



RE-ENGINEERING OUR FUTURE

ANNUAL REPORT 2019

C O V E R

RATIONALE

We continuously look ahead and strategise growth opportunities resulting from our shared expertise and experience across the Sapura Industrial Group.

Set against the vast sky symbolic of our broad vision, our collective pursuit of excellence and innovation will continue to be the synergy to further propel the Group into a future of immense possibilities and sustainable growth.



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OUR SHARED ATTRIBUTES

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

- ▶ HONOURABLE
- ▶ PROFESSIONAL
- ▶ RESOURCEFUL
- ▶ RESILIENT
- ▶ AGILE

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 43rd Annual General Meeting of the Company will be held at the Multi-Purpose Hall, Ground Floor, Sapura @ Mines, No. 7, Jalan Tasik, The Mines Resort City, 43300 Seri Kembangan, Selangor Darul Ehsan on Wednesday, 26 June 2019 at 11.00 a.m. to transact the following businesses and to pass the following resolutions:

AGENDA

- | | |
|--|-------------------------------|
| 1. To receive the Audited Financial Statements together with the Directors' and Auditors' reports for the financial year ended 31 January 2019. | Please refer to Note 1 |
| 2. To approve payment of a final single tier dividend of 3 sen per ordinary share in respect of the financial year ended 31 January 2019. | Ordinary Resolution 1 |
| 3. (i) To re-elect Encik Md. Shah bin Hussin who retires by rotation pursuant to Article 109 of the Articles of Association of the Company and being eligible, offer himself for re-election. | Ordinary Resolution 2 |
| (ii) Tan Sri Dato' Seri Shahril bin Shamsuddin retires as a Director by rotation in accordance with Article 109 of the Articles of Association of the Company at the conclusion of this 43 rd Annual General Meeting and will not be seeking re-election. | Please refer to Note 4 |
| 4. To reappoint Datuk Kisai bin Rahmat as an Independent Non-Executive Director pursuant to Practice 4.2 of the Malaysian Code on Corporate Governance 2017 until the conclusion of the next Annual General Meeting. | Ordinary Resolution 3 |
| 5. To reappoint Messrs. Ernst & Young as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. | Ordinary Resolution 4 |
| 6. DIRECTORS' FEES | |
| (i) To approve the payment of Directors' fees amounting to RM345,000 for the Non-Executive Directors in respect of the financial year ended 31 January 2019. | Ordinary Resolution 5 |
| (ii) To approve the payment of Directors' remuneration (excluding Directors' fees) to the Non-Executive Directors up to an amount of RM120,000, from 26 June 2019 until the next Annual General Meeting in year 2020 of the Company. | Ordinary Resolution 6 |

*NOTICE OF ANNUAL GENERAL MEETING***7. AUTHORITY FOR DIRECTORS TO ISSUE SHARES UNDER SECTION 75 & 76 OF THE COMPANIES ACT, 2016****Ordinary Resolution 7**
Please refer to Note 7

“THAT subject to the provisions of the Company’s Articles of Association and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Malaysia), the Directors be and are hereby empowered, pursuant to Section 75 & 76 of the Companies Act, 2016, to issue shares in the Company at any time and upon such terms and conditions and for such purpose as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten per centum (10%) of the total issued and paid-up share capital of the Company as at the date of such issuance and that the Directors be and are also empowered to obtain all necessary approvals from the relevant authorities for the issuance and the listing of and quotation for the additional shares so issued on Bursa Malaysia and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company.”

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS HEREBY GIVEN THAT a final single tier dividend of 3 sen per ordinary share in respect of the financial year ended 31 January 2019, if approved by the shareholders at the 43rd Annual General Meeting, will be payable on 8 August 2019 to Depositors registered in the Record of Depositors at the close of business on 26 July 2019.

A Depositor shall qualify for entitlement only in respect of:

- a) Shares transferred into the Depositor’s Securities Account before 4.00 p.m. on 26 July 2019 in respect of ordinary transfers; and
- b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

LIYANA LEE BINTI ABDULLAH

(MIA 10293)

Company Secretary

Bandar Baru Bangi, Selangor Darul Ehsan

28 May 2019

NOTICE OF ANNUAL GENERAL MEETING

NOTES:

1. Audited Financial Statements

This Agenda is meant for discussion only as under the provisions of Section 340(1)(a) of the Companies Act, 2016 and the Company's Articles of Association, the Audited Financial Statements need not be approved by the shareholders and hence, the matter will not be put forward for voting.

2. Proxy Forms

A member whose name appears in the Record of Depositors of the Company as at 18 June 2019 shall be entitled to attend, speak and vote at this Meeting.

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

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

Where a member appoints two (2) proxies to attend and vote at the same meeting, such appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.

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

The instrument appointing a proxy must be deposited with the Shares Registrar of the Company, Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, not less than forty eight (48) hours before the time set for holding the Meeting or any adjournment thereof.

3. Corporate Representative

As an alternative to the appointment of a proxy, a corporate member may appoint its corporate representative to attend this Meeting pursuant to Section 333(1) of the Companies Act, 2016. For this purpose and pursuant to Section 333(5) of the Companies Act, 2016, the corporate member shall provide a certificate as prima facie evidence of appointment of the corporate representative. The corporate member may submit the certificate to the Registrar's Office of the Company prior to the commencement of this Meeting.

4. Retirement of Director

Tan Sri Dato' Seri Shahril bin Shamsuddin who was appointed as Non-Independent Non-Executive Director of the Company on 2 December 1993 will retire in accordance with Article 109 of the Company's Articles of Association. Tan Sri Dato' Seri Shahril bin Shamsuddin has informed the Board of his intention to retire as a Director and therefore would not be seeking for re-election at this Annual General Meeting. Hence, he will retain office until the conclusion of this Meeting in accordance with Article 109 of the Company's Articles of Association.

5. Proposed Reappointment and Retention of Independent Director

Datuk Kisai bin Rahmat has been the Company's Independent Director for more than 12 years cumulatively. The proposed Ordinary Resolution 3, if passed, will allow him to be retained and to continue acting as an Independent Director of the Company in line with Practice 4.2 of the Malaysian Code on Corporate Governance 2017 until the conclusion of the next Annual General Meeting. Details of the Board's justification and recommendation for the retention of Datuk Kisai bin Rahmat as an Independent Director are set out in the Corporate Governance Overview Statement on page 42 of this Annual Report.

6. Directors' Fees and Remuneration

Section 230(1) of the Companies Act 2016 provides amongst others, that "the fees" of the directors and "any benefits" payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting. In this respect, the Board agreed that the shareholders'

approval shall be sought at the 43rd Annual General Meeting on the directors' remuneration in two (2) separate resolutions as below:

- Resolution 5 on payment of Directors' fees for the financial year ended 31 January 2019 amounting RM345,000.
- Resolution 6 on payment of Directors' remuneration (excluding Directors' fees) in respect of the period from 26 June 2019 until the next Annual General Meeting in year 2020 up to an amount of RM120,000, comprising meeting allowances, directors and officers liability insurance premium, medical coverage and other claimable benefits.

The Company pays Directors' fees and benefits to the Non-Executive Directors. The Executive Directors do not receive any fees and benefits as Directors but they are remunerated with salary, benefits and other emoluments by virtue of their Employment Contracts.

7. Ordinary Resolution pursuant to Section 75 & 76 of the Companies Act, 2016

Subject to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the proposed Ordinary Resolution 7 is for the propose of granting a renewed mandate and if passed, would enable the Directors to issue up to a maximum of ten per centum (10%) of the total issued and paid-up share capital of the Company as at the date of such issuance ("Renewed Mandate"). The Renewed Mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

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

As at the date of this Notice, no new shares were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting held on 31 July 2018 which will lapse at the conclusion of the Annual General Meeting.

STATEMENT ACCOMPANYING NOTICE OF THE 43rd ANNUAL GENERAL MEETING

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

1. The Director retiring by rotation and standing for re-election pursuant to Article 109 of the Company's Articles of Association is Encik Md. Shah bin Hussin.
2. The Director standing for reappointment in accordance with Practice 4.2 of the Malaysian Code on Corporate Governance 2017 is Datuk Kisai bin Rahmat.
3. Details of the above Directors who are standing for re-election and reappointment are provided for in the "Directors' Profile" on pages 12 to 16 of this Annual Report. Details of their interests in the securities of the Company are set out in the "Analysis of Shareholdings" on page 138 of this Annual Report.



HIGH PRECISION MACHINING

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

CORPORATE PROFILE



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

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

As the Company continues to evolve with the times, the one thing that has remained constant is our corporate core values. In every phase of Sapura Industrial Berhad's transformation journey, these core values have been the driving force behind our success and form the basis of a performance-based culture. Today, Sapura Industrial has become a name synonymous with

quality, reliability and service excellence and this has been borne out by the awards and accolades we have received from industry peers and giants in the automotive industry at home and abroad.

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

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

Dato' Shahrizan bin Shamsuddin
Executive Director

Datuk Kisai bin Rahmat
Independent Non-Executive Director

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

Md. Shah bin Hussin
Independent Non-Executive Director

Wan Ahamad Sabri bin Wan Daud
Independent Non-Executive Director

AUDIT COMMITTEE

Datuk Kisai bin Rahmat (*Chairman*)
Dato' Azlan bin Hashim
Wan Ahamad Sabri bin Wan Daud

BOARD NOMINATION AND REMUNERATION COMMITTEE

Datuk Kisai bin Rahmat (*Chairman*)
Wan Ahamad Sabri bin Wan Daud
Md. Shah bin Hussin

DIRECTOR IN CHARGE OF SHAREHOLDERS' COMMUNICATIONS

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

Email:
director-sib@sapuraindustrial.com.my
or

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

COMPANY SECRETARY

Liyana Lee binti Abdullah
(MIA No : 10293)

REGISTERED OFFICE

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

AUDITORS

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

SHARE REGISTRAR

**Tricor Investor & Issuing House
Services Sdn. Bhd.**

Office:
Unit 32-01, Level 32, Tower A,
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel : +603-2783 9299
Fax : +603-2783 9222

Customer Service Centre:

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

STOCK EXCHANGE LISTING

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

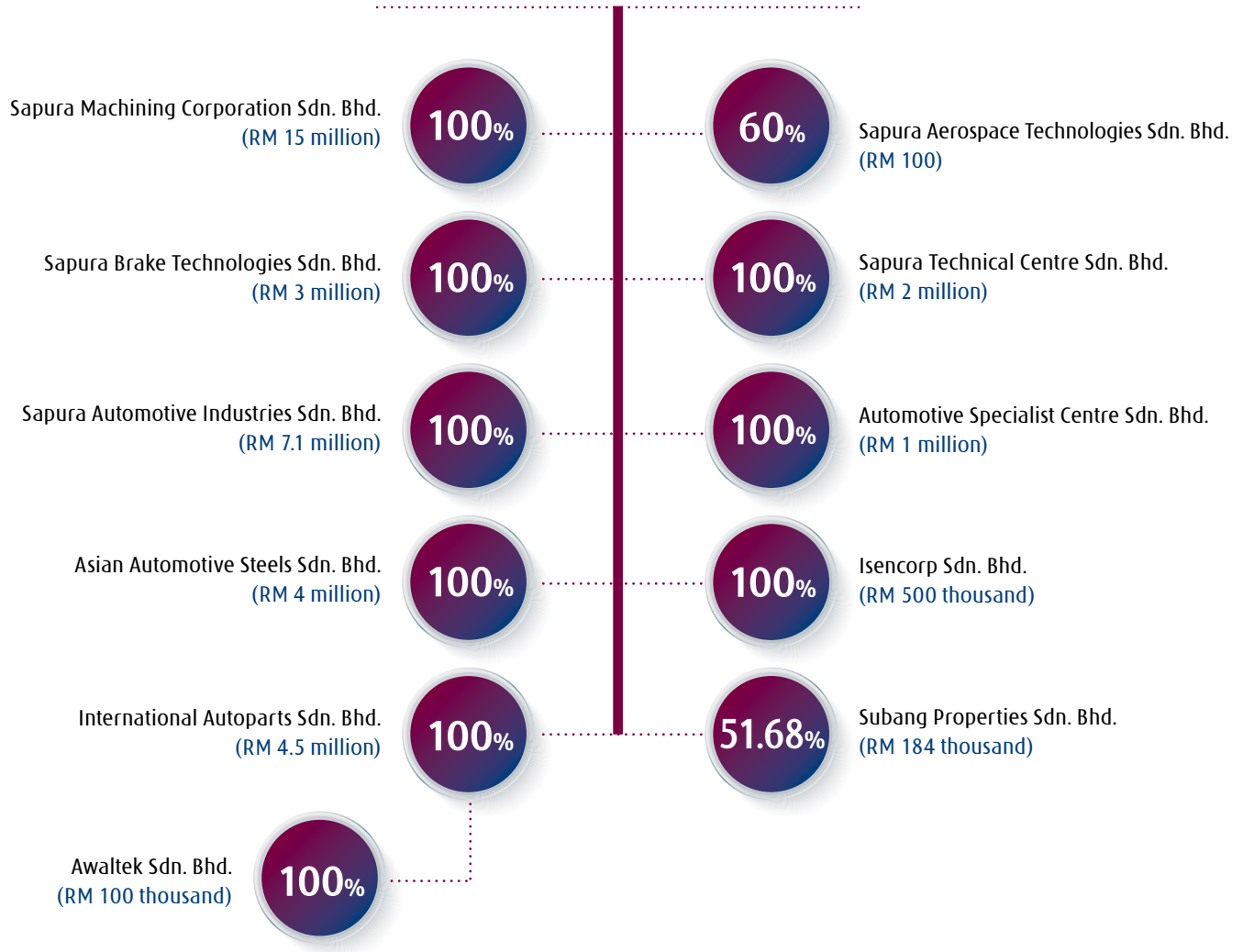
CORPORATE STRUCTURE

As at 15 May 2019



Sapura Industrial Berhad

Paid Up Capital: **RM74.976 million**



BOARD OF DIRECTORS



FROM LEFT TO RIGHT

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

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

**DATO' SHAHRIMAN
BIN SHAMSUDDIN**
Executive Director



CLOCKWISE FROM TOP

**WAN AHAMAD SABRI BIN
WAN DAUD**

*Independent
Non-Executive Director*

**DATO' AZLAN
BIN HASHIM**

*Non-Independent
Non-Executive Director*

**DATUK KISAI
BIN RAHMAT**

*Independent
Non-Executive Director*

**MD. SHAH
BIN HUSSIN**

*Independent
Non-Executive Director*

DIRECTORS' PROFILE

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

► **Tan Sri Dato' Seri Ir. Shamsuddin bin Abdul Kadir (Male), a Malaysian aged 87, was appointed to the Board of Sapura Industrial Berhad as Non-Executive Director and Chairman on 12 March 1974. He was appointed as Executive Chairman on 26 June 2013.**

Tan Sri Shamsuddin is the Chairman and Founder of the Sapura Group. Well into its 44th year, the Sapura Group has since diversified and currently participates in key industries through three public listed companies. Sapura Industrial Berhad started its business in automotive components manufacturing in the early 1980s when Tan Sri Shamsuddin first acquired the coil spring business from Henderson's Ltd, Australia. Sapura Industrial Berhad has since evolved into a leading player in the automotive industry.

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

Tan Sri Shamsuddin's strong commitment to life-long education led him to co-found the Universiti Tun Hussein Onn Malaysia Foundation where he had served as Chairman of Universiti Tun Hussein Onn Malaysia from 2001 to 2009 and was inaugurated as the Pro Chancellor in 2009. In 2007, University of Brighton, United Kingdom conferred the Honorary Degree of Doctor of Science to Tan Sri Shamsuddin in recognition of his outstanding contribution to engineering development in Malaysia and the development of the Brighton Alumni Association of Malaysia. For his numerous contributions, he has been awarded with Honorary Doctorates from various Malaysian universities.

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

**TAN SRI
DATO' SERI SHAHRIL
BIN SHAMSUDDIN**

*Deputy Chairman
Non-Independent
Non-Executive Director*

▶ **Tan Sri Dato' Seri Shahril bin Shamsuddin (Male)**, a Malaysian aged 58, has been a member of the Board of Sapura Industrial Berhad as Non-Executive Director since 2 December 1993 and as Deputy Chairman since 29 November 2002.

Tan Sri Shahril is also the President and Group Chief Executive Officer (CEO) of Sapura Group, which manages a diversified portfolio of businesses that include secured communications technologies, aviation, automotive manufacturing and property development. In addition, he is the President and Group CEO as well as an Executive Director of Sapura Energy Berhad, and a Non-Executive Director of Sapura Resources Berhad.

Tan Sri Shahril is a member of the World Economic Forum's ASEAN Regional Strategy Group, the Asian Executive Board of the Massachusetts Institute of Technology (MIT) Sloan and the Board of Governors of the Asia School of Business, a collaboration between MIT Sloan and Bank Negara Malaysia.

Tan Sri Shahril was the recipient of the Legion d'Honneur by the Republic of France in 2007, Malaysia's Entrepreneur of the Year award by Ernst & Young in 2009 and Man of the Year award by The Oil & Gas Year Malaysia in 2014. He was conferred an Honorary Doctorate in Technology Management by the Universiti Teknologi Malaysia (UTM) in May 2013. He is also a member of the Boards of Trustees of the UTM Endowment Fund and the Perdana Leadership Foundation.

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

DIRECTORS' PROFILE

DATO' SHAHRIMAN BIN SHAMSUDDIN*Executive Director*

▶ Dato' Shahrیمان bin Shamsuddin (Male), a Malaysian aged 50, was appointed to the Board of Sapura Industrial Berhad as an Executive Director on 29 January 2002.

Dato' Shahrیمان holds a Master of Science in Engineering Business Management from Warwick University, United Kingdom and a Bachelor of Science in Industrial Technology from Purdue University, United States of America.

Dato' Shahrیمان began his career with Sapura Group in 1991 and has held a number of key senior positions within the Group. As the Managing Director of Sapura Resources Berhad, he manages a diversified portfolio which includes property investment and aviation. He is also a Non-Independent Non-Executive Director of Sapura Energy Berhad, and sits on the Boards of Sapura Technology Sdn. Bhd. and Sapura Holdings Sdn. Bhd.

DATUK KISAI BIN RAHMAT*Independent
Non-Executive Director*

▶ Datuk Kisai bin Rahmat (Male), a Malaysian aged 68, was first appointed to the Board of Sapura Industrial Berhad on 18 October 2006. Datuk Kisai is the Chairman of the Audit Committee and the Board Nomination and Remuneration Committee of Sapura Industrial Berhad.

Prior to joining Sapura Industrial Berhad, Datuk Kisai was the Executive Director, Engineering and Manufacturing for Proton Holdings Berhad and a Director of several Proton's subsidiary companies. At present, Datuk Kisai is the Vice Executive Chairman of Yasmin Jurumuda Sdn. Bhd.

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

DATO' AZLAN BIN HASHIM

*Non-Independent
Non-Executive Director*

▶ Dato' Azlan bin Hashim (Male), a Malaysian aged 77, was first appointed to the Board of Sapura Industrial Berhad on 20 December 1996. Dato' Azlan is a member of the Audit Committee of Sapura Industrial Berhad.

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

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

ENCIK MD. SHAH BIN HUSSIN

*Independent
Non-Executive Director*

▶ Encik Md. Shah bin Hussin (Male), a Malaysian aged 68, was first appointed to the Board of Sapura Industrial Berhad on 1 September 1997. He became a Non-Independent Non-Executive Director on 1 August 2009 and was appointed as Independent Non-Executive Director on 25 September 2013. Encik Md. Shah is a member of the Board Nomination and Remuneration Committee of Sapura Industrial Berhad.

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

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

DIRECTORS' PROFILE

**ENCIK WAN AHAMAD SABRI
BIN WAN DAUD***Independent
Non-Executive Director*

▶ Encik Wan Ahamad Sabri bin Wan Daud (Male), a Malaysian aged 64, was first appointed to the Board of Sapura Industrial Berhad on 9 March 2011. Encik Wan Ahamad Sabri is the member of the Audit Committee and Board Nomination and Remuneration Committee of Sapura Industrial Berhad.

Encik Wan Ahamad Sabri has over 31 years of experience in marketing and trading of non-ferrous metals, coal and minerals in the international market. He also has extensive international business contacts. He had served in various senior management positions within the MMC Group both locally and overseas. He is currently a Management Consultant of a company dealing in the sourcing of non-ferrous metals and mineral products.

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

ADDITIONAL INFORMATION ON BOARD OF DIRECTORS**1. FAMILY RELATIONSHIP WITH DIRECTOR AND/OR SUBSTANTIAL SHAREHOLDERS**

None of the directors and/or the substantial shareholders of the Company has any family relationship with the other directors and/or substantial shareholders of the Company except for Tan Sri Dato' Seri Ir. Shamsuddin bin Abdul Kadir who is the father to Tan Sri Dato' Seri Shahril bin Shamsuddin and Dato' Shahrizan bin Shamsuddin.

2. CONFLICT OF INTEREST

None of the directors of the Company has any conflict of interest with the Company, other than direct or indirect interest in shares of the Company as disclosed in the Directors' Report on page 60 of this Annual Report.

3. CONVICTIONS FOR OFFENCES

None of the directors of the Company has any conviction for offences within the past 5 years.

4. ATTENDANCE AT BOARD MEETINGS

The Board of Directors' attendance record at Board Meetings held during the financial year ended 31 January 2019 can be found on page 43 of this Annual Report.

Chief Executive Officer's

PROFILE

**ENCIK HELMI
BIN SHEIKH MAHMOOD***Chief Executive Officer*

▶ Encik Helmi bin Sheikh Mahmood (Male), a Malaysian aged 55, was appointed as the Chief Executive Officer of Sapura Industrial Berhad (SIB) on 1 October 2014.

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

Encik Helmi began his career as an Engineer in Sapura Machining Corporation Sdn. Bhd., a subsidiary of SIB in 1994. With over 25 years of experience in the manufacturing sector he has held various senior positions in SIB Group since 2002, which includes General Manager of various subsidiaries and Chief Operating Officer of SIB Group effective 1 January 2012 before assuming his present position.

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

Encik Helmi does not have any family relationship with any of the Directors and/or major shareholders of the Company nor has he any conflict of interests with the Company, other than those disclosed in this Annual Report. He also has no conviction for offences within the past 5 years.

As at 15 May 2019, Encik Helmi holds 61,917 shares in the Company.



CHASSIS & MODULAR ASSEMBLY

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

MANAGEMENT DISCUSSION AND ANALYSIS



For the financial year ended 31 January 2019 (FY2019), Sapura Industrial Berhad (“SIB” or “the Group”) generated revenue of RM228.8 million, resulting in a corresponding profit after tax of RM4.14 million. SIB maintained its profitability year-on-year as a result of strong fundamentals and the right strategies in place that have helped us navigate through challenges in a subdued automotive industry and tougher operating environment. To ensure that the Group continues its stable trajectory growth into the future, we are pursuing venture synergies that provide opportunities for portfolio diversification and customer and revenue base expansion.

External Environment

After a strong growth in 2017, the global economy started the year 2018 with high expectations for an accelerated growth momentum. However, as the year progressed, global economic activity slowed down, owing to a multitude of factors affecting major economies in the world: the escalating U.S-China trade tensions, tighter credit policies in China, disruptions to the auto sector in Germany, and softening in external demand from emerging markets of Asia. Confronted with such multiple headwinds, coupled with tight financial conditions and volatile financial markets, the global economic growth softened from a peak of 4.0% in 2017 to 3.6% in 2018 (Source: International Monetary Fund, World Economic Outlook, April 2019).

Malaysian Economy

Despite the challenging global economic and financial environment, the Malaysian economy achieved a modest growth of 4.7% in 2018 vs 5.9% in 2017, underpinned largely by private consumption growth and lower inflation rate (Source: Bank Negara Malaysia Annual Report 2018).

The Malaysian economy faced several uncertainties throughout 2018, mainly due to major policy and political shifts stemming from global trade conflicts and the unprecedented change of government in the country. Fortunately, domestic demand supported by private sector expenditure continued to anchor economic growth with additional support from government measures such as the three-month Goods and Services Tax (GST) tax rate holiday (1 June – 31 August 2018) and fixing of the retail fuel prices of RON95 petrol.

