)
Decrease/(increase) in receivables	205,588	(4,641)
(Decrease)/increase in payables	(21,350)	954,065
Net changes in related parties balances	(11,745,393)	3,400,149
Cash (used in)/generated from operations	(16,345,405)	1,304,902
Interest paid	(1,401,945)	(2,163,099)
Tax refunded	167,813	–
Net cash used in operating activities	(17,579,537)	(858,197)
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend received	8,812,008	7,110,000
Interest received	669,754	518
Proceeds from disposal of property, plant and equipment	370,000	233,624
Net proceeds from capital return by a subsidiary	–	2,658,906
Purchase of property, plant and equipment	(197,540)	(111,125)
Net cash generated from investing activities	9,654,222	9,891,923

	2008 RM	2007 RM
CASH FLOWS FROM FINANCING ACTIVITIES		
Net drawdown/(repayment) of terms loans	9,279,690	(2,910,006)
Repayment of hire purchase and lease financing	(570,093)	(182,684)
Net repayment of short term borrowings	(466,000)	(1,500,000)
Dividends paid	(36,054)	(3,615,556)
Net cash (generated from)/used in financing activities	8,207,543	(8,208,246)
NET INCREASE IN CASH AND CASH EQUIVALENTS	282,228	825,480
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	(1,252,831)	(2,078,311)
CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE 21)	(970,603)	(1,252,831)

The accompanying notes form an integral part of the financial statements.

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad. 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 Darul Ehsan.

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

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 29 May 2008.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia. At the beginning of the current financial year, the Group and the Company had adopted new and revised FRSS which are mandatory for financial periods beginning on or after 1 February 2007 as described fully in Note 2.3.

The financial statements of the Group and of the Company have also been prepared on a historical basis.

The financial statements are presented in Ringgit Malaysia ("RM").

2.2 Summary of Significant Accounting Policies

(a) Subsidiaries and Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(a) Subsidiaries and Basis of Consolidation (Cont'd.)

(ii) Basis of consolidation (Cont'd.)

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

(b) Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associate is carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in the consolidated profit or loss. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes. In applying the equity method, unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associates, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(c) Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic 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 for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

(i) Research and development costs

All research costs are recognised in the profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditures which do not meet these criteria are expensed when incurred.

Development costs, considered to have finite useful lives, are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five years. Impairment is assessed whenever there is an indication of impairment and the amortisation period and method are also reviewed at least at each balance sheet date.

(d) Property, Plant and Equipment and Depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, 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%

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(d) Property, Plant and Equipment and Depreciation (Cont'd.)

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss.

(e) Impairment of Non-Financial Assets

The carrying amounts of the Group's assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows 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 considered impaired and 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.

An impairment loss is recognised in profit or loss in the period in which it arises.

An impairment loss is reversed if, and 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. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss.

(f) Inventories

Inventories are stated at lower of cost and net realisable value.

Cost is determined using the weighted average basis. The cost of raw materials comprises costs of purchase. The costs of finished goods and work-in-progress comprise raw materials, direct labour, other direct costs and appropriate proportions of production overheads.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(f) Inventories (Cont'd.)

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(g) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(i) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank and deposits at call which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

(ii) Other Non-current investments

Non-current investments other than investments in subsidiaries and associate are stated at cost less impairment losses. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in profit or loss.

(iii) Receivables

Receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debt based on a review of all outstanding amounts as at the balance sheet date.

(iv) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(v) Interest Bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

(vi) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

The consideration paid, including attributable transaction costs on repurchased ordinary shares of the Company that have not been cancelled, are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in profit or loss on the sale, re-issuance or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(h) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases.

(ii) Finance leases – the Group as lessee

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2.2(d).

(iii) Operating Leases – the Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. 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.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

(i) Borrowing Costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

(j) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(j) Income Tax (Cont'd.)

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or the amount of any excess of the acquirer's interest is the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as income or an expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest is the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

(k) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where 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. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

Provision for restructuring costs is recognised when a detailed and formal restructuring plan has been approved, and the restructuring has either commenced or has been announced publicly. Costs relating to ongoing activities are not provided for.

(l) Employee Benefits

(i) Short Term Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. 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, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined Contribution Plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(i) Employee Benefits (Cont'd.)

(iii) Defined Benefit Plan

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

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

(iv) Share Based Compensation

The Sapura Industrial Berhad Employee Share Options Scheme ("ESOS"), an equity-settled, share-based compensation plan, allows the Group's employees to acquire ordinary shares of the Company. The total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity over the vesting period and taking into account the probability that the options will vest. The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in the profit or loss, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share option reserve until the option is exercised, upon which it will be transferred to share premium, or until the option expires, upon which it will be transferred directly to retained earnings.

The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised.

(v) Termination Benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits as a liability and an expense when it is demonstrably committed to either terminate the employment of current employees according to a detailed plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after balance sheet date are discounted to present value.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(m) Foreign Currencies

(i) 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 RM, which is also the Company's functional currency.

(ii) Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the retranslation 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.

(n) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of Goods

Revenue is recognised net of sales taxes and upon transfer of significant risks and rewards of ownership to the buyer. 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.

(ii) Rental Income

Rental income is recognised on an accrual basis.

(iii) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

(iv) Dividend income

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

(v) Management Fees

Management fees are recognised when services are rendered.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Changes in Accounting Policies and Effects Arising from Application of New and Revised FRSs

On 1 February 2007, the Group and the Company adopted the following new and revised FRSs and Amendment to FRS mandatory for financial periods beginning on or after 1 February 2007:

FRS 6	Exploration for and Evaluation of Mineral Resources
FRS 117	Leases
FRS 124	Related Party Disclosures
Amendment to FRS 119 ₂₀₀₄	Employees Benefit – Actuarial Gains and Losses, Group Plans and Disclosures

In addition, the Group has early adopted the Amendment to FRS 112 Income taxes for the financial period beginning on 1 February 2007.

FRS 6 is not relevant to the Group's and the Company's operations.

The adoption of the revised FRS 124 and Amendment to FRS 119₂₀₀₄ did not result in significant changes in accounting policies of the Group and of the Company.

The effects resulting from the adoption of the revised FRS 117 and Amendment to FRS 112 are discussed below:

(a) FRS 117: Leases

Prior to 1 February 2007, leasehold land was classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment losses. The adoption of the revised FRS 117 has resulted in a change in the accounting policy relating to the classification of leases of land.

Leasehold land held for own use is now classified as operating lease and the up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

The Group and the Company have applied the change in accounting policy in respect of leasehold land in accordance with the transitional provisions of FRS 117. At 1 February 2007, the unamortised amount of leasehold land is retained as the surrogate carrying amount of prepaid lease payments as allowed by the transitional provisions.

The reclassification of leasehold land as prepaid lease payments has been accounted for retrospectively and as disclosed in Note 2.3(d), certain comparatives have been restated. The effects on the balances sheet as at 31 January 2008 are set out in Note 2.3(c). There were no effects on the income statements for the year ended 31 January 2008.

(b) Amendment to FRS 112: Income Taxes

The Group has taken the option of early adoption of the Amendment to FRS 112 for the financial period beginning 1 February 2007 and accordingly, deferred tax assets on unabsorbed reinvestment allowances are now recognised to the extent that it is probable that taxable profit will be available against which the unabsorbed reinvestment allowances can be utilised.

This change in accounting policy has been accounted for retrospectively and as disclosed in Note 2.3(d), certain comparatives have been restated. The effects on the consolidated balance sheet as at 31 January 2008 and consolidated income statement for the year ended 31 January 2008 are set out in Note 2.3(c). This change in accounting policy has no impact on the Company's financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Changes in Accounting Policies and Effects Arising from Application of New and Revised FRSs (Cont'd.)

(c) Summary of effects and changes arising from adoption of revised and amendment to FRSs

The extent to which each of the line items in the balance sheets and income statements for the year ended 31 January 2008 is higher and lower than it would have been had the previous policies been applied in the current year are as follows:

Effects on balance sheets as at 31 January 2008:

Description of change	<----- Increase/(Decrease) ----->		
	FRS 117 Note 2.3(a) RM	Amendment to FRS 112 Note 2.3(b) RM	Total RM
Group			
Property, plant and equipment	(22,143,155)	–	(22,143,155)
Prepaid land lease payments	22,143,155	–	22,143,155
Deferred tax liabilities	–	(1,938,159)	(1,938,159)
Retained profits	–	1,938,159	1,938,159
Total equity	–	1,938,159	1,938,159
Company			
Property, plant and equipment	(14,986,730)	–	(14,986,730)
Prepaid land lease payments	14,986,730	–	14,986,730

Effects on consolidated income statement for the year ended 31 January 2008:

Description of change	Increase/ (Decrease) Amendment to FRS 112 Note 2.3(b) RM
Income tax expense	(2,492,069)
Profit for the year	2,492,069
Earnings per share (sen):	
Basic	3.42
Diluted	3.42

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Changes in Accounting Policies and Effects Arising from Application of New and Revised FRSs (Cont'd.)

(d) Restatement of Comparatives

The following comparative amounts of the Group and of the Company have been restated as a result of adopting the revised and amendment to FRSs:

Description of change	Previously Stated RM	FRS 117 Note 2.3(a) RM	Amendment to FRS 112 Note 2.3(b) RM	Restated RM
At 1 February 2006:				
Group				
Retained profits	34,863,246	—	6,063,819	40,927,065
At 31 January 2007:				
Group				
Property, plant and equipment	96,013,216	(23,119,381)	—	72,893,835
Prepaid land lease payments	—	23,119,381	—	23,119,381
Deferred tax liabilities	10,476,812	—	(4,430,228)	6,046,584
Accumulated losses	(25,049,672)	—	4,430,228	(20,619,444)
Total equity	50,465,223	—	4,430,228	54,895,451
Company				
Property, plant and equipment	18,362,076	(15,155,664)	—	3,206,412
Prepaid land lease payments	—	15,155,664	—	15,155,664
For the year ended 31 January 2007:				
Group				
Income tax expense	(535,581)	—	(1,633,591)	(2,169,172)
Loss for the year	(68,406,189)	—	(1,633,591)	(70,039,780)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Standards and Interpretations Issued but Not Yet Effective

At the date of authorisation of these financial statements, the following FRSs, Amendments to FRSs and Interpretations were issued but not yet effective and have not been applied by the Company:

FRSs, Amendments to FRS and Interpretations		Effective for financial periods beginning on or after
FRS 139	Financial Instruments: Recognition and Measurement	Deferred
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
IC Interpretation 2	Members' Shares in Co-operative Entities and Similar Instruments	1 July 2007
IC Interpretation 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC Interpretation 6	Liabilities Arising from Participation in a Specific Market – Waste Electrical and Electronical Equipment	1 July 2007
IC Interpretation 7	Applying the Restatement Approach under FRS 129 ²⁰⁰⁴ – Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Interpretation 8	Scope of FRS 2	1 July 2007
Amendment to FRS 107	Cash Flow Statements	1 July 2007
Amendment to FRS 111	Construction Contracts	1 July 2007
Amendment to FRS 118	Revenue	1 July 2007
Amendment to FRS 120	Accounting for Government Grants and Disclosure of Government Assistance	1 July 2007
Amendment to FRS 121	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operations	1 July 2007
Amendment to FRS 134	Interim Financial Reporting	1 July 2007
Amendment to FRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 July 2007

The above new and revised FRSs, Amendments to FRS and Interpretations are expected to have no significant impact on the financial statements of the Group and of the Company upon their initial application except for FRS 139.

The Group and the Company are exempted from disclosing the possible impact to the financial statements upon the initial application of FRS 139.

2.5 Significant Accounting Estimates and Judgements

The preparation of financial statements require management to make judgement, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, expenses and disclosures made. They are assessed on an ongoing basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The key judgements and assumptions concerning the future made and other key sources of estimation uncertainty at the balance sheet 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:

(i) Write Down of Inventories

Writing down of inventories 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.

(ii) Depreciation of plant and machinery

The cost of plant and machinery is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these plant and machinery to be 10 years. These are common life expectancies applied in the industry. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Significant Accounting Estimates and Judgements (Cont'd.)

(iii) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital, reinvestment and investment tax allowances and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses, capital, reinvestment and investment tax allowances and other deductible temporary 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, reinvestment and investment tax allowances and other deductible temporary differences of the Group and of the Company were RM12,679,115 (2007: RM22,226,974) and RM555,450 (2007: RM524,367). The unrecognised tax losses, capital, reinvestment and investment tax allowances and other deductible temporary differences of the Group and of the Company were RM79,152,779 (2007: RM75,411,075) and RM17,206,143 (2007: RM12,969,132) respectively.

3. REVENUE

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Sales of goods	145,357,151	166,523,692	–	–
Management fees	–	–	4,731,030	5,565,809
Dividends from subsidiaries	–	–	8,577,000	–
	145,357,151	166,523,692	13,308,030	5,565,809

4. OTHER INCOME

Included in other income are:

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Rental income	378,065	423,732	843,780	822,000
Interest income from:				
Deposits	192,284	361,922	–	518
Related parties	–	–	669,754	–
Gain on disposal of property, plant and equipment	2,481	72,848	–	59,231
Income from sales of scrap	1,345,039	974,198	–	–
Insurance claim	17,624	–	–	–
Recovery of development expenditure from customer	740,088	–	–	–
Government grant received (Note 29)	231,471	–	–	–
Write back of provision for doubtful debts	5,399	–	1,353,620	107,285
Foreign exchange gain				
– Realised	–	352,499	–	–
– Unrealised	–	48,518	–	–
Gain on capital return by a subsidiary	–	–	–	3,629,469

5. FINANCE COSTS

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Interests expense on:				
Term loans	1,781,584	3,845,340	733,825	1,401,391
Overdrafts	436,375	360,224	88,030	137,412
Revolving credit	1,025,499	785,582	470,199	419,829
Hire purchase and lease payables	93,440	109,693	48,274	46,332
Bankers' acceptances	290,960	713,098	–	–
Letter of credits	67,907	182,773	–	–
Related parties	–	–	51,279	146,225
Others	127,364	160,155	10,338	11,910
	3,823,129	6,156,865	1,401,945	2,163,099

6. PROFIT/(LOSS) BEFORE TAX

The following amounts have been included in arriving at profit/(loss) before tax:

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Employee benefits expense (Note 7)	21,441,031	22,589,353	5,029,746	3,111,002
Non-executive directors' remuneration (Note 8)	228,500	220,950	228,500	220,950
Amortisation of development expenditure	2,072,382	2,065,168	–	–
Auditors' remuneration				
– Statutory audit	113,000	122,098	27,000	18,000
– Other services	5,000	5,000	5,000	5,000
Depreciation of property, plant and equipment	9,870,205	15,611,394	410,518	491,325
Amortisation of prepaid lease payments	249,591	249,588	168,934	168,934
Foreign exchange loss				
– Unrealised	2,729	183,573	–	–
– Realised	57,791	43,566	–	–
Development expenditure written off	222,383	10,811	–	–
Loss on disposal of property, plant and equipment	68,410	88,869	68,410	–
Write down of inventories	497,267	8,937,320	–	–
Property, plant and equipment written off	992,477	1,566,893	–	50,884
Impairment loss on property, plant and equipment	–	36,563,297	–	–
Impairment loss on prepaid lease payments	–	360,640	–	360,640
(Write back)/provision for corporate guarantee	–	–	(1,563,845)	9,710,000
Provision for doubtful debts				
– Trade and other receivables	–	309,224	–	–
– Due from subsidiaries	–	–	3,134,593	5,988,301
– Due from an affiliate	107,393	5,189,557	–	–
Impairment loss on investment in a subsidiary	–	–	–	27,641,250
Rental expense				
– premises	591,747	589,477	628,743	591,675
– equipment	86,260	57,727	–	–

6. PROFIT/(LOSS) BEFORE TAX (CONT'D.)

Included in the amounts above are the following items attributable to operations that have ceased:

	Group	
	2008 RM	2007 RM
Revenue	(34,000)	(583,140)
Auditors' remuneration	4,170	12,125
Loss on disposal of property, plant and equipment	—	12,274
Write down of inventories	—	325,200
Provision for doubtful debts	—	33,761
Employee benefits expense	2,493	189,125
Depreciation of property, plant and equipment	—	121,100
Rental of premise	—	69,000

7. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Wages and salaries	16,238,231	16,873,294	3,179,123	1,817,875
Social security contribution	207,755	217,813	21,867	10,346
Contributions to defined contribution plan	1,789,303	1,871,973	385,719	276,064
Increase in liability for defined benefit plan	221,539	215,391	25,568	20,577
Short term accumulating compensated absences	38,261	7,764	19,533	5,219
Other benefits	2,945,942	3,403,118	1,397,936	980,921
	21,441,031	22,589,353	5,029,746	3,111,002

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM2,122,928 (2007: RM3,299,492) and RM694,769 (2007: RM1,011,785) respectively as further disclosed in Note 8.