MANAGEMENT DISCUSSION AND ANALYSIS

Employment growth remained strong at 2.5% in 2018 vs 2.0 in 2017 with labour force participation rate increased from 68.0% in 2017 to 68.4% in 2018, which contributed to the overall unemployment rate to stay stable (unchanged) at 3.4% (Source: Bank Negara Malaysia Annual Report 2018). Inflation moderated from 3.7% in 2017 to 1.0% in 2018, a beneficial impact of zerorisation of the GST rate and fixing of retail fuel prices. These factors helped to drive household spending which resulted in private consumption to grow to 8.1% in 2018, the fastest rate recorded since 2012 (Source: Bank Negara Malaysia Annual Report 2018).

Amid the shifts in fiscal, economic and reform priorities from the change of government, the Malaysian economy continues to be resilient. With a diversified economy of multiple sources of growth and strong economic fundamentals, a well-developed financial system, a healthy external position and policy flexibility, our economy has the ability to weather risks and vulnerabilities and further bolster sustainable growth.

Malaysian Automotive Industry

The local automotive industry, conversely, recovered and performed well in 2018. The Total Industry Volume (TIV) of new motor vehicles registered in 2018 was 598,714 units compared with 576,625 units registered in 2017. The increase of 22,089 units or 3.8% was mostly due to an upsurge in demand for new vehicles during the GST tax holiday from June to August when prices of new vehicles reduced. In fact, the TIV from June to August were significantly higher than usual – often surpassing the 60,000 units mark – contributed one-third of total sales of new motor vehicles in 2018 (Source: Malaysian Automotive Association (MAA) Market Review for 2018 and Outlook for 2019, January 2019).

Apart from those three months, sales of new motor vehicles were, however, generally flat throughout the year. This can be attributed to pre-election jitters earlier in the year and on-going stringent lending rules imposed by financial institutions, thus affecting consumer spending on new motor vehicles.

Against the backdrop of cautious domestic consumer spending and overall subdued global economic growth, MAA predicts that the outlook for 2019 will continue to be challenging for the automotive sector. As such, they are projecting an uptick in TIV of 600,000 units in 2019, a marginal improvement of 0.21% against 598,714 units in 2018 (Source: Malaysian Automotive Association (MAA) Market Review for 2018 and Outlook for 2019, January 2019).

In terms of total vehicle sales, Perodua continues to lead in the automotive industry with 38% market share, and even more so with the successful launch of their new Perodua Myvi model.

Honda maintains its record of consistent growth, coming in second at 17.1% while Proton and Mazda recorded their market shares at 10.8% and 2.7% respectively.

FINANCIAL PERFORMANCE

For FY2019, the Group generated revenue of RM228.8 million which is 8% higher than that of 2018 (RM211.7 million). This contributed to an increase in net profit of RM4.14 million in FY2019 (FY2018: RM3.02 million).

The improvements in revenue and profit for FY2019 were largely due to introduction of new models launched by our top Original Equipment Manufacturers (OEMs), namely, Perodua, Honda and Mazda. Perodua's New Myvi, Honda CRV and Mazda CX5 were launched towards the end of 2017, and the Group mass-produced and delivered parts for the new models throughout the current financial year. Those OEMs achieved high sales volumes for their new models, of which is partly attributed to the GST rate holiday from June to August.

Our national car makers, Perodua and Proton contributed 77% of the Group's revenue in the current financial year, 3% lower compared to that reported for FY2018 of 79%. This is due to lower vehicle sales from Proton, but was offset by a higher sales volume from Perodua especially its New Myvi model. Revenue contributions from Honda remained status quo at 11% in FY2019 while Mazda reported better results of 7% compared with 5% in FY2018.

Total Group borrowings rose to RM46.3 million in FY2019 (FY2018: RM40.6 million), owing to acquisition of land in Sendayan, Negri Sembilan for future growth. Gearing ratio has also increased to 0.43 in FY2019 (FY2018: 0.38). The Group, however, has increased a cash position of RM13.5 million at the end of the financial year (FY2018: RM12.6 million).

DIVIDENDS

SIB has always been committed to rewarding shareholders through annual dividends. For of the financial year ended 31 January 2019, the Board of Directors has recommended a final single tier dividend of 3 sen per ordinary share to be approved by shareholders at the forthcoming Annual General Meeting of the Company. Meanwhile, an interim single tier dividend of 2 sen per ordinary share was paid on 24 January 2019.

The total dividend pay-out for the year under review would be 5 sen per ordinary share (FY2018: 4 sen per ordinary share).

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONAL PERFORMANCE

As Malaysia’s leading automotive components manufacturer and assembler for over 35 years, we have a robust business model which focuses on strengthening the quality of our core businesses, driving operational excellence and delivering profitable growth and sustainable value for our shareholders. This business model underscores our ability to exceed customers’ expectations and to maintain a stable trajectory growth even during unusual tough market conditions.

Over the years, we have made significant strides in broadening our customer and revenue base. The Group has since expanded our customer base from two national car-makers to major global OEMs such as Honda, Mazda and Mitsubishi.

The Group successfully mass-produced and delivered various components for Perodua New Myvi, Honda CR-V and Mazda CX-5 models in 2018 which saw higher revenue contributions from these OEMs during the financial year as a result of high sales volumes of those new models. We have secured various LOAs for more future car models particularly from Perodua and Mazda which are expected to generate revenue for the Group from FY2020 onwards.



Recipients of Excellent Safety Practice Award from Perodua

We continue to make progress in managing costs while enhancing productivity and efficiency without compromising on the high-quality standards we have set for ourselves. A testament to this commitment is the awards received from Perodua in 2018 – we were among the Top 10 winners of the Excellent Safety Practice Award and runner-up for the Product Quality Award.

To consistently drive business growth and to increase customer satisfaction, we have achieved the International Automotive Task Force (IATF) 16949 certification in 2018. The IATF 16949 certification is aligned with ISO’s quality management systems standard, ISO 9001:2015, and is mandatory for organisations who wish to manufacture parts for the automotive industry. The certification provides brand credibility and sustains an improvement culture in the organisation while striving for high quality products, customer satisfaction and operational efficiency. By having this certification, the Group is able to compete for more business in the industry.

The Group’s manufacturing segment accounts for 99% of its total revenue for FY2019 while the remaining 1% relates to the trading and other business segments of the Group. Under the manufacturing segment, business units are divided based on three core expertise – Precision Machining, Chassis & Modular Assembly, and Hot & Cold Forming. Precision Machining continues to be the Group’s main contributor in FY2019.

Precision Machining

SIB is the leader in high precision machining of automotive engine, transmission and brake components. Over the years, we have invested in the latest technology and equipment to offer products with precise specifications to our customers and that of the strictest quality standards necessary for critical safety components such as connecting rods, camshafts, brake discs, brake drums, front hubs and bracket engine mounting, just to name a few.

MANAGEMENT DISCUSSION AND ANALYSIS

Our customer base includes Perodua and Proton as well as many of the OEMs with operations in Malaysia such as Honda and Mazda. We have successfully mass produced and delivered parts for Perodua's New Myvi, Honda CRV Hub and Mazda CX-5 during the financial year.

The precision machining division contributes 55% of total Group revenue for FY2019 which was the same as FY2018.

Chassis and Modular Assembly

SIB has established itself as one of the major brake systems and modular suppliers in Malaysia. Our chassis and modular assembly operations are currently ranked among the top three local companies in the domestic market.

With strong supply chain management, the chassis and modular assembly division has grown from assembly of modular components to total chassis integration for Proton, Mazda and Great Wall car models. The division embarked on Great Wall's new Haval (H2) SUV localisation assembly since 2017.

The chassis and modular assembly division contributes 25% of total Group revenue for FY2019 (FY2018: 26%).

Hot & Cold Forming

The Hot & Cold Forming division has an in-house advanced design and testing capability - a feature which distinguishes us from competitors in Malaysia and overseas. From the production of high-quality coil springs, strut assemblies and stabiliser bars, our expertise extends to design integration, working closely with customers such as Perodua, Proton, Honda, Mitsubishi and Kayaba. Additionally, we supply to overseas markets such as Thailand and Ecuador.

Being the longest serving unit in the Group, the hot & cold forming division contributes 19% of total Group revenue for FY2019 (FY2018: 18%). The improved revenue for the financial year mainly derived from coil spring contribution to Perodua's New Myvi.



STRATEGIES FOR GROWTH

To embrace the challenge of evolving market conditions and challenging automotive landscape, the Group has adopted a focused approach to keep its operations lean and flexible and to move forward at a deliberate, measured pace. Additionally, we are pursuing venture synergies beyond our automotive business such as the aerospace industry that leverages on our existing strong machining skills and capabilities. Such synergistic collaborations provide us the opportunities to diversify our product portfolio and to further expand our customer base.

Driven by innovation and quality consciousness to deliver sustainable growth and profits while adapting in a dynamic industry and ever-changing society, our business performance is supported by three core strategies – Commercial, Technical and Operational.

Commercial Strategies

Our commercial strategies are centred on the following initiatives:

- Expand and diversify our customer base by securing new customers in automotive and non-automotive businesses
- Consolidate our market position with existing customers
- Move up the supply value chain in the automotive industry
- Increase our product offerings
- Drive innovation and technology

Having being distinctive for quality, reliability and service excellence, we continue to be a long-standing Tier 1 vendor to Perodua and Proton in the domestic OEM market. Our proven track record, capabilities and experience have earned the trust and confidence of global OEMs such as Mazda who have appointed SIB as its Tier-1 vendor for its car assembly plant in Kulim, Kedah. SIB was also appointed as a supplier of transmission components for Akashi Kikai's manufacturing plant in Sendayan, Negri Sembilan.

Additionally, we are progressing in the global automotive supply chain, sourcing for competitive technology and quality, and collaborating with 78 vendors of which 37 vendors are located in Japan, Korea, China, Thailand, India, Indonesia, Australia, Brazil and Europe. The Group has also established a presence in South-East Asia such as Thailand, Philippines and Indonesia, and continuing to penetrate beyond our regional borders to India and Ecuador.

In line with the expansion of product offerings, we have also strengthened our in-house capabilities particularly the process technologies that are associated with the new products.

MANAGEMENT DISCUSSION AND ANALYSIS



Technical Strategies

Innovation is our competitive edge, and we are constantly identifying future technology requirements and technology partners in delivering market-leading innovative products and solutions to our customers.

We are proud of our homegrown design and R&D capabilities which include CAD/CAE software, product simulation and analysis, product development, prototyping, design and fabrication for factory automation. At our testing facilities, we have invested in the latest advanced equipment integral to the automotive industry, such as the 6-axis load tester, hydraulic servo, fatigue tester, Coordinate Measuring Machine (CMM) and hardness tester.

In FY2019, a total of 54 new part numbers were developed by the R&D division. The division also developed several new product & process technology improvements including the high-speed and high-accuracy image-based inspection system to provide better quality assurance at the inspection stage of the machining process. In the Hot & Cold Forming division, we have developed hollow stabiliser bars - a superior product which is cost and energy-effective for the suspension system.

The automotive industry is increasingly moving into the hybrid and electric vehicle segment with green technology gaining

prominence. We are collaborating with the Universiti Malaysia Pahang (UMP) to look into the viability of producing components to cater for this growing niche market.

Operational Strategies

The Group's operational excellence initiatives enable us to be flexible in adapting to changing levels of demand within the automotive industry.

Our operational strategies are executed within the framework of Lean Production System fundamentals which include 5S, Kaizen, Lean Six Sigma as well as Value-Add Value Engineering (VAVE) and Innovative Creative Circle (ICC) methodologies.

These are categorised under four main pillars: Material, Machine, Man and Method. Under "Material", our focus is to reduce material costs, improve the number of Grade A suppliers and ensure on-time delivery. The second pillar "Machine" is to improve efficiency and capacity utilisation and reduce machine down-time. From the "Man" perspective, our objective is to upskill human capital and reduce employee turnover rate. We also review "Method" regularly to eradicate process rejects and warranty claims.

MANAGEMENT DISCUSSION AND ANALYSIS



OUTLOOK AND PROSPECTS

Economic Environment

The overall economic outlook remains benign with global economic growth projected to decline further to 3.3% in 2019 (Source: International Monetary Fund, World Economic Outlook, April 2019). The weakness is expected to persist at the start of 2019 with a pickup supported by significant policy accommodation by major economies in the second half of the year. Also, the outlook for an ease in U.S-China trade tensions seems positive as prospects of a trade agreement are taking shape. However, global trade developments will continue to be a main driver affecting the 2019 forecast, and the general prediction is that the global economy to expand moderately throughout the year.