8. DIRECTORS' REMUNERATION

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Directors of the Company				
Executive:				
Salaries and other emoluments	950,609	1,004,925	625,529	678,377
Bonus in respect of previous year	–	350,000	–	225,000
Contributions to defined contribution plan	108,252	162,528	69,240	108,408
Benefits-in-kind	42,925	67,550	42,925	67,550
	1,101,786	1,585,003	737,694	1,079,335
Non-Executive:				
Fees	206,000	196,950	206,000	196,950
Other emoluments	22,500	24,000	22,500	24,000
Benefits-in-kind	2,400	375	2,400	375
	230,900	221,325	230,900	221,325
	1,332,686	1,806,328	968,594	1,300,660
Directors of Subsidiaries				
Executive:				
Salaries and other emoluments	933,221	1,398,772	–	–
Bonus in respect of previous year	16,639	191,135	–	–
Contributions to defined contribution plan	114,207	192,132	–	–
Benefits-in-kind	52,650	79,768	–	–
	1,116,717	1,861,807	–	–
	2,449,403	3,668,135	968,594	1,300,660
Analysis excluding benefits-in-kind:				
Total executive directors' remuneration, excluding benefits-in-kind (Note 7)	2,122,928	3,299,492	694,769	1,011,785
Total non-executive directors' remuneration, excluding benefits-in-kind (Note 6)	228,500	220,950	228,500	220,950
Total directors' remuneration excluding benefits-in-kind	2,351,428	3,520,442	923,269	1,232,735

8. DIRECTORS' REMUNERATION (CONT'D.)

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	
	2008	2007
Executive:		
RM350,001 – RM400,000	1	–
RM500,001 – RM550,000	–	1
RM700,001 – RM750,000	1	–
RM1,000,001 – RM1,050,000	–	1
Non-executive:		
Below RM50,000	7	8

9. INCOME TAX EXPENSE

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Malaysian income tax:				
Current year	2,069,080	733,546	–	–
Under/(overprovision) in prior years	91,331	248,012	(135,610)	–
	2,160,411	981,558	(135,610)	–
Deferred tax (Note 26):				
Relating to origination and reversal of temporary differences	1,874,807	683,018	–	–
Relating to changes in tax rates	(24,134)	(793,229)	–	–
Underprovision in prior years	(9,146)	1,297,825	–	–
	1,841,527	1,187,614	–	–
	4,001,938	2,169,172	(135,610)	–

Domestic current income tax is calculated at the statutory tax rate of 26% (2007: 27%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 25% from the current year's rate of 26%, effective year of assessment 2009. The computation of deferred tax as at 31 January 2008 has reflected these changes. Certain subsidiaries with paid-up share capital of less than RM2.5 million qualify for the reduced statutory tax rate of 20% (2007: 20%) on the first RM500,000 (2007: RM500,000) of estimated assessable profit for the year.

9. INCOME TAX EXPENSE (CONT'D.)

A reconciliation of income tax expense applicable to profit/(loss) before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company are as follows:

	2008 RM	2007 RM
Group		
Profit/(loss) before tax	9,123,205	(67,870,608)
Taxation at Malaysian statutory tax rate of 26% (2007: 27%)	2,372,033	(18,325,064)
Effect of changes in tax rates on opening balance of deferred tax	(24,134)	(793,229)
Effect of income subject to tax rate of 20% (2007: 20%)	–	(25,703)
Effect of expenses not deductible for tax purposes	946,608	4,969,806
Effect of income not subject to tax	(66,820)	(44,961)
Utilisation of reinvestment allowance arising from current year	(280,777)	–
Utilisation of previously unrecognised tax assets	(197,327)	–
Deferred tax assets not recognised during the year	1,170,170	14,842,486
Underprovision of income tax in prior years	91,331	248,012
(Over)/underprovision of deferred tax in prior years	(9,146)	1,297,825
Income tax expense for the year	4,001,938	2,169,172
Company		
Profit/(loss) before tax	2,150,468	(45,848,397)
Taxation at Malaysian statutory tax rate of 26% (2007: 27%)	559,122	(12,379,067)
Effect of expenses not deductible for tax purposes	975,875	7,803,314
Effect of income not subject to tax	(2,636,620)	(1,024,917)
Deferred tax assets not recognised during the year	1,101,623	5,600,670
Overprovision of income tax in prior years	(135,610)	–
Income tax credit for the year	(135,610)	–

Tax savings during the financial year arising from:

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Utilisation of current year tax losses	–	10,281	–	10,281
Utilisation of previously unrecognised tax losses	219,383	664,700	219,383	197,833

10. EARNINGS/(LOSS) PER SHARE**(a) Basic:**

Basic earnings/(loss) per share amounts are calculated by dividing profit/(loss) for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	2008 RM	2007 RM
Profit/(loss) attributable to ordinary equity holders of the Company	5,136,334	(57,907,722)
Weighted average number of ordinary shares in issue	72,775,737	72,775,737
Basic earnings/(loss) per share (sen)	7.06	(79.57)

(b) Diluted:

For the purpose of calculating diluted earnings/(loss) per share, the profit/(loss) for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of all potential ordinary shares, i.e. share options granted to employees.

	2008 RM	2007 RM
Profit/(loss) attributable to ordinary equity holders of the Company	5,136,334	(57,907,722)
Weighted average number of ordinary shares in issue	72,775,737	72,775,737
Effect of dilution:		
Share options *	-	-
Adjusted weighted average number of ordinary shares in issue and issuable	72,775,737	72,775,737
Diluted earnings/(loss) per share (sen)	7.06	(79.57)

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

11. DIVIDENDS

	Amount		Net dividends per share	
	2008 RM	2007 RM	2008 Sen	2007 Sen
Recognised during the year:				
Final tax exempt dividend for 2006 of 5% on 72,775,737 ordinary shares approved on 28 March 2006	-	3,638,787	-	5

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings RM	Plant, Machinery, Electrical Installation, Factory Equipment and Application Tools RM	Furniture, Fixtures, Equipment, Renovation, Computers and Motor Vehicles RM	Total RM
Group				
At 31 January 2008				
Cost				
At 1 February 2007	22,367,384	184,596,422	10,898,159	217,861,965
Additions	43,637	655,328	293,530	992,495
Disposals	–	(7,372)	(646,109)	(653,481)
Write offs	–	(7,111,364)	(3,550)	(7,114,914)
Transfer from development expenditure	–	605,198	–	605,198
Transfer from prepaid lease payments	726,635	–	–	726,635
At 31 January 2008	23,137,656	178,738,212	10,542,030	212,417,898
Accumulated depreciation and impairment				
At 1 February 2007	5,933,622	132,602,143	6,432,365	144,968,130
Depreciation charge for the year	434,755	8,304,659	1,130,791	9,870,205
Disposals	–	(983)	(207,396)	(208,379)
Write offs	–	(6,119,964)	(2,473)	(6,122,437)
At 31 January 2008	6,368,377	134,785,855	7,353,287	148,507,519
Analysed as:				
Accumulated depreciation	4,935,244	99,831,707	7,177,271	111,944,222
Accumulated impairment losses	1,433,133	34,954,148	176,016	36,563,297
	6,368,377	134,785,855	7,353,287	148,507,519
Net carrying amount	16,769,279	43,952,357	3,188,743	63,910,379

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

	Buildings RM	Plant, Machinery, Electrical Installation, Factory Equipment and Application Tools RM	Furniture, Fixtures, Equipment, Renovation, Computers and Motor Vehicles RM	Total RM
Group (Cont'd.)				
At 31 January 2007				
Cost				
At 1 February 2006	22,367,384	185,029,537	11,403,294	218,800,215
Additions	–	1,337,357	1,039,276	2,376,633
Disposals	–	(97,182)	(672,204)	(769,386)
Write offs	–	(1,673,290)	(872,207)	(2,545,497)
At 31 January 2007	22,367,384	184,596,422	10,898,159	217,861,965
Accumulated depreciation and impairment				
At 1 February 2006	4,045,324	84,335,480	5,806,182	94,186,986
Depreciation charge for the year	455,165	13,754,454	1,401,775	15,611,394
Disposals	–	(9,585)	(405,358)	(414,943)
Write offs	–	(432,354)	(546,250)	(978,604)
Impairment loss recognised in income statement	1,433,133	34,954,148	176,016	36,563,297
At 31 January 2007	5,933,622	132,602,143	6,432,365	144,968,130
Analysed as:				
Accumulated depreciation	4,500,489	97,647,995	6,256,349	108,404,833
Accumulated impairment losses	1,433,133	34,954,148	176,016	36,563,297
	5,933,622	132,602,143	6,432,365	144,968,130
Net carrying amount	16,433,762	51,994,279	4,465,794	72,893,835

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

	Building RM	Plant, Machinery, and Factory Equipment RM	Furniture, Fixtures, Equipment, Renovation, Computers and Motor Vehicles RM	Total RM
Company				
At 31 January 2008				
Cost				
At 1 February 2007	2,265,637	73,532	3,021,038	5,360,207
Additions	–	–	197,540	197,540
Disposals	–	–	(641,575)	(641,575)
At 31 January 2008	2,265,637	73,532	2,577,003	4,916,172
Accumulated depreciation				
At 1 February 2007	508,674	14,150	1,630,971	2,153,795
Charge for the year	45,313	10,499	354,706	410,518
Disposals	–	–	(203,165)	(203,165)
At 31 January 2008	553,987	24,649	1,782,512	2,361,148
Net carrying amount	1,711,650	48,883	794,491	2,555,024
At 31 January 2007				
Cost				
At 1 February 2006	2,265,637	74,051	2,967,106	5,306,794
Additions	–	–	521,759	521,759
Disposals	–	–	(350,939)	(350,939)
Write offs	–	(519)	(116,888)	(117,407)
At 31 January 2007	2,265,637	73,532	3,021,038	5,360,207
Accumulated depreciation				
At 1 February 2006	463,361	3,941	1,438,237	1,905,539
Charge for the year	45,313	10,728	435,284	491,325
Disposals	–	–	(176,546)	(176,546)
Write offs	–	(519)	(66,004)	(66,523)
At 31 January 2007	508,674	14,150	1,630,971	2,153,795
Net carrying amount	1,756,963	59,382	1,390,067	3,206,412

12. 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 RM992,495 (2007: RM2,376,633) and RM197,540 (2007: RM521,759) respectively. In the previous financial year, property, plant and equipment of the Group and of the Company with aggregate costs of RM596,134 and RM410,634 respectively were acquired by means of hire purchase and finance lease arrangements.

The net carrying amounts of property, plant and equipment held under hire purchase and finance lease arrangements are as follows:

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Factory equipment and machinery	–	410,540	–	–
Office equipment and computers	593,016	442,015	436,451	395,656
Motor vehicles	446,416	1,144,718	50,430	533,284
	1,039,432	1,997,273	486,881	928,940

Details of the terms and conditions of the hire purchase and finance lease arrangements are disclosed in Note 25.

- (b) The net carrying amounts of property, plant and equipment pledged as securities for borrowings (Note 24) are as follows:

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Buildings	8,190,086	2,579,442	1,711,651	–
Plant and machinery	6,045,756	27,816,448	–	–
	14,235,842	30,395,890	1,711,651	–

- (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	
	2008 RM	2007 RM	2008 RM	2007 RM
Plant, machinery, electrical installation, factory equipment and application tools	59,725,622	53,626,163	–	–
Furniture, fixtures, equipment, renovation, computers and motor vehicles	4,015,161	2,933,562	1,123,011	733,617

13. PREPAID LAND LEASE PAYMENTS

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
At beginning of year	23,119,381	23,002,974	15,155,664	15,685,238
Additions	–	726,635	–	–
Amortisation for the year	(249,591)	(249,588)	(168,934)	(168,934)
Reclass to building	(726,635)	–	–	–
Impairment loss recognised in income statement	–	(360,640)	–	(360,640)
At end of year	22,143,155	23,119,381	14,986,730	15,155,664
Analysed as:				
Long term leasehold land	22,143,155	23,119,381	14,986,730	15,155,664
Short term leasehold land	–	–	–	–
	22,143,155	23,119,381	14,986,730	15,155,664

Leasehold land of the Group and of the Company with an aggregate carrying amount of RM18,823,704 (2007: RM14,371,052) and RM14,986,730 (2007: RM11,188,274) respectively are pledged as securities for borrowings (Note 24).

14. DEVELOPMENT EXPENDITURE

	Group	
	2008 RM	2007 RM
Cost		
At beginning of year	14,368,768	13,303,893
Incurred during the year	1,309,162	1,075,686
Transfer to property, plant and equipment	(605,198)	–
Written off	(222,383)	(10,811)
At end of year	14,850,349	14,368,768
Accumulated amortisation		
At beginning of year	7,539,379	5,474,211
Amortisation	2,072,382	2,065,168
At end of year	9,611,761	7,539,379
Net carrying amount	5,238,588	6,829,389

15. INVESTMENTS IN SUBSIDIARIES

	Company	
	2008 RM	2007 RM
Unquoted shares in Malaysia, at cost	61,439,524	61,439,524
Less: Accumulated impairment losses	(32,481,646)	(32,481,646)
	28,957,878	28,957,878

Details of subsidiaries, all of which are incorporated in Malaysia, are as follows:

Name of Company	Principal Activities	Group's Effective Interest	
		2008 %	2007 %
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 for the automotive industry	100	100
Metal Formers Sdn. Bhd.	Trading of high precision metal stamping products for the automotive and defence industries	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.	Trading and provision of services for automobiles	100	100
Sapura-Schulz Hydroforming Sdn. Bhd.	Manufacture and sale of butt-weld fittings for oil and gas industries	75	75
Subang Properties Sdn. Bhd.	Dormant	51.68	51.68
Held by Metal Formers Sdn. Bhd.			
Awaltek Sdn. Bhd.	Dormant	100	100

15. INVESTMENTS IN SUBSIDIARIES (CONT'D.)**Capital reduction of a subsidiary**

In the previous financial year, Subang Properties Sdn. Bhd. ("SPSB") reduced its issued and paid-up share capital from RM36,850,674 to RM184,253 by returning capital by way of cash repayment of RM19,376,747 and contra of amounts due from its shareholders of RM17,289,674. The capital reduction had no effect on the equity interest of Sapura Industrial Berhad in SPSB.