The Malaysian economy is expected to maintain its growth momentum of 4.3% - 4.8% in 2019 (Source: Bank Negara Malaysia Annual Report 2018). GDP growth will be mostly driven by domestic demand spurred by expansion in private sector expenditure. Private consumption growth will be at a moderate pace as long as labour market conditions, employment and wage growth remain stable. Additionally, with the implementation of several government measures to alleviate rising cost of living, private consumption spending is likely to increase particularly within the lower income households. Furthermore, inflation is projected to be largely stable with an annual average of 0.7% - 1.7% in 2019 (Source: Bank Negara Malaysia Annual Report 2018).

Public consumption, however, is predicted to contract in response to cutbacks in investment by public corporations following the

completion of several infrastructure projects and continued reprioritisation of government spending. Hence, lower public sector expenditure is expected to press on economic growth.

However, Bank Negara Malaysia is confident that the Malaysian economy will be able to withstand these headwinds and challenges as our economy has strong fundamentals with multiple sources of growth, surplus in the current account of balance of payments, robust policy frameworks and a strong financial sector. Moreover, with commitment by the Government to fiscal, structural and institutional reforms, the Malaysian economy will be able to sustain growth and momentum into the future.

Automotive Industry Outlook

MAA foresees 2019 as another difficult year for the automotive business, citing factors such as continuation of stringent approvals on hire purchase loans, delayed approval from the authorities for new models pricing which in turn, affects new model launches and subsequently impact the sales of new vehicles, and consumers still being cautious of committing to big-ticket discretionary spending given the rising cost of living. On the positive side, MAA anticipates the introduction of new models with additional specifications, attractive designs and competitive pricing could sustain buying interest.

The Association is projecting TIV to marginally increase to 600,000 units in 2019, a 0.21% year-on-year growth. The Passenger Vehicle segment is predicted to record 0.15% growth to 534,000 units while the Commercial Vehicle segment is expected to grow by 0.74% to 66,000 units (Source: Malaysian Automotive Association (MAA) Market Review for 2018 and Outlook for 2019, January 2019).

MANAGEMENT DISCUSSION AND ANALYSIS



Signing ceremony of Shareholders' Agreement between SIB, Wada Aircraft Technology Co., Ltd and Aero Inc. at LIMA, Langkawi

Synergy in Aerospace Industry

In line with Malaysian Aerospace Industry Blueprint 2030, and for Malaysia to become the number one aerospace nation in South-East Asia by 2030, SIB has risen to the challenge by diversifying into a new market – the aerospace manufacturing and supply chain.

On 26th March 2019, SIB entered into a Shareholders' Agreement with Wada Aircraft Technology Co., Ltd, Aero Inc. and Sapura Aerospace Technologies Sdn Bhd, to regulate their relationship as shareholders of Sapura Aerospace Technologies Sdn Bhd, a joint venture vehicle for the purpose of carrying out the business of manufacturing and assembly in Malaysia of aerospace sub-assemblies, toolings, jigs and fixtures for the aerospace industry.

This joint venture with two well-established aerospace companies will enable the Group to diversify into manufacturing and assembling of aerospace components, sub-assemblies, tooling, jigs and fixtures for the aerospace industry in Malaysian, Japan and the international markets.

Potential customers will include OEMs and Tier 1 suppliers, such as Airbus and Boeing. Hence, the specialised expert services to be offered by Sapura Aerospace Technologies shall include advanced machining, assembly of large key sections of aircraft, advanced manufacturing, high-level engineering and wide variety of manufactured materials.

Leveraging on our existing strong machining skills and capabilities, this synergistic collaboration enables Sapura Aerospace Technologies to provide better service and competitive solutions to customers who are major players in aircraft manufacturing,

and in turn, to provide a good platform for the Group to expand its customer base in Malaysia, Japan, and internationally.

Sapura Aerospace Technologies will build a high technical facility over a 5-acre site in the Greater Klang Valley area with an investment of up to RM100 million in the next five years for facilities and machineries.

We strongly believe that this strategic alliance combines the experience, expertise, resources and professional network of the three partners, and builds up collective capabilities in technical, facilities and human resources development. The collaboration efforts will also enable SIB to penetrate the aerospace supply chain and gain a foothold in the booming aerospace industry in Malaysia and around the world.



YAB Tun Dr. Mahathir Mohamad, Prime Minister of Malaysia witnessing the exchange of the Shareholders' Agreement

MANAGEMENT DISCUSSION AND ANALYSIS

Future Prospects

The automotive industry will continue to stay soft in the near to medium term with limited sales volumes growth. Nevertheless, the automotive industry still has much to offer as population and demographics growth continue to drive change across our business such as lifestyle and technology, new and complex models, and regulatory pressures on emissions and fuel economy, just to name a few.

Green technology is increasingly relevant with continuous push for fuel efficiency of cars, while advanced electric and hybrid alternatives are gradually replacing traditional mechanical processes. Additionally, manufacturers are opting for lightweight designs and material, while efficiency and product safety are expected as well. To this end, automotive players are expected to adapt and overcome multiple challenges that come along with those changes. SIB is well-positioned to capitalise on such changes as they represent fresh business opportunities for us to leverage on our many strengths and capabilities, innovative technologies, diverse product offerings, continuous operational excellence, and most of all, our team of dedicated professionals working together to deliver more value to our customers and shareholders.

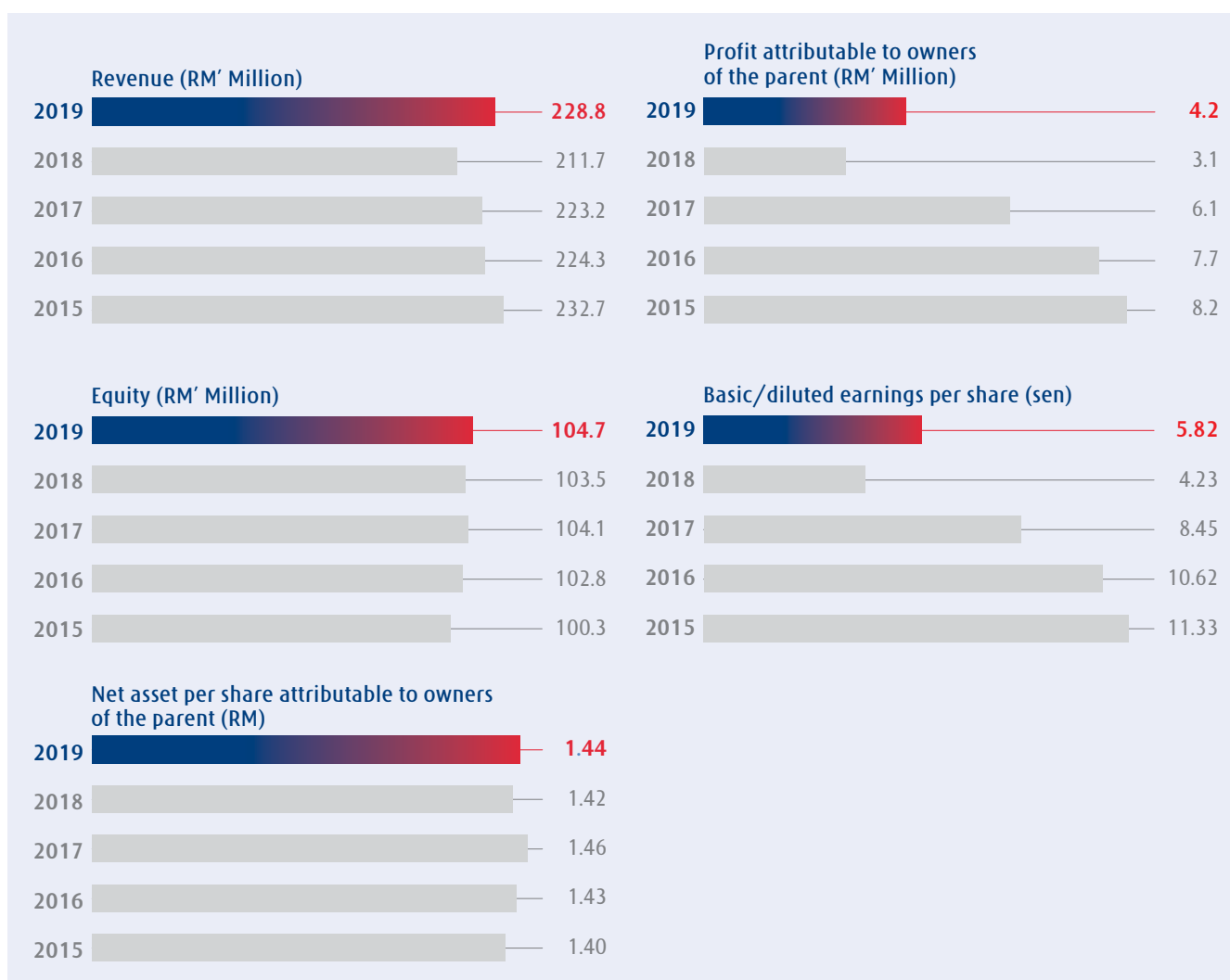
To thrive in this dynamic sector, our outlook for the coming year is one of synergy and diversity. Among the key strategic imperatives that we shall focus for the future ahead are: participate and support localisation programs of new OEMs entering the Malaysian market; penetrate the aerospace supply chain via our joint venture company Sapura Aerospace Technologies Sdn Bhd; pursue new business development opportunities in non-automotive industries such as Oil and Gas (O&G) and medical; and continue to tap into our R&D capabilities to develop new innovative products and solutions that will give us a unique advantage in today's highly competitive market.

As part of our long-term strategy for the future in the automotive business, SIB intends to continue to increase our market share and product offerings, expand our customer and revenue base, and form strategic alliances in core expertise areas. As evident from our recent strategic alliance with two well-established aerospace companies in Japan, we aim to diversify and develop new businesses into the aerospace industry as well – an industry of high technology and engineering-based niche markets that have synergy with the Group's existing strong machining skills and capabilities.



FINANCIAL HIGHLIGHTS

| | | ← 31 January → | | | | |
|--|---------------|----------------|-------|-------|-------|-------|
| | | 2015 | 2016 | 2017 | 2018 | 2019 |
| Revenue | (RM' million) | 232.7 | 224.3 | 223.2 | 211.7 | 228.8 |
| Profit attributable to owners of the parent | (RM' million) | 8.2 | 7.7 | 6.1 | 3.1 | 4.2 |
| Equity | (RM' million) | 100.3 | 102.8 | 104.1 | 103.5 | 104.7 |
| Basic/diluted earnings per share | (sen) | 11.33 | 10.62 | 8.45 | 4.23 | 5.82 |
| Net asset per share attributable to owners of the parent | (RM) | 1.40 | 1.43 | 1.46 | 1.42 | 1.44 |





HOT & COLD FORMING

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

SUSTAINABILITY STATEMENT

Sustainability is at the core of Sapura Industrial Berhad’s (SIB or the Group) vision. SIB has always demonstrated commitment towards sustainability in the economic, environmental and social spheres (“EES”) while maintaining high standards of corporate governance in our efforts to achieve sustainable growth and long-term stakeholder value.

Our Sustainability Approach

SIB’s sustainability framework is centred upon the evaluation of EES risks and opportunities accompanied with the Group’s corporate governance framework and social responsibilities. By applying good corporate governance framework, environmentally responsible practices and sound social policies, SIB is able to achieve sustainable growth and enhance long-term value for our shareholders.

SIB has established a Sustainability Committee to promote and engage full implementation of sustainability strategy and initiatives, and to enhance transparency on disclosure of material issues within the EES areas. We are also taking steps to constantly improve our internal capabilities to manage, communicate and report on our progress on sustainability-related activities as per Main Market Listing Requirements of Bursa Malaysia Securities Berhad (MMLR).

Scope of Reporting

SIB’s Sustainability Statement 2019 covers our economic, environmental and social progress throughout the current financial year. It has been prepared in accordance with MMLR on Sustainability Reporting by Bursa Malaysia Securities Berhad. This report was also reviewed by the Group’s Sustainability Committee and Internal Audit.