The capital reduction in SPSB had the following effects on the financial results of the Company in the previous financial year:

	2007 RM
Cash repayment	2,658,906
Contra of inter-company balances	16,289,674
Total proceeds	18,948,580
Less: Cost on investments	(15,319,111)
Gain on capital return by a subsidiary	3,629,469

16. INVESTMENTS IN AN ASSOCIATE

	Group	
	2008 RM	2007 RM
Unquoted shares in Malaysia, at cost	300,000	300,000
Share of post-acquisition loss	(300,000)	(300,000)
	-	-

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

Name of Company	Principal Activities	Group's Effective Interest	
		2008 %	2007 %
Ciri Tegap Sdn. Bhd.*	Manufacture and sale of high precision metal stamping products	33	33

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

17. OTHER INVESTMENTS

	Group	
	2008 RM	2007 RM
Unquoted shares in Malaysia, at cost	–	117,600
Less: Accumulated impairment losses	–	(117,600)
	–	–

18. INVENTORIES

	Group	
	2008 RM	2007 RM
At cost		
Materials and component parts	12,771,003	18,524,131
Work-in-progress	1,971,236	2,017,624
Finished goods	2,941,365	3,327,847
Spares and tools	3,707,750	4,010,708
Consumables	1,405,846	1,714,835
	22,797,200	29,595,145
At net realisable value:		
Materials and component parts	529,151	–
	23,326,351	29,595,145

19. AMOUNTS DUE FROM RELATED PARTIES

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Amounts due from:				
Subsidiaries	–	–	34,366,391	22,307,634
Related companies	44,664	120,420	–	–
An affiliate	5,816,770	5,709,377	–	–
An associate	–	230,821	–	–
	5,861,434	6,060,618	34,366,391	22,307,634
Less: Provision for doubtful debts	(5,816,770)	(5,709,377)	(18,341,707)	(16,560,734)
	44,664	351,241	16,024,684	5,746,900

19. AMOUNTS DUE FROM RELATED PARTIES (CONT'D.)

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

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

The amounts due from related parties are unsecured, non-interest bearing and are repayable on demand, except for an amount due from subsidiaries of RM13,978,374 (2007 : Nil) which attract interest rate of 4.78% per annum.

Further details on related party transactions are disclosed in Note 34.

20. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Trade receivables	33,255,278	26,948,084	–	–
Less: Provision for doubtful debts	(149,766)	(155,165)	–	–
Trade receivables, net	33,105,512	26,792,919	–	–
Other receivables				
Deposits	461,282	667,920	111,155	139,985
Advances	130,662	105,506	20,771	21,219
Prepayments	1,328,368	1,084,587	31,621	54,156
Other receivables	1,506,315	2,293,140	723,779	877,554
Tax recoverable	424,759	1,085,412	–	32,203
	3,851,386	5,236,565	887,326	1,125,117
	36,956,898	32,029,484	887,326	1,125,117

Trade receivables are non-interest bearing. The Group's normal trade credit term ranges from 30 to 90 days (2007: 30 to 90 days). Other credit terms are assessed and approved on a case-by-case basis. Overdue balances are reviewed regularly by senior management.

As at the balance sheet date, the Group has significant concentration of credit risk in the form of outstanding balances due from 2 groups (2007: 3) of debtors representing 77% (2007: 86%) of the total trade receivables.

21. CASH AND CASH EQUIVALENTS

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Cash on hand and at banks	13,052,713	3,709,903	35,486	79,895
Deposits with licensed banks	6,000,000	2,800,000	–	–
Cash and bank balances	19,052,713	6,509,903	35,486	79,895
Less: Bank overdrafts (Note 24)	(4,380,072)	(6,114,800)	(1,006,089)	(1,332,726)
Cash and cash equivalents	14,672,641	395,103	(970,603)	(1,252,831)

The weighted average effective interest rates and average maturities of deposits with licensed banks at balance sheet date were 3.45% (2007: 3.1%) per annum and 30 days (2007: 30 days), respectively.

22. EMPLOYEE BENEFITS

(a) Retirement benefit obligations

The Group operates an unfunded, defined benefit Retirement Benefit Scheme ("the Scheme") for its eligible employees. The Group's obligation under the Scheme is determined based on the latest actuarial valuation by an independent valuer dated 8 March 2007. Under the Scheme, eligible employees are entitled to retirement benefits varying between 46% and 100% of their final salary on attainment of the retirement age of 55.

The amounts recognised on the balance sheet are determined as follows:

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Present value of unfunded defined benefit obligations, representing net liabilities	1,675,610	1,454,071	192,981	167,413
Analysed as:				
Current (Note 28)	47,883	–	47,883	–
Non-current	1,627,727	1,454,071	145,098	167,413
	1,675,610	1,454,071	192,981	167,413

The amount recognised in the income statement are as follows:

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Current service costs	142,951	146,130	16,374	12,499
Interest cost	78,588	69,261	9,194	8,078
Total, included in employee benefits expense	221,539	215,391	25,568	20,577

22. EMPLOYEE BENEFITS (CONT'D.)**(a) Retirement benefit obligations (Cont'd.)**

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

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
At beginning of year	1,454,071	1,238,680	167,413	146,836
Recognised in income statement	221,539	215,391	25,568	20,577
At end of year	1,675,610	1,454,071	192,981	167,413

Principal actuarial assumptions used:

	2008 %	2007 %
Discount rate	5.5	5.5
Expected rate of salary increases		
– Executives	5.5	5.5
– Non-executives	5.5	5.5

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

(b) Employee Share Option Scheme ("ESOS")

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

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

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

22. EMPLOYEE BENEFITS (CONT'D.)**(b) Employee Share Option Scheme ("ESOS") (Cont'd.)**

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

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

	Number of Share Options	
	2008	2007
At the beginning/end of year	660,000	660,000

There were no share option granted, exercised or lapsed during the current and the previous financial year.

23. PROVISION

	Company	
	2008 RM	2007 RM
Provision for corporate guarantee	8,146,155	9,710,000

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

24. BORROWINGS

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Short term borrowings				
Secured:				
Bank overdrafts	1,498,040	2,006,678	–	–
Revolving credits	3,450,000	–	650,000	–
Term loans	7,602,720	8,315,618	3,450,771	1,878,684
	12,550,760	10,322,296	4,100,771	1,878,684

24. BORROWINGS (CONT'D.)

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Short term borrowings (Cont'd.)				
Unsecured:				
Bank overdrafts	2,882,032	4,108,122	1,006,089	1,332,726
Bankers' acceptances	5,532,000	12,546,000	–	116,000
Revolving credits	17,200,000	19,900,000	8,200,000	9,200,000
Term loan	3,162,230	2,820,000	3,162,230	2,820,000
Hire purchase payables (Note 25)	438,230	622,440	151,945	239,589
	29,214,492	39,996,562	12,520,264	13,708,315
	41,765,252	50,318,858	16,621,035	15,586,999
Long term borrowings				
Secured:				
Term loans	16,195,451	23,436,086	7,910,000	650,770
Unsecured:				
Term loan	10,816,143	10,710,000	10,816,143	10,710,000
Hire purchase payables (Note 25)	581,421	1,333,547	346,126	828,575
	11,397,564	12,043,547	11,162,269	11,538,575
	27,593,015	35,479,633	19,072,269	12,189,345
Total borrowings				
Bank overdrafts (Note 21)	4,380,072	6,114,800	1,006,089	1,332,726
Revolving credits	20,650,000	19,900,000	8,850,000	9,200,000
Bankers' acceptances	5,532,000	12,546,000	–	116,000
Term loans	37,776,544	45,281,704	25,339,144	16,059,454
Hire purchase payables	1,019,651	1,955,987	498,071	1,068,164
	69,358,267	85,798,491	35,693,304	27,776,344
Maturity of borrowings (excluding hire purchase and finance lease):				
Within 1 year	41,264,947	47,205,600	16,469,090	15,347,410
More than 1 year and less than 2 years	10,630,839	9,405,343	6,090,727	3,470,771
More than 2 years and less than 5 years	16,442,830	27,231,561	12,635,416	7,889,999
	68,338,616	83,842,504	35,195,233	26,708,180

24. BORROWINGS (CONT'D.)

The weighted average effective interest rates per annum at balance sheet date for the borrowings, excluding hire purchase and finance lease payables, were as follows:

	Group		Company	
	2008 %	2007 %	2008 %	2007 %
Bank overdrafts	8.28	8.18	8.12	8.09
Revolving credits	5.07	5.07	5.10	5.14
Bankers' acceptances	4.56	5.00	—	5.14
Term loans	5.67	6.21	4.78	5.46

The secured bank overdrafts of the Group are secured by certain assets of the Group (Note 12 (b)).

The term loans are secured by a first legal charge over certain leasehold land (Note 13), buildings and certain assets of the Company and certain subsidiaries (Note 12(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.

25. HIRE PURCHASE AND FINANCE LEASE LIABILITIES

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Future minimum lease payments:				
Not later than 1 year	492,980	741,393	188,490	305,939
Later than 1 year and not later than 2 years	402,020	686,794	158,232	302,149
Later than 2 years and not later than 5 years	262,568	786,402	228,645	616,827
	1,157,568	2,214,589	575,367	1,224,915
Less: Finance charges	(137,917)	(258,602)	(77,296)	(156,751)
	1,019,651	1,955,987	498,071	1,068,164
Analysis of present value of finance lease liabilities:				
Not later than 1 year	438,230	622,440	151,945	239,589
Later than 1 year and not later than 2 years	360,885	605,490	133,412	252,487
Later than 2 years and not later than 5 years	220,536	728,057	212,714	576,088
	1,019,651	1,955,987	498,071	1,068,164
Less: Amount due within 12 months (Note 24)	(438,230)	(622,440)	(151,945)	(239,589)
	581,421	1,333,547	346,126	828,575

25. HIRE PURCHASE AND FINANCE LEASE LIABILITIES (CONT'D.)

The Group and the Company have hire purchase contracts for various items of plant and equipment (Note 12(a)). These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease. There are no restrictions placed upon the Group and the Company by entering into these leases and no arrangements have been entered into for contingent rental payments.

The hire purchase and finance lease liabilities of the Group and of the Company attract interest rate during the year varying between 2.35% to 5.86% (2007: 2.35% to 5.86%) and 2.35% to 4.80% (2007: 2.35% to 4.80%) per annum respectively.

Other information of financial risks of hire purchase and finance lease liabilities are disclosed in Note 35.

26. DEFERRED TAX

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
At the beginning of year	6,046,584	4,858,970	–	–
Recognised in the income statement (Note 9)	1,841,527	1,187,614	–	–
At the end of year	7,888,111	6,046,584	–	–
Presented after appropriate offsetting as follows:				
Deferred tax assets	(3,296,570)	(6,001,283)	(144,417)	(141,579)
Deferred tax liabilities	11,184,681	12,047,867	144,417	141,579
	7,888,111	6,046,584	–	–

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

Deferred Tax Assets of the Group:

	Unutilised reinvestment and investment tax allowances RM	Unabsorbed capital allowances RM	Provisions RM	Total RM
At 1 February 2006	(6,063,819)	(264,576)	(583,685)	(6,912,080)
Recognised in the income statement	1,633,591	(630,584)	(92,210)	910,797
At 31 January 2007	(4,430,228)	(895,160)	(675,895)	(6,001,283)
Recognised in the income statement	2,492,069	343,405	(130,761)	2,704,713
At 31 January 2008	(1,938,159)	(551,755)	(806,656)	(3,296,570)

26. DEFERRED TAX (CONT'D.)

Deferred Tax Liabilities of the Group:

	Accelerated capital allowances RM	Development expenditure capitalised RM	Total RM
At 1 February 2006	9,588,432	2,182,618	11,771,050
Recognised in the income statement	670,424	(393,607)	276,817
At 31 January 2007	10,258,856	1,789,011	12,047,867
Recognised in the income statement	(441,988)	(421,198)	(863,186)
At 31 January 2008	9,816,868	1,367,813	11,184,681

Deferred Tax Asset of the Company:

	Unabsorbed capital allowances RM
At 1 February 2006	(402,180)
Recognised in the income statement	260,601
At 31 January 2007	(141,579)
Recognised in the income statement	(2,838)
At 31 January 2008	(144,417)

Deferred Tax Liability of the Company:

	Accelerated capital allowances RM
At 1 February 2006	402,180
Recognised in the income statement	(260,601)
At 31 January 2007	141,579
Recognised in the income statement	2,838
At 31 January 2008	144,417

26. DEFERRED TAX (CONT'D.)

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

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Unused tax losses	31,646,205	27,332,413	15,406,562	11,645,438
Unabsorbed capital allowances	23,661,482	18,615,748	929,158	947,012
Unabsorbed reinvestment and investment tax allowances	1,824,654	1,824,654	–	–
Other temporary differences	22,020,438	27,638,260	870,423	376,682
	79,152,779	75,411,075	17,206,143	12,969,132

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.

27. AMOUNTS DUE TO RELATED PARTIES

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Amounts due to:				
Holding company	2,049,783	1,181,138	2,038,505	1,170,722
Related companies	5,392,496	4,228,524	923,962	2,643,076
Subsidiaries	–	–	3,800,491	2,635,796
	7,442,279	5,409,662	6,762,958	6,449,594

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

The amounts due to related parties are unsecured, non-interest bearing and are repayable on demand, except for an amount due to a subsidiary of RM1,100,000 (2007: RM1,364,357) which attract interest rate of 4.82% (2007: 3.00% to 4.85%) per annum.

Further details on related party transactions are disclosed in Note 34.

28. TRADE AND OTHER PAYABLES

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Trade payables	10,369,986	7,479,673	–	–
Other payables				
Retirement benefit obligations – current portion (Note 22(a))	47,883	–	47,883	–
Accruals	3,230,726	3,008,772	1,252,179	1,143,320
Other payables	9,512,859	7,164,414	807,480	918,156
Current tax payable	1,153,676	10,690	–	–
Dividends payable	24,516	60,570	24,516	60,570
	13,969,660	10,244,446	2,132,058	2,122,046
	24,339,646	17,724,119	2,132,058	2,122,046

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 60 days (2007: 30 to 60 days).

29. GOVERNMENT GRANT

The Group's manufacturing facilities has been granted approval to receive investment government grants amounting to RM231,471 (2007: Nil) during the current financial year in relation to improvement and upgrading of existing products, product design and processes upgrading (the costs of which have been expensed off). It is being recognised as income in the period in which the related expenditures are being incurred by the Group. Such government grants are provided to companies whereby 50% of approved project cost is borne by the Government and the remainder by the applicant.

30. SHARE CAPITAL

	Number of Ordinary Shares of RM1 Each		Amount	
	2008	2007	2008 RM	2007 RM
Authorised	100,000,000	100,000,000	100,000,000	100,000,000
Issued and fully paid	72,775,737	72,775,737	72,775,737	72,775,737

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

31. OPERATING LEASE ARRANGEMENTS**The Group as Lessee**

The Group and the Company have entered into non-cancellable operating lease agreements for the use of land, 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 non-cancellable operating leases contracted for as at the balance sheet date but not recognised as liabilities are as follows:

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Future minimum lease payables:				
Not later than 1 year	1,769,484	1,521,084	492,684	492,684
Later than 1 year and not later than 5 years	1,638,684	40,000	492,684	–
	3,408,168	1,561,084	985,368	492,684

32. CAPITAL COMMITMENTS

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Capital expenditure				
Property, plant and equipment:				
Approved and contracted for	1,549,626	27,000	–	–
Approved but not contracted for	14,420,111	–	–	–
	15,969,737	27,000	–	–

33. CONTINGENT LIABILITIES

	Company	
	2008 RM	2007 RM
Corporate guarantee given to banks for credit facilities granted to subsidiaries (unsecured)	40,712,560	81,238,332

33. CONTINGENT LIABILITIES (CONT'D.)

- (a) On 20 November 2007, Schulz Export GmbH ("Schulz Export"), a fellow subsidiary of Sophisticated Pipe Industry Production Sdn. Bhd. (formerly known as Schulz (Manufacturing) Sdn. Bhd.) ("SPIP"), a corporate shareholder of Sapura-Schulz Hydroforming Sdn. Bhd. ("Sapura-Schulz"), through Schulz Export's solicitors filed a Statement of Claim against Sapura-Schulz, a 75% subsidiary of Sapura Industrial Berhad ("the Company" or "SIB") for breach of the Business Operations Agreement ("BOA") dated 3 April 2004 entered into between Sapura-Schulz and Schulz Export, for inter alia:
- (i) EUR500,377 for loss of profits; and
 - (ii) EUR424,168 and USD40,771 for rectification works.
- (b) On 20 November 2007, SPIP through SPIP's solicitors filed a Statement of Claim against SIB for breach of a Shareholders Agreement ("SA") dated 3 April 2004 entered into between SIB and SPIP, for inter alia:
- (i) RM26,000,000; and
 - (ii) damages for breach of fiduciary duties.