Sustainability Governance

The Board of Directors oversees our overall sustainability framework and strategy, and provides direction to the Audit Committee and Sustainability Committee. The Sustainability Committee is chaired by the Chief Executive Officer (CEO), and comprises representatives from relevant support functions in SIB. The CEO develops sustainability plans and initiatives for the Group, and is assisted by senior management across core business segments and support functions of the Group. The Audit Committee ensures the adequacy and effectiveness of the Group’s governance, risk management and internal control systems as well as monitors compliance with policies and procedures.



SUSTAINABILITY STATEMENT

The role of the Sustainability Committee, as delegated by the Board, consists of the following:

- To identify and recommend sustainability strategies for approval and adoption by the Board;
- To ensure that sustainability strategies incorporate Economic, Environment and Social areas;
- To monitor and report on a timely basis to the Board on execution, progress and results of sustainability strategies and action plans;
- To conduct sustainability assessment and stakeholder engagement for prioritisation;
- To oversee the preparation of Sustainability Report in accordance with the Sustainability Reporting Guide of Bursa Malaysia.

The approach of sustainability is based on SIB’s vision, mission and core values:

Our Vision - *To Create Indigenous Technological Platforms Through Entrepreneurship That Propagates Technical Competence Resulting In Sustainable Profits*

Our Mission - *Our Goal Is To Be Technology Competent And Distinctive In Our Area Of Business By Providing Solutions*

That Exceed Customers’ Expectations Through Professional Leadership And To Consistently Deliver Improved Performance

Our Core Values - define who we are and form the basis of a performance driven culture – **Honourable, Professional, Resourceful, Resilient and Agile**

Underlying all efforts is an overriding commitment towards the principles of discipline, good conduct, professionalism, loyalty, integrity and cohesiveness. These principles are outlined in our Code of Ethics and Business Conduct - principles by which business should be executed and the conduct that is expected of our employees at the workplace. In addition, our Code of Ethics and Business Conduct is supported by a robust Whistle Blowing Policy.

Key Stakeholders Engagement

At SIB, a strong engagement with our key stakeholders is our priority. We recognise that we can make better progress in our sustainability journey by collaborating with our stakeholders, understanding their expectations and responding to their concerns. We have undertaken various engagement activities and implement new initiatives to enhance our engagement with the various key stakeholders.

| STAKEHOLDERS | DESCRIPTION | ENGAGEMENT APPROACH |
|--------------|--|--|
| Shareholders | Owners of the Company | Annual general meeting, annual report, quarterly report, board of directors |
| Investors | An entity which commits capital in expectation of financial returns | Annual report, quarterly report, corporate website, press release |
| Employees | People engaged by the Company to provide services to facilitate operations | Meetings, briefings, social activities, intranet, employee training |
| Customers | OEM manufacturers, REM distributors, end users | Meetings, customer satisfaction surveys, customer audits, annual report, corporate website |
| Suppliers | Business partners providing goods or services | Meetings, supplier audits, site visits |
| Government | Government bodies and ministries, regulators | Forums, summits, support government initiatives |
| Communities | Local communities surrounding our business, as well as remote communities affected by our business | Corporate social responsibility events |

SUSTAINABILITY STATEMENT

MATERIALITY ASSESSMENT

The materiality assessment enables SIB to identify potential key sustainability risks and opportunities that may impact the Group’s business and its stakeholders, by conducting a thorough screening process of our business activities and any changes within the internal and external environments. The assessment conforms to Bursa Malaysia’s Sustainability Reporting Guidelines.

The materiality assessment process is as follows:

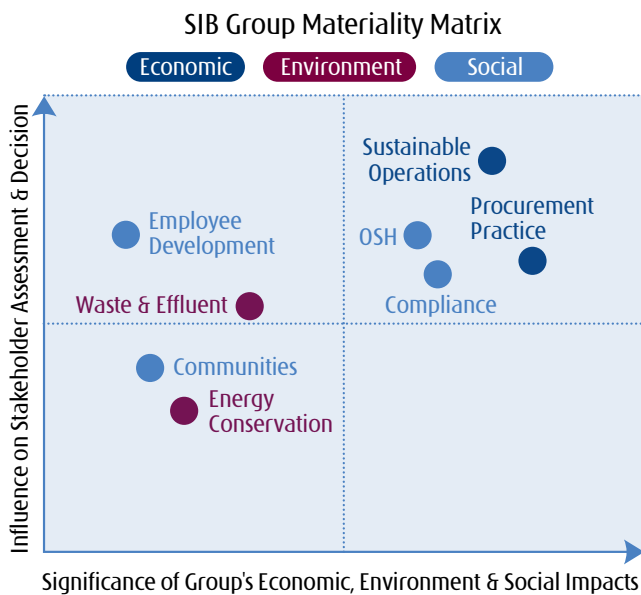


Our Material Sustainability strategic themes are designed to align business initiatives and practices to categories aimed at achieving sustainability goals that are based on SIB’s vision, mission and core values:

| THEMES | INDICATORS | OBJECTIVES |
|---------------------------------|--|---|
| Economic | | |
| Sustainable Operations | <ul style="list-style-type: none"> Economic Performance | <ul style="list-style-type: none"> Generate sustainable financial and business solutions for our customers while managing costs effectively and maintaining high quality standards. |
| Procurement Practices | <ul style="list-style-type: none"> Procurement Practices Vendor Development Programme Vendor Performance Assessment | <ul style="list-style-type: none"> Promote local and sustainable procurement Enhance vendor capability Gain accreditation to international quality certifications. |
| Environment | | |
| Energy Conservation | <ul style="list-style-type: none"> Energy Consumption | <ul style="list-style-type: none"> Efficient use of energy |
| Waste & Effluent Management | <ul style="list-style-type: none"> Waste & Effluent Generation and Treatment | <ul style="list-style-type: none"> Comply strictly with international environmental standards The 3Rs of Waste Management (Reduce, Reuse & Recycle) |
| Social | | |
| Employee Development | <ul style="list-style-type: none"> Training & Development | <ul style="list-style-type: none"> Regular engagement with employees to attract and retain good employees |
| Occupational Safety & Health | <ul style="list-style-type: none"> Compliance with Safety Standards No Accident Major | <ul style="list-style-type: none"> Maintain a safe work environment with injury prevention procedures in place |
| Employee & Community Engagement | <ul style="list-style-type: none"> Health & Wellness Local Communities | <ul style="list-style-type: none"> Strengthen relationships with surrounding communities Corporate Social Responsibility Community Health and Well-Being |
| Compliance | <ul style="list-style-type: none"> Environmental Compliance Socio-economic Compliance | <ul style="list-style-type: none"> Comply with regulatory requirements and all applicable laws in environment, labour, safety and health |

SUSTAINABILITY STATEMENT

This matrix shows key material sustainability matters that are most critical to our business and stakeholders:



MATERIAL SUSTAINABILITY MATTERS

ECONOMICS

Sustainable Operations

Overarching every area of our business, our operating model is designed to preserve the sustainability of our business for the long-term. Throughout the years, we have always adopted a consistent and focused approach in driving operational excellence in productivity and efficiency, emphasising on superior quality and delivering innovative solutions of superior quality and standards to our customers while managing costs effectively.

To ensure that we are on the right track in the pursuit of exceeding customers' expectations in products and services quality, we conducted a survey among our customers to evaluate their satisfaction levels towards our products and services. These survey insights provide SIB an opportunity for continual improvement for its future developments.

The overall Customer Satisfaction Index score was 8.2 out of 10 in FY2019, an improvement from 8.0 out of 10 in FY2018.

Following our first IATF 16949 certification by one operating plant in FY2018, all SIB operating plants are now certified with

IATF 16949 quality management standards. The certification affirms our culture of continuous improvement and customer satisfaction and our ability to deliver market innovative solutions to customers. We also believe that exceeding customers' expectations derives from the knowledge, experience and ingenuity of our people, therefore we recognise the importance of recruiting the right people, developing and providing them with the right opportunities to realise their true potential.

Certificate & Accreditation

We continue to strive for excellence in all areas of our business by achieving accreditation and complying to international standards in the industry. Here is the list of accreditations achieved with various certification bodies:

| TYPE OF CERTIFICATE | CERTIFICATION BODIES |
|---------------------|--|
| OHSAS 18001 : 2007 | SGS, Malaysia TUV Rheinland Kiwa International |
| ISO 9001 : 2015 | SGS, Malaysia TUV Rheinland |
| IATF 16949 | SGS, Malaysia |
| AS 9100 : D | Intertek Testing Services, NA, USA |
| ISO 14001 : 2015 | SGS, Malaysia |

Procurement Practice

The Group is committed to ensure that speed, efficiency and quality are adhered to in the supply chain management process. As we progress up the value chain, we remain committed to our Vendor Development Programme (VDP) through which our vendors work towards improving and strengthen their capabilities to Levels 3, 4 and 5 as well as pursuing accreditation to international quality certifications.

In FY2019, 66 of 68 vendors have at least an ISO certification through our VDP programme. SIB conducts regular audits and visits to our vendors and suppliers to ensure that they are progressing well against targets. Our vendors have also shown improved rankings over the past two years with total number of suppliers with Rank "A" increasing from 70 in FY2018 (representing 88% of total suppliers) to 73 in FY2019 (representing 91% of total suppliers).

SUSTAINABILITY STATEMENT

We provide support and advice to all our vendors and suppliers to strive for excellence in key areas of quality, safety, cost and delivery. As an active member of the OEMs Vendor Associations, SIB serves as an intermediary between the car makers and vendors, thus we contribute to the overall productivity and efficiency of the automotive supply chain.

ENVIRONMENT

Waste and Effluent

We have a responsibility to current and future generations to minimise our impact on the environment and address the pressing issue of climate change. To this end, we strictly comply with environmental laws and regulations pertaining to emission standards, noise level management and treatment of plant effluents and waste water.

Our manufacturing facilities are in compliance with ISO 14001:2015 Environmental Management System through which SIB mitigates adverse impact on the environment via processes and procedures that reduce the impact of emissions and waste materials while conserve energy and material resources. Waste materials such as coolants, hydraulic oil, zinc phosphates and other chemical compounds are safely disposed through licensed

waste transporter and contractor. We ensure that the relevant personnel are trained in handling industrial waste and effluent. As a result, no operational spills, both on water and land, were reported during the financial year.

Energy Conservation

As the world continues to industrialise, the effects on the environment are amplified with greenhouse effects, toxic emissions and waste causing detrimental effects on our planet. Along with more stringent environmental standards and regulations to comply with, SIB is consistently looking at ways to reduce energy consumption and carbon emissions on top of conserving energy and material resources.

Since 2012, our plants have been equipped with energy-saving cold forming process to complement the hot forming method. In FY2019, 71% of our forming process are using energy-saving cold forming equipment vs 44% in FY2018. Our manufacturing facilities have also been installed with transparent roofing and energy-saving lights to reduce energy consumption. The number of plants installed with energy-saving lights increased from one plant in FY2018 to four plants in FY2019.



SUSTAINABILITY STATEMENT



Staff hiking trip at Bukit Broga, Semenyih

SOCIAL

Employee Development

As our business evolves and the environment in which we operate becomes more complex and challenging, the quality of our workforce is absolutely paramount in ensuring that SIB continues to be successful well into the future. Hence, the Group remains attentive to the career aspirations of its employees by helping them to achieve their developmental goals in order to reach their fullest potential. SIB also strictly complies with local labour regulations, and has implemented national minimum wage rates throughout the Group.

Our employees benefit from a range of developmental programmes in each area of our Group’s business which include formal trainings, job rotations, workshops, seminars and mentoring, targeting employees at different stages of their career, from factory operators and entry level to mid-career up to senior leadership. Suitable and qualified candidates are also given the opportunity to further their studies under the Career Development Programme (CDP) at local universities in a discipline relevant to the Group’s business. To date, more than 30 employees have benefitted from CDP while one employee was identified for the FY2019 programme.

For the past several years, SIB has opened its doors to students from local institutions of higher learning to undergo practical training. Our internship program provides an opportunity for trainees to understand how businesses function in real-life setting, thereby accelerating their career experience. Students accepted into our program for a period of three to six months are assigned to the various manufacturing facilities to gain



Long Service Award event 2018

exposure. In FY2019, the Group accepted 52 interns under this initiative compared to 55 interns in FY2018.

To strengthen staff morale, the Company provides various monetary incentives schemes such as “early bird” allowance, reward for staff with no medical leave and medical cost. In recognition of employees’ loyalty, 77 employees were recipients of our Long Service Award and 5 recipients for Best Worker Award in FY2019 compared to 72 and 5 respectively in FY2018.

SIB recognises the importance of work-life balance and believes that healthy and happy employees are key to the Group’s productivity. As such, SIB has continuously sponsored and organised various sports activities to promote healthy and active lifestyle among the employees such as weekly futsal and badminton games. Our employees also came together for a hike up Bukit Broga, Semenyih, and for the Company’s annual “gotong-royong” where management and staff rolled up their sleeves to spruce up our own factory compound. By committing themselves to a shared activity, it has helped strengthened ties among our people and broadened the support network amidst fun and fulfilling activities.

Occupational Safety & Health

Health and safety is given utmost priority in SIB as it is fundamental to good corporate governance and a requirement under the Occupational Safety and Health Act 1994.

SIB adheres to the following principles outlined in the Group’s Occupational Safety & Health Policy:

- Compliance with applicable safety, health and environmental laws and regulations.

SUSTAINABILITY STATEMENT

- Establish Health, Safety and Environment (HSE) Committees at all operating units.
- Develop and implement HSE management systems in all operating units with a dedicated Safety Officer to ensure that the system is enforced.
- Provide information and training on HSE and conduct safety campaigns to create awareness on a regular basis.
- Inspect and supervise that HSE is maintained in all workplaces and work systems.
- Report immediately, investigate and implement corrective actions on all incidents.

During FY2019, the Company organised various health talks for healthy lifestyle and safety talks.

There were no fatalities reported for the financial year under review. Effective implementation of the Group’s Occupational Safety & Health Policy from management and all employees provide a safe, secured and healthy working environment in SIB at all times.

Employee & Community Engagement

Beyond building sustainability in our areas of operations, we believe in engaging and strengthening relationships with the surrounding communities to establish goodwill and to contribute towards community health and well-being.

Employee and community engagement, teamwork and camaraderie outside the workplace are essential in building a dynamic and committed workforce. In turn, SIB employees feel a sense of belonging to the Group, motivating them to take ownership of their roles and responsibilities, respecting the need for work-life integration and overall well-being.

We provided free tuition classes for children of SIB employees who were studying for the UPSR (15 children) and PT3 (18 children) exams in 2018. The tuition classes will continue for this year’s exams.

In collaboration with the National Blood Centre, we held a blood donation campaign at the Company’s premises which saw a gratifying support from our employees.



SUSTAINABILITY STATEMENT



In 2018, we were also delighted to share the joys and bliss of Ramadhan and Syawal with our employees and their families, local communities, business partners and orphans from various homes around Kajang and Bangi at the “Ihya Ramadhan” and “Majlis Sillaturrehaim Aidilfitri” open house events. During the month of Ramadhan, apart from monetary contributions to 45 mosques and suraus, our people volunteered their time and effort to visit homes for the underprivileged and the elderly - Pusat Jagaan Kanak-Kanak Yatim/Miskin Rukaiyah and Rumah Pertubuhan Kebajikan Astana – and donated laptops, lockers, electrical appliances and groceries.

The Group also values the contributions of our employees, even those who are no longer with us. For the children of employees who have passed away whilst in service, we continue to support them through a small monthly contribution of RM100 until they complete secondary school education. In 2018, there were 11 children who benefited from this financial support. Additionally, school vouchers worth RM80 were given to

those 11 children and children of non-executive staff, a total of 65 children received the school vouchers which were worth RM5,200 in value.

In 2018, 5 students received Sapura’s Anugerah Cendekiawan in recognition of their academic excellence in PT3 and SPM examinations. The coveted Anugerah Cemerlang Siti Sapura which honours the most holistic all-rounded recipient was awarded to Ahmad Arif Hazimi bin Abdul Halim whose father is our General Manager, Group Manufacturing. The award is in honour of Allahyarhamah Puan Sri Datin Seri Siti Sapura Husin, who championed the cause in nurturing the potential of the young generation.

Continuing the tradition, SIB sponsored 13 employees across the Group in 2018 to perform the Umrah. This unique experience continues to provide our staff with a lifetime experience that builds lasting friendships and precious memories.



SUSTAINABILITY STATEMENT

Compliance

Complying with regulatory requirements is crucial in ensuring that all necessary standards, processes and systems are in place in running our operations without risking either the Group's commerciality or competitiveness.

The Group's risk management framework sets out the process for risk identification, measurement and treatment with continuous monitoring, review and communication. To achieve the right balance, every employee is involved in identifying and mitigating sustainability risks across all areas of operations with Group Internal Audit Department overseeing the adequacy and effectiveness of the risk management framework while monitoring compliance with policies and procedures. External Auditors are also appointed to ensure that the Group complies with relevant professional and regulatory requirements.

As a result, we are pleased to report that the Group has not been fined or penalised for any major environmental or statutory violation by the relevant authorities during this reporting period.

OUR COMMITMENT

At SIB, we are clear about the important role we play in driving positive change across our four pillars - at work, in the marketplace, the communities in which we live in and operate, and managing impact on the environment. That is why we continuously work towards enhancing our shareholder value, strengthening our risk management framework, adopting and applying good corporate governance framework, environmentally responsible practices and sound social policies, and empowering employees and communities that we engage with.

Our core values of being honourable, professional, resourceful, resilient and agile underpin the way we do business and our conduct with the communities where we operate and serve. We shall maintain our commitment to further integrate SIB's core values in our journey towards achieving sustainability across all aspects of our business.





RESEARCH & DEVELOPMENT

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Sapura Industrial Berhad (SIB or the Company) Board of Directors (the “Board”) regards sound Corporate Governance as vital to the success of the Company’s business. It is about commitment to values and ethical conduct. Thus, the Board is fully committed to ensuring that the interests of all stakeholders are not just safeguarded, but continually enhanced to ensure the sustainability and the long-term growth of the Group’s businesses. Accordingly, the stakeholders’ expectations must be assessed and managed, and not assumed.

This Corporate Governance Overview Statement is augmented with Corporate Governance Report, based on prescribed format as enumerated in Paragraph 15.25(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (MMLR) so as to provide a detailed articulation on the application of the Group’s corporate governance practices vis-à-vis the Malaysian Code on Corporate Governance 2017 (“the Code”). The Corporate Governance Report is available on the Company’s corporate website at www.sapuraindustrial.com.my. This Corporate Governance Overview Statement should also be read together with the Statement on Risk Management & Internal Control, the Audit Committee’s Report and Sustainability Statement stated in this Annual Report.

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

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS

I. ROLES AND RESPONSIBILITIES OF THE BOARD

The Board is entrusted with the responsibility to promote the success of the Group by directing and supervising the Group’s affairs. To discharge the Board’s stewardship responsibilities, the Board has assumed the following principal roles and responsibilities:-

- i) Review and approve annual corporate plan, which includes overall corporate strategy, marketing plan, human resources plan, financial plan and budget and risk management plan;
- ii) Oversee and review the performance of the business and to evaluate whether the business is being properly managed;
- iii) Identify principal risks and ensure the implementation of appropriate systems to manage these risks;
- iv) Ensure that there is an appropriate succession plan for members of the Board and Senior Management;
- v) Develop and implement an investor relations program or shareholders’ communications policy;
- vi) Review the adequacy and integrity of internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives, and guidelines; and
- vii) Review and approve financial statements.

To assist in the discharge of its stewardship role, the board has established Board committees, namely the Audit Committee and Board Nomination & Remuneration Committee to examine specific issues within their respective terms of reference as approved by the Board and report to the Board with their recommendations. The ultimate responsibility for decision making however, lies with the Board.

Board Charter

The Board has established and adopted the Board Charter with the objective of ensuring good Corporate Governance is applied in all of the Company’s business dealings. The Board Charter serves as reference and guidance, providing Board members and Management insight into the functions of SIB Board. The Board shall update the Charter as and when need arises to reflect changes to the Company’s policies, procedures as well as to comply with the latest regulations and legislations.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Code of Ethics & Business Conduct

The Board recognises the importance of having in place a Code of Ethics, setting out the standards of conduct expected from Directors and employees, to cultivate and promote good corporate behavior. Through its “Code of Ethics and Business Conduct”, the Board strives to adhere to the highest ethical standards in discharging its responsibilities and continues to promote integrity and ethical conduct among its members, employees and third parties in all aspects of the Company’s business operations, including confidentiality of information, conflicts of interest, health, safety and health, insider trading as well as establishing whistle blowing policy among others.

Whistle Blowing policy

The Board has adopted a Whistle Blowing policy to provide and facilitate the handling of wrongdoings and protection to whistle blowers. The Policy outlines how and to whom a genuine concern may be raised, in good faith about fraud, illegal, unethical or improper business conduct within the Group.

The Board Charter, Code of Ethics and Business Conduct and Whistle Blowing Policy are available on the Company’s corporate website at www.sapuraindustrial.com.my.

The Chairman and Chief Executive Officer (CEO)

The Company aims to ensure a balance of power and authority between the Chairman and the CEO with a clear vision of responsibility between the running of the Board and the Company’s business respectively. The positions of Chairman and CEO are separated and clearly defined.

Role of Chairman

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

The Chairman, in consultation with the CEO and the Company Secretary, sets the agenda for Board meetings and ensures that all relevant issues are on the agenda and that sufficient time is allowed for the discussion of complex or contentious issues. Where appropriate, informal meetings are arranged beforehand to enable thorough preparation for the Board discussion. The Chairman also ensures that every Board resolution is put to vote to ensure the will of the majority prevails.

Role of Chief Executive Officer

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

The CEO has the executive responsibility for the day-to-day operation of the Company’s business, ensuring business excellence and operational efficiency on behalf of the Board. He implements and coordinates the policies, corporate strategies and decisions adopted by the Board.

Role of Executive Director

The Executive Director’s role is to assist the Executive Chairman in carrying out his responsibilities. The Executive Director is responsible for providing strategic leadership and managing relationship with all stakeholders. The Executive Director shall ensure that the Group’s strategies and corporate policies are effectively followed through.

Conduct of the Company’s business

The Executive Directors and CEO are assisted and supported by its Management Team with vast experience, skills and knowledge of the industry in ensuring that the business of the Company are well managed.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The key management personnel of the Group are as follows:

| NO. | NAME/NATIONALITY/AGE | QUALIFICATION | POSITION |
|-----|--|---|---|
| 1. | Helmi bin Sheikh Mahmood Malaysian / 55 | Master of Science in Manufacturing Systems Engineering, Warwick University, United Kingdom; Bachelor of Science in Mechanical Engineering, University of Tri-State, United States of America | Chief Executive Officer |
| 2. | Adnan bin Jamal Malaysian / 57 | Bachelor of Engineering, Thames Polytechnic, London | Senior General Manager Operations & Technical |
| 3. | Liyana Lee binti Abdullah Malaysian / 52 | Chartered Institute of Management Accountants, United Kingdom (Associate); Malaysian Institute of Accountants (Chartered Accountant) | Group Financial Controller/ Company Secretary |
| 4. | Kelana bin Sajari Malaysian / 57 | Bachelor Degree in Engineering (Civil), Universiti Teknologi MARA, Malaysia | Senior General Manager Group New Business Development/ Strategic Panning |



*CORPORATE GOVERNANCE OVERVIEW STATEMENT***II. BOARD COMPOSITION**

The Board is mindful that the Code recommends at least half of the Board comprises independent directors. Under Practice 4.2 of the Code, the tenure of an independent director does not exceed a cumulative term limit of nine (9) years.

The composition of the Company's current Board of Directors is well balanced, with an effective mix of executive directors, independent and non-executive directors. There are two (2) executive directors, two (2) non-independent non-executive directors and three (3) independent non-executive directors. Our independent directors, who are professionals of credibility and repute, demonstrate independent judgement and objectivity in the Board's deliberations. The diverse professional backgrounds of the directors provide the Board with an effective mix of members with industry-specific knowledge and broad business and commercial experience. A brief profile of the directors is presented on pages 12 to page 16 of this Annual Report.