The SA and BOA (collective called "Agreements") arose from a Heads of Agreement ("HOA") dated 3 July 2003 entered into between SIB and Wilh Schulz GmbH ("Wilh Schulz"), the holding company of Schulz Export and SPIP, which sets out the agreement of the parties to enter into a joint venture.

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

Following the execution of the Ad Hoc Agreement, the arbitrator had vacated the previous hearing dates from 14 July 2008 to 18 July 2008 and from 21 July 2008 to 25 July 2008. New hearing dates for the above matter have been determined by the arbitrator to be from 12 January 2009 to 23 January 2009.

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

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

The directors, based on the opinion of its solicitors, are of the view that SIB and Sapura Schulz have fairly reasonable chance of defeating the claims and have a reasonable basis for the counterclaims.

34. RELATED PARTY DISCLOSURES

(a) Significant related party transactions

In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Holding company				
Corporate service fee	1,000,000	1,153,202	1,000,000	1,153,202
Subsidiaries				
Interest expense	–	–	51,279	146,225
Rental expense	–	–	628,743	591,675
Interest income	–	–	(669,754)	–
Management fees	–	–	(4,731,030)	(5,565,809)
Dividend income	–	–	(8,577,000)	–
Rental income	–	–	(843,780)	(816,000)
Companies within Sapura Holdings Sdn. Bhd. Group				
Computer maintenance				
– DataOne Sdn. Bhd.	–	327,183	–	327,183
Rental expense				
– Sapura Resources Berhad	103,762	98,991	103,762	98,991

34. RELATED PARTY DISCLOSURES (CONT'D.)**(a) Significant related party transactions (Cont'd.)**

Information regarding outstanding balance arising from related party transactions as at 31 January 2008 are disclosed in Notes 19 and 27.

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 excluding directors was as follows:

	Group/Company	
	2008 RM	2007 RM
Wages and salaries	1,050,603	1,101,954
Contributions to defined contribution plan	126,912	133,548
Benefits-in-kind	62,450	52,300
	1,239,965	1,287,802

Remuneration of directors is as disclosed in Note 8.

35. 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, foreign exchange, liquidity and credit risks. The Group operates within clearly defined guidelines approved by the Board and the Group's policy is not to engage in speculative transactions.

(b) Interest Rate Risk

The Group's primary interest rate risk relates to interest-bearing debts as the Group has no long term interest-bearing assets as at 31 January 2008 and 31 January 2007. 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.

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.

35. FINANCIAL INSTRUMENTS (CONT'D.)

(c) Foreign Exchange Risk

The Group operates locally. However, a proportion of the Company's purchases of inventories, mechanical parts and machineries, and certain sales are exposed to various currencies, mainly Japanese Yen, Euro, United States Dollar, Thai Baht and Singapore Dollar. Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures.

Where the Group foresees significant exchange rate fluctuations, material foreign exchange exposures in Japanese Yen and Euro are hedged with derivative financial instruments, namely, forward foreign exchange contracts.

As at 31 January 2008, there was no forward foreign exchange contracts being entered into by the Group.

The net unhedged financial assets and liabilities of the Group that are not denominated in Ringgit Malaysia are as follows:

Group

	United States Dollar RM	Thai Baht RM	Japanese Yen RM	Euro Dollar RM
At 31 January 2008:				
Trade payables	(743,519)	(108,377)	(448,141)	(95,549)
Other payables	(64,362)	–	(26,901)	(37,319)
Trade receivables	475,791	–	–	3,906
At 31 January 2007:				
Trade payables	(250,298)	(40,927)	(610,687)	–
Other payables	–	–	(6,625)	(2,569)
Trade receivables	179,128	–	–	1,621
Other receivables	106,111	–	–	10,937

(d) Liquidity Risk

The Group manages its debt maturity profile, operating cash flows and the availability of funding to ensure that all refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group maintains sufficient levels of cash or cash convertible instruments 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.

(e) Credit Risk

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

As at the balance sheet date, the Group has significant concentration of credit risk in the form of outstanding balance due from 2 (2007 : 3) groups of debtors representing 77% (2007 : 86%) of the total trade receivables.

35. FINANCIAL INSTRUMENTS (CONT'D.)

(f) Fair Values

The carrying amounts of financial assets and liabilities of the Group and of the Company at the balance sheet date approximate their fair values due to the relatively short term maturity of these financial instruments, except for the following:

	Group		Company	
	Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
Financial Liabilities				
At 31 January 2008:				
Hire purchase and finance lease payables	1,019,651	1,028,323	498,071	503,039
Term loans	37,776,544	34,229,317	25,339,144	22,101,529
Financial Liabilities				
At 31 January 2007:				
Hire purchase and finance lease payables	1,955,987	2,078,005	1,068,164	1,152,418
Term loans	45,281,704	42,564,341	16,059,454	14,717,670

It is not practical to estimate the fair values of amounts due from/(to) related parties due principally to a lack of fixed repayment terms entered into by the parties involved and without incurring excessive costs. However, the Group and the Company do not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled.

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

(i) Cash and Cash Equivalents, Receivables, Payables and Short Term Borrowings

The carrying amounts approximate fair values due to the relatively short term maturity of these financial instruments.

(ii) Borrowings

The fair value of borrowings is estimated by discounting the expected future cash flows using the current interest rates for liabilities with similar risk profiles.

36. 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;

36. SEGMENT INFORMATION (CONT'D.)

(a) Business Segments: (Cont'd.)

- (ii) Investment holding – the holding of investments and provision of management services to subsidiaries;
- (iii) Services – sales and after sales services of automobiles; and
- (iv) Others – providing computer aided design and manufacture of sub-systems/systems for applications in production and testing and real property.

(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. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

Business Segments

	Manufacturing RM	Investment Holding RM	Services RM	Others RM	Eliminations RM	Consolidated RM
31 January 2008						
Revenue						
External	145,317,853	–	34,000	5,298	–	145,357,151
Inter-segment	5,403,950	13,308,030	–	–	(18,711,980)	–
Total revenue	150,721,803	13,308,030	34,000	5,298	(18,711,980)	145,357,151
Result						
Segment results, representing profit/(loss) from operations	20,091,948	2,286,078	(11,392)	152,463	(9,572,763)	12,946,334
Finance costs						(3,823,129)
Income tax expense						(4,001,938)
Profit for the year						5,121,267
Assets						
Consolidated segment assets	163,107,354	84,802,120	35,574	1,291,648	(78,563,948)	170,672,748
Liabilities						
Consolidated segment liabilities	122,624,889	52,879,573	8,492,327	3,235,516	(76,576,275)	110,656,030
Other Information						
Capital expenditure	2,071,062	197,540	–	33,055	–	2,301,657
Depreciation	9,369,206	410,518	25,847	64,634	–	9,870,205
Amortisation	2,153,039	168,934	–	–	–	2,321,973

36. SEGMENT INFORMATION (CONT'D.)

Business Segments (Cont'd.)