Datuk Kisai bin Rahmat has been the Company's Independent Director for more than 9 years cumulatively. Following an assessment by the Board Nomination and Remuneration Committee (BNRC) and the Board, Datuk Kisai bin Rahmat remains as an Independent Director as approved by shareholders at the last Annual General Meeting of the Company. The justifications for his reappointment are as follows:-

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

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

The Board continually assesses the composition and the tenure of its independent directors to ensure they have the appropriate balance of skills, expertise and experience to bring an independent view in the consideration of Board issues and provide the appropriate advice to maintain the highest level of corporate ethics. SIB measures the independence of its Directors based on the criteria prescribed under the MMLR in which a Director should be independent and free from any business or other relationship that could interfere with the exercise of independent judgement or the ability to act in the best interests of the Company.

The non-executive directors contribute significantly in areas such as policy and strategy, performance monitoring, allocation of resources as well as improving governance and controls. They also ensure that the strategies proposed by the management are fully discussed and examined, and take into account the long term interest not only of the shareholders, but also of employees, customers and suppliers. Together with the CEO who has an in-depth knowledge of the business, the Board constitutes individuals who are committed to business integrity and professionalism in all its activities.

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

Each Board member is expected to commit sufficient time to carry out his role as Director and/or member of the Board Committee in which he is a member. In accordance with the requirements of the MMLR, none of the Directors of the Company holds more than five (5) directorships in public listed companies. The current Independent Directors of the Company do not sit on the Board of any other public listed companies. This ensures the Independent Directors' commitments, resources and time are focused for an effective input to the Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Board Meetings

Meetings and Procedure

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

The Board ordinarily meets at least four (4) times a year at quarterly intervals, with additional/special meetings convened as and when deemed necessary. At each regularly scheduled meeting, there is a full financial and business review and discussions, including evaluating the performance to date against the annual budget and business plan previously approved by the Board for that year. Whenever necessary, Senior Management and/or external advisors may be invited to attend the Board and/or the Board Committee meetings to provide their professional views, advice and explanation on specific items so as to enable the Board and/or the Committees to arrive at a considered and informed decision.

During the current financial year under review, the Board held five (5) meetings. Details of attendance at Board meetings are as follows:-

| NO. | NAME OF DIRECTORS | POSITION | MEETING ATTENDANCE |
|-----|--|--|--------------------|
| 1. | Tan Sri Dato' Seri Ir. Shamsuddin bin Abdul Kadir | Executive Chairman | 5/5 |
| 2. | Tan Sri Dato' Seri Shahril bin Shamsuddin | Deputy Chairman Non-Independent Non-Executive | 5/5 |
| 3. | Dato' Shahrman bin Shamsuddin | Executive Director | 5/5 |
| 4. | Dato' Azlan bin Hashim | Non-Independent Non-Executive | 5/5 |
| 5. | Datuk Kisai bin Rahmat | Independent Non-Executive | 5/5 |
| 6. | Encik Md. Shah bin Hussin | Independent Non-Executive | 4/5 |
| 7. | Encik Wan Ahamad Sabri bin Wan Daud | Independent Non-Executive | 5/5 |

To facilitate an effective discharge of responsibilities, dedicated Board Committees have been established guided by clear terms of reference. The Board Committees are chaired by non-executive directors who exercise skillful leadership with in-depth knowledge of the relevant industry.

- **Audit Committee**

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

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

Members : **Dato' Azlan bin Hashim**
(Non-Independent Non-Executive Director)

Encik Wan Ahamad Sabri bin Wan Daud
(Independent Non-Executive Director)

The terms of reference of Audit Committee is set out in the Audit Committee's Report on page 49 and also available on the Company's corporate website at www.sapuraindustrial.com.my.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

- **Board Nomination and Remuneration Committee**

The Board Nomination and Remuneration Committee (BNRC) was set up with the primary responsibility of proposing and recommending to the Board, candidates for directorships to be filled in the Board and Board Committees. The BNRC, in recommending candidates for appointment to the Board and Board Committees, assesses the candidates' experience, background, capabilities and skills required by the Board. The Board believes that individuals with diverse backgrounds, independence, competencies and diversity represented on the Board could improve its effectiveness and bring differing perspectives in its deliberations and decision making processes.

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

The BNRC is also responsible to propose, consider and recommend to the Board the remuneration packages for the executive directors and the CEO. The remuneration of the executive directors and the CEO is competitive and attractive as it has been benchmarked against the industry, beside to commensurate with the success and performance of the Group's business.

Currently, the composition of the BNRC complies with the MMLR. The BNRC comprises wholly independent and non-executive directors.

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

Members : **Encik Wan Ahamad Sabri bin Wan Daud**
(Independent Non-Executive Director)

Encik Md. Shah bin Hussin
(Independent Non-Executive Director)

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

The BNRC meets as and when required and at least once every financial year. During the financial year under review, BNRC held one (1) meeting wherein all the members of BNRC attended the meeting.

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

- Objectives;
- Composition and appointment of its members;
- Meetings and procedures;
- Functions and duties;
- Selection and Assessment of Directors;
- Remuneration and terms of employment of the Executive Directors and CEO.

The BNRC's Terms of Reference is available on the Company's corporate website at www.sapuraindustrial.com.my.

Minutes of Meetings

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Supply of Information

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

Company Secretary

The Directors have full and unrestricted access to the advice and services of the Company Secretary who supports and plays an advisory role to the Board in relation to the Board's policies and procedures and ensures compliance with the relevant regulatory requirements, codes, guidance, legislations and best practices on governance. The Company Secretary is also responsible for management of the Company's registers. The Company Secretary provides support to the Chairman of the Company to ensure the effective functioning of the Board and also organises and attends all Board meetings and Board Committees meetings, ensuring that an accurate and proper record of deliberation of issues discussed, decisions and conclusions are taken.

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

Independent Professional Advice

There is a formal procedure sanctioned by the Board of Directors, whether as a full board or in their individual capacity to seek independent professional advice, where necessary, at the Group's expense from time to time. This is to enable the Board to discharge its duties in relation to matters being deliberated. The procedure will involve informing the Company Secretary who will propose a list of advisors for consideration. The advice given could also be shared with the other Board members. Similar access is also extended to the Board Committees on the same basis.

Appointment to the Board

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

Directors' Training

The Board acknowledges that its directors must keep abreast of developments in the Group's operating environment and business and will need to enhance their knowledge and business acumen to meet challenging commercial risks. All Directors have completed the Mandatory Accreditation Programme prescribed by Bursa Malaysia.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board endeavors to provide continual training and development of its current and new directors, by ensuring that the Directors participate in a specifically tailored training and induction program. For the financial year, member(s) of the Board attended the following training programmes:

- Directors' Duties and Corporate Governance
- Whistle-blowing in Malaysia
- Companies of the Future – A Global Perspective
- Director's Duties: Business Judgement Rule Under Malaysian Law
- Advocacy Programme on CG Assessment (Malaysian PLCs)
- Anti-Corruption Summit 2018

Re-election and Reappointment of Directors

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

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

III. REMUNERATION

Level and Make-up of Remuneration

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

The BNRC is also responsible for reviewing and making recommendations to the Board the framework and remuneration packages of the Non-Executive Directors to ensure that the levels of remuneration are sufficient to attract and retain the directors needed to run the Company successfully. In its review, the BNRC considers various factors including the Directors' fiduciary duties, time commitments expected of them and the Company's performance.

For the financial year ended 31 January 2019, the total Directors' fees payable to the Non-Executive Directors amounting to RM345,000 have been recommended to the shareholders for approval at the Company's forthcoming Annual General Meeting.

Remuneration Committee

The Board is satisfied that the BNRC has effectively and efficiently discharged its roles and responsibilities with respect to its nomination and remuneration functions. As such, it is not necessary to separate the Nomination and Remuneration functions into distinct nomination and remuneration committees.

Details of the remuneration of the Directors and the top five (5) Senior Management for the financial year ended 31 January 2019 are disclosed in the Corporate Governance Report which is available on the Company's corporate website at www.sapuraindustrial.com.my.

*CORPORATE GOVERNANCE OVERVIEW STATEMENT***PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT****Financial Reporting**

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

Risk Management and Internal Control

The Board acknowledges its overall responsibility for maintaining a sound system of internal control and a risk management framework to safeguard shareholders' investment and Group assets and for reviewing the effectiveness of these systems. The Statement on Risk Management and Internal Control is presented on pages 52 to 54 of the Annual Report providing an overview of the risk management and status of internal control system within the Group.

Relationship with Auditors

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

The function of the Audit Committee in relation to the external auditors and the number of meetings held since the previous financial year end as well as the attendance record of each member is shown in the Audit Committee's Report on pages 49 to 51 of the Annual Report.

The membership of the Audit Committee, the terms of reference and a summary of the activities of the Committee are presented in the Audit Committee's Report on pages 49 to 51 of the Annual Report.

Directors' Responsibility Statement

The Directors are required by the Companies Act, 2016 to ensure that financial statements prepared for each financial year give a true and fair view of the state of the affairs of the Company and the Group as at the end of the financial year and of the results and cash flow of the Group for the financial year.

PRINCIPAL C : INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS**General Meetings**

The Company has been using the general meetings as a platform for communicating with its shareholders. All shareholders are welcome to attend the Company's general meetings and to actively participate in the proceedings. They are encouraged to give their views and suggestions for the benefit of the Company. Every opportunity is given to shareholders to ask questions and seek clarification on the business and performance of the Company. The Board, Senior Management of the Group as well as the Company's auditors are present to respond to issues raised during the meeting.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Notice of general meetings and annual reports/circulars are sent out with sufficient notice so as to enable shareholders to have the required information to make informed decisions.

In line with MMLR, voting by poll shall be conducted for any resolution set out in the notice of any general meetings in the presence of Independent Scrutineer.

Communication with Stakeholders

The Board recognises the importance of being transparent and accountable to the Company's stakeholders and as such has various channels to maintain communication with them. The annual report, quarterly announcements on financial results, relevant announcements on the Group's business and activities, as well as the Company's website are the primary mode of communication to all its stakeholders.

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

Senior Independent Director

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

Corporate Website

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

The Corporate Governance Overview Statement and the Corporate Governance Report are made in accordance with a resolution of the Board of Directors dated 9 May 2019.

AUDIT COMMITTEE'S REPORT

The Audit Committee of Sapura Industrial Berhad is pleased to present their report for the financial year ended 31 January 2019 in compliance with paragraph 15.15 of the Main Market Listing Requirement of Bursa Malaysia Security Berhad (MMLR).

COMPOSITION

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

Datuk Kisai bin Rahmat, Chairman
Senior Independent Non-Executive Director

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

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

Dato' Azlan bin Hashim is a qualified accountant, currently a Fellow of the Institute of Chartered Accountants (Ireland) and member of Malaysian Institute of Certified Public Accountant which is in compliance with paragraph 15.09(c)(1) of MMLR which requires at least one member of the Committee to be a qualified accountant.

The Chairman of the Committee is not the Chairman of the Board. This is in line with Practice 8.1 under the new Malaysian Code on Corporate Governance (MCCG).

TERMS OF REFERENCE

The Terms of Reference of the Audit Committee set out the authority, duties and responsibilities of the Committee which are consistent with the requirements of the MMLR and the MCCG. This Terms of Reference is accessible on the Group official website at www.sapuraindustrial.com.my.

MEETINGS HELD FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2019

The Audit Committee held four (4) meetings during the financial year ended 31 January 2019 with the Head of Internal Audit and the Group Financial Controller cum Company Secretary in attendance. The Chief Executive Officer, External Auditors and the Head of the Auditee Companies were also invited to brief the Audit Committee on issues tabled for discussion.

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

Audit Committee Meeting Attendance

There were four (4) meetings held during the financial year ended 31 January 2019 and the details of attendance are as follows:-

| No. | Name of Directors | Attendance |
|-----|--|------------|
| 1. | Datuk Kisai bin Rahmat (Chairman, Independent) | 4 out of 4 |
| 2. | Dato' Azlan bin Hashim (Non-Independent) | 4 out of 4 |
| 3. | Encik Wan Ahamad Sabri bin Wan Daud (Independent) | 4 out of 4 |

AUDIT COMMITTEE'S REPORT

SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

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

The main activities undertaken by the Committee were as follows:

Financial Reporting

- Reviewed the quarterly and year end financial statements before recommending to the Board for approval to announce to Bursa Malaysia Securities Berhad
- Ensuring that financial statements comply with applicable financial reporting standard and considered the following on a regular basis:
 - Changes in accounting policies and practices and implementation thereof.
 - Significant adjustments arising from the external audit process.
 - Going concern assumption.
 - Adequacy and appropriateness of disclosure.