	Manufacturing RM	Investment Holding RM	Services RM	Others RM	Eliminations RM	Consolidated RM
31 January 2007						
Revenue						
External	166,001,481	–	522,211	–	–	166,523,692
Inter-segment	6,502,291	5,565,809	60,929	–	(12,129,029)	–
Total revenue	172,503,772	5,565,809	583,140	–	(12,129,029)	166,523,692
Result						
Segment results, representing profit/(loss) from operations	(63,244,395)	(43,685,298)	(1,569,610)	269,427	46,516,133	(61,713,743)
Finance costs						(6,156,865)
Income tax expense						(2,169,172)
Loss for the year						(70,039,780)
Assets						
Consolidated segment assets	166,666,458	75,861,866	213,997	1,336,374	(72,750,317)	171,328,378
Liabilities						
Consolidated segment liabilities	141,346,447	46,225,397	14,955,381	6,434,333	(92,528,631)	116,432,927
Other Information						
Capital expenditure	2,897,505	521,759	–	33,055	–	3,452,319
Depreciation	14,934,325	491,325	121,110	64,634	–	15,611,394
Amortisation	2,145,822	168,934	–	–	–	2,314,756

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ANALYSIS OF SHAREHOLDINGS

AS AT 12 MAY 2008

Authorised Share Capital : RM100,000,000
 Issued and Paid-Up Capital : RM72,775,737 comprising of 72,775,737 ordinary shares of RM1.00 each.
 No. of Shareholders : 4,777

DISTRIBUTION OF ORDINARY SHARES

Based on Records of Depositors as at 12 May 2008

Size of Holdings	No. of Shares	% Over Total Shares	No. of Holders	% Over Total Shareholders
Less than 100	1,476	0.00	38	0.80
100 to 1,000	205,006	0.28	272	5.69
1,001 to 10,000	11,682,016	16.05	3,963	82.96
10,001 to 100,000	11,332,983	15.57	474	9.92
100,001 to 3,638,786	11,658,785	16.02	28	0.59
3,638,787 & above	37,895,471	52.08	2	0.04
Total	72,775,737	100.00	4,777	100.00

DIRECTORS' DIRECT AND DEEMED INTERESTS IN ORDINARY SHARES

Based on Register of Directors' Shareholdings as at 12 May 2008

	Number 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	1,661,250	2.28	—	—
Datuk Shahril bin Shamsudin	1,426,875	1.96	32,420,391 ¹	44.55
Ir. Md. Shah bin Hussin (includes shares held by an associate)	90,498	0.12	—	—
Dato' Azlan bin Hashim	15,000	0.02	—	—
Dato' Haji Mazlin bin Md Junid	—	—	—	—
Shah Hakim bin Zain	—	—	—	—
Datuk Kisai bin Rahmat	—	—	—	—
Shahriman bin Shamsuddin	663,175	0.91	32,420,391 ¹	44.55

¹Deemed interest by virtue of their substantial shareholdings in Sapura Holdings Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

THIRTY LARGEST SHAREHOLDERS

Name of Shareholders	No. of Shares	%
1. Sapura Holdings Sdn. Bhd.	32,420,391	44.55
2. AMDB Berhad	5,475,080	7.52
3. Tan Sri Dato' Seri Ir. Shamsuddin bin Abdul Kadir	1,661,250	2.28
4. Yeoh Kean Hua	1,570,000	2.16
5. Datuk Shahril bin Shamsuddin	1,426,875	1.96
6. DB (Malaysia) Nominee (Asing) Sdn. Bhd. (BNP Paribas Nominees Singapore Pte. Ltd. for Capital Talent Profits Limited)	1,186,800	1.63
7. Citigroup Nominees (Asing) Sdn. Bhd. Exempt An for Citibank NA, Singapore (Julius Baer)	1,000,000	1.37
8. Shahrizan bin Shamsuddin	663,175	0.91
9. Soh Kok Heng	519,500	0.71
10. Lee Siew Hoon	516,600	0.71
11. Lim Jack Sek	307,900	0.42
12. Mayban Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Chua Eng Ho Wa'a @ Chua Eng Wah)	300,000	0.41
13. Sing Kong Wey	202,100	0.28
14. Ang Kai Chan	200,000	0.27
15. Lee See Jin	188,200	0.26
16. Public Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Chan Wah En)	156,700	0.22
17. Public Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Lee Kua Siah)	153,500	0.21
18. Leong Hon Wah	143,000	0.20
19. TA Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Phua Lee Ping)	138,000	0.19
20. Soh Boon Kiet	137,100	0.19
21. Universal Trustee (Malaysia) Berhad Ronfield Limited	135,000	0.19
22. Ananda Krishna A/L Sithamberam Pillay	133,500	0.18
23. Chan Teck Chye	130,000	0.18
24. Yap Hoo	121,500	0.17
25. Teo Keng Choo	120,000	0.16
26. Chua Chooi Hong	119,085	0.16
27. Heng Huah Ker	113,000	0.16
28. Maziatul Fazilah binti Mahmood	107,000	0.15
29. Tee Beng Kang	106,000	0.15
30. Tan Yee Kong	103,000	0.14
Total	49,554,256	68.09

SUBSTANTIAL SHAREHOLDERS

Name of Shareholders	No. of Shares	%
1. Sapura Holdings Sdn. Bhd.	32,420,391	44.55
2. AMDB Berhad	5,475,080	7.52
Total	37,895,471	52.07

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PARTICULARS OF PROPERTIES

Location	Description/ Existing Use	Land Area	Tenure/Year of Expiring	Approximate Age of Building (years)	Net Book Value As at 31.01.2008 (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	17	8,729/ 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	13	7,300/ *05.06.1992
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	12	2,421/ *15.11.1994
HS (M) 549, PT 98 Mukim Bukit Katil Daerah Melaka Tengah, Melaka Postal address: Lot 98, Jalan Usaha 7 Kawasan Perindustrian Ayer Keroh 75450 Melaka	Industrial land/ factory cum office	5a.1r.15.2p	99-year lease expiring 30.05.2072	28	3,206/ *30.01.1995

Location	Description/ Existing Use	Land Area	Tenure/Year of Expiring	Approximate Age of Building (years)	Net Book Value As at 31.01.2008 (RM'000)/Date of Last Revaluation/*Acquisition
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	5,593/ *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	5,478/ *01.11.2001
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	3	4,599/ *08.08.2004
Postal address: Lot No 6, Jalan Perusahaan 6 Kawasan Perusahaan Kuala Selangor 45000 Kuala Selangor Selangor Darul Ehsan	Industrial land/ factory cum office	126,324 ft ²	99-year lease No expiry date as separate document of title has not been issued	12	1,586/ 19.01.2005
Total					38,912

Revaluation of landed properties.

The directors have not adopted a policy of regular revaluation of the landed properties.



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PROXY FORM



Sapura Industrial Berhad (17547-W)

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

I/We _____ (Full Name in Capital Letters) NRIC No. _____
of _____ (Full Address)
being a Member of SAPURA INDUSTRIAL BERHAD, do hereby appoint _____ (Full Name in Capital Letters) NRIC No. _____
of _____ (Full Address)
or failing him/her, _____ (Full Name in Capital Letters) NRIC No. _____
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 32nd Annual General Meeting to be held at the Multi Purpose Hall, Ground Floor, Sapura @ Mines, No. 7, Jalan Tasik, The Mines Resort City, 43300 Seri Kembangan, Selangor Darul Ehsan on Wednesday, 9 July 2008 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	To receive the Financial Statements & Reports.		
ORDINARY RESOLUTION 2	Payment of first and final dividend.		
ORDINARY RESOLUTION 3	Re-election of Datuk Shahril bin Shamsuddin.		
ORDINARY RESOLUTION 4	Re-election of Dato' Mazlin bin Md Junid.		
ORDINARY RESOLUTION 5	Re-election of Tan Sri Dato' Seri Ir. Shamsuddin bin Abdul Kadir.		
ORDINARY RESOLUTION 6	Re-appointment of Messrs. Ernst & Young as Auditor of the Company.		
ORDINARY RESOLUTION 7	Payment of Directors' fees.		
ORDINARY RESOLUTION 8	To authorise the Directors under Section 132D of the Companies Act 1965, to allot and issue new shares in the Company.		
SPECIAL RESOLUTION 1	Proposed amendments to the Articles of Association of the Company.		

Signature/Common Seal of Shareholder

Dated this _____ day of _____ 2008

Notes:

- A member of the Company who is entitled to attend and vote at this Meeting is entitled to appoint a proxy to attend and vote on a poll in his stead. A proxy may but need not be a member of the Company.
- Where a member is an authorised nominee, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
- An instrument appointing a proxy shall be in writing and in the case of an individual shall be signed by the appointor or by his attorney and in the case of a corporate member, shall be either under its Common Seal or signed by its attorney or an officer of the corporation duly authorised.
- The instrument appointing a proxy must be deposited at the Registered Office of the Company at Lot 2 & 4, Jalan P/11, Seksyen 10, Kawasan Perindustrian Bangi, 43650 Bandar Baru Bangi, Selangor Darul Ehsan, not less than 48 hours before the time set for holding the Meeting or any adjournment thereof.



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STAMP

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