External Audit

- Reviewed the External Auditor's scope of work and audit plan for the financial year.
- Considered significant issues arising from the annual audit by the External Auditor.
- Held separate meetings with the External Auditors, excluding the attendance of the Management, to discuss any problems and reservations.
- Considered the suitability and independence of the External Auditor with the Management. Factors considered including the adequacy of experience and resources of the firm and professional staff assigned to the audit and level of non-audit services rendered for the financial year under review. The audit Committee procures a confirmation from them that they are and have been independent throughout the conduct of the audit engagement.
- Considered together with Management the audit fees of External Auditors for recommendation to the Board for approval.

Internal Audit

- Reviewed the internal audit plan to confirm the annual audit of the Group.
- Reviewed and appraised the audit reports by the Internal Auditors.
- Reviewed the adequacy of Internal Audit Department's resources and budget to meet the planned activities across the Group.
- Reviewed and appraised the audit reports by the Internal Auditors and Management's response and follow-up actions to major findings.
- Monitored the implementation of the audit recommendations in subsequent meetings to obtain assurances that all key risks and control concerns have been fully addressed.
- Held separate meetings with the Internal Auditors, excluding the attendance of the Management, to discuss any problems and reservations.

Risk Management and Internal Control

- Reviewed and appraised the various corporate governance, risk management and internal control systems.
- Reviewed the adequacy and effectiveness of the governance and risk management processes as well as the internal control system through risk assessment reports from the Group Risk Management Committee and the Internal Audit Department. Significant risk issues were summarised and communicated to the Board for consideration and resolution.
- Recommended to the Management any improvement on internal controls, procedures and systems of the Group to improve the robustness of its risk monitoring and control activities.

Related Party Transactions

- Reviewed the related party transactions entered into by the Group and any conflict of interest situation that may arise within the Group as to ensure that transactions are fair and reasonable, and are not detrimental to the interest of the Group.

AUDIT COMMITTEE'S REPORT

Others

- Reviewed the Audit Committee Report, Statement on Risk Management and Internal Control and Corporate Sustainability Statement before submission to the Board for consideration and approval for inclusion in Company's Annual Report.

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

INTERNAL AUDIT FUNCTION

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

The Internal Audit function is headed by Encik Nik Lukman, a qualified accountant with over 25 years' experience in a wide range of accounting and internal audit works. He is a member of The Institute of Internal Auditors Malaysia, Malaysian Institute of Accountants and CPA Australia. There are one internal audit manager, assistant manager, executive and audit assistant assisting the department head to carry out various audit assignments. All the internal audit personnel are free from any relationships or conflict of interest, which could impair their objectivity and independence.

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

- the Group's compliance to its established policies and procedures, guidelines and statutory requirements;

- reliability and integrity of financial and operational information;
- safeguarding of assets; and
- operational effectiveness and efficiency.

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

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

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

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

There were no areas of the internal audit function which were outsourced. The total cost incurred for the internal audit function of the Group for the financial year was RM654,248.

DATUK KISAI BIN RAHMAT

Chairman

Audit Committee

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Main Market Listing Requirements of Bursa Malaysia Securities Berhad (MMLR) requires the Board of Directors (the Board) to include in their annual report a statement about state of its internal control. Part II of Principle B in the Malaysian Code on Corporate Governance issued in 2017 (MCCG 2017) requires the Board to maintain a sound risk management framework and internal control system to safeguard shareholders’ investment and the Group’s assets.

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

RESPONSIBILITY

The Board acknowledges its overall responsibility for a sound system of risk management and internal control for the Group and for reviewing its adequacy, effectiveness and integrity so as to safeguard shareholders’ investment and the Group’s assets. Such system covers not only financial controls but also operational and compliance controls and risk management procedures.

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

The Management is responsible for implementing the Board’s policies and procedures on risk and control by identifying and assessing the risks faced and in design, operation and monitoring of suitable internal control to mitigate and control these risks.

In pursuing its responsibility, the Board has an ongoing process for identifying, evaluating and managing significant risks faced

by the Group, which has been in place for the financial year under review and up to the date of approval of this statement for inclusion in the annual report and is in accordance with the “Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers”.

RISK MANAGEMENT

The Board regards risk management as an integral part of the Group’s business operations and has oversight over this critical area through the Audit Committee. The Audit Committee has delegated the oversight of risk management to Group Risk Management Committee (GRMC), although the Board retains overall accountability of the Group’s risk profile.

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

An overview of the Group’s overall risk management framework is illustrated in the following diagram:



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The risk assessment and findings were identified through a combination of interviews and a facilitated workshop. The process used in the interviews and workshop provided a structured approach to assist the Board in identifying, prioritising and managing the risks.

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

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

INTERNAL CONTROL

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

The Internal Audit Department carries out internal control reviews on the financial and operating activities of the Group based on an annual plan that was presented and approved by the Audit Committee. Internal Audit function report directly to the Audit Committee and is independent of the activities it audits.

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

- All major decisions require the approval of the Board and are only made after appropriate in-depth analysis. The Board meets regularly on a quarterly basis, and reviews the financial and operational performance of the Group.
- Clear Group organisation structure that is aligned with the business and operational requirements, defined lines of responsibilities and appropriate levels of delegation.
- All Departments and Divisions of the Group have clearly

documented Policies and Procedures incorporating control and scope of responsibilities.

- A manual called the Limit of Authority (LoA) is used throughout the Group and set out the authority limits in the areas of corporate, operation, financial and human resource. The LoA prescribes limits of authority and prohibits unfettered power within the various levels of management and Group members. The LoA may be reviewed by the Board upon recommendation by management, to ensure its provisions are effective in managing risk and are practical for implementation.
- The Internal Audit Department monitors compliance with the Group's policies and procedures and applicable laws, regulations and standards, and provides independent assurance on adequacy and effectiveness of the risk management and internal control system by conducting regular audit and continuous assessment. Major audit findings and recommendations for corrective actions and improvement are highlighted to Audit Committee and Senior Management. Audit follow-up is carried out to ensure the implementation of corrective action plans in a timely manner.
- The Audit Committee, on behalf of the Board, regularly reviews and holds discussion with management on the action taken on internal control issues identified in various reports prepared by the Internal Audit Department, the external auditors and the management.
- An Annual Budget and Business Plan are prepared and adopted by the Board to facilitate the Group in its business and financial performance. The Board reviews and monitors the achievements of the Group's performance on a quarterly basis.



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

- Weekly Group Management Committee Meetings attended by Senior Management Team and chaired by the Chief Executive Officer to deliberate on business, financial and operational issues which include reviewing and approving all key business strategic measures and policies. Progress status of any internal control measures recommended to the business units during the course of internal audit was also reviewed.
- Monthly Operational Performance Meetings at Group and Company levels attended by respective Business Unit Heads and chaired by the Chief Executive Officer to review operational performance and issues including progress of ongoing initiatives.
- Code of Ethics and Business Conduct is established and adopted for all directors, officers and staff, and a Whistleblowing Policy to facilitate disclosure of any improper conduct within the Group.
- Periodic internal quality inspection to monitor compliance with ISO and OHSAS requirements.

ADEQUACY AND EFFECTIVENESS OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Board confirms that it has reviewed the adequacy and effectiveness of the risk management and internal control framework of the Group for the year under review and up to the date of approval of this statement. Although control lapses were identified for certain business processes within the Group, there were no significant failures or weaknesses that has resulted in material loss that requires disclosure in the Group's annual report for the financial period under review.

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

The Group will continue to identify, evaluate and monitor all major risks and take measures to strengthen the internal control and risk management environment.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by paragraph 15.23 of MMLR, the external auditors, Messrs. Ernst & Young, have reviewed this Statement on Risk Management and Internal Control in accordance with the Guidance for Auditors on Engagement to Report on the Statement on Risk Management and Internal Control (AAPG 3) issued by Malaysian Institute of Accountants for inclusion in this Annual Report and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and effectiveness of risk management and internal control within the Group.

AAPG 3 does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

Statement made in accordance with a resolution of the Board of Directors dated 9 May 2019.

ADDITIONAL COMPLIANCE INFORMATION

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

1. MATERIAL CONTRACTS

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

2. MATERIAL CONTRACTS RELATED TO LOAN

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

3. RECURRENT RELATED PARTY TRANSACTIONS ENTERED INTO DURING FINANCIAL YEAR ENDED 31 JANUARY 2019 PURSUANT TO SHAREHOLDERS' MANDATE

Shareholders' mandate was not required to be procured for recurrent related party transactions entered into during financial year ended 31 January 2019.

4. AUDIT AND NON-AUDIT FEES

The amount of annual audit fees payable to Messrs. Ernst & Young by the Group and the Company is RM170,800 and RM43,900 respectively.

Apart from the annual audit fees, there were non-audit fees amounting RM6,900 and RM25,000 paid to Messrs. Ernst & Young by the Group and the Company respectively during the financial year under review.

5. PROFIT ESTIMATION, FORECAST OR PROJECTION

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

STATEMENT OF DIRECTORS' RESPONSIBILITY IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS

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

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

In preparing the financial statements of the Group and of the Company, the Directors have adopted appropriate accounting policies and applied them consistently and prudently. The Directors have also ensured that those applicable accounting

standards have been followed and confirmed that the financial statements have been prepared on a going concern basis.

The Directors are responsible for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Group and of the Company and which enable them to ensure that the financial statements are in compliance with the provisions of the Companies Act, 2016.

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



Jan Feb Mar Apr May Jun Jul Aug Sep

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+

Innovation
Branding
Solution
Marketing
Analysis
Ideas
Success
Management



Jan Feb Mar Apr May Jun Jul

+



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DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 January 2019.

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 16 to the financial statements.

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

RESULTS

| | Group RM | Company RM |
|---------------------------|-------------|---------------|
| Profit net of tax | 4,144,073 | 1,552,880 |
| Attributable to: | | |
| Owners of the parent | 4,237,668 | 1,552,880 |
| Non-controlling interests | (93,595) | - |
| | 4,144,073 | 1,552,880 |

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

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

DIVIDENDS

During the financial year, the amount of dividends paid by the Company were as follows:

- i) In respect of the financial year ended 31 January 2018, as reported in the Directors' Report for that year:
 - final single tier dividend of 2 sen per ordinary share amounting to RM1,455,514.50 declared on 30th May 2018 and paid on 6th September 2018.
- ii) In respect of the financial year ended 31 January 2019:
 - interim single tier dividend of 2 sen per ordinary share amounting to RM1,455,514.50 declared on 15th November 2018 and paid on 24th January 2019.

At the forthcoming Annual General Meeting, a final single tier dividend in respect of the financial year ended 31 January 2019 of 3 sen per ordinary shares, amounting to a dividend payable of RM2,183,272 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders will be accounted for in equity as an appropriation of distributable reserves in the financial year ending 31 January 2019.

DIRECTORS' REPORT

DIRECTORS

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

Tan Sri Dato' Seri Ir. Shamsuddin bin Abdul Kadir

Tan Sri Dato' Seri Shahril bin Shamsuddin

Dato' Shahrinan bin Shamsuddin

Dato' Azlan bin Hashim

Datuk Kisai bin Rahmat

Md. Shah bin Hussin

Wan Ahamad Sabri bin Wan Daud

Azmi bin Hashim (alternate director to Dato' Azlan bin Hashim)

The names of the directors of the subsidiaries in office since the beginning of the financial year end at the date of this report are:

Helmi bin Sheikh Mahmood

Abdul Halim bin Baharom

Adnan bin Jamal

Kelana bin Sajari

Mohd Salleh bin Jani

Rainer Floeth

Rose binti Mat

Denial Augustine A/L P. Pragasam (alternate director to Rainer Floeth)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 9 to the financial statements or other than benefits included in remuneration as director and/or employee of related corporations) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except as disclosed in Note 29 to the financial statements.

The total amount of insurance premium effected for any director and officer of the Company as at the financial year end is RM16,744.

*DIRECTORS' REPORT***DIRECTORS' INTERESTS**

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

| | Number of ordinary shares | | | At 31.1.2019 |
|---|---------------------------|----------|--------------|-----------------|
| | At 1.2.2018 | Acquired | Transferred | |
| The Company | | | | |
| Sapura Industrial Berhad | | | | |
| Direct interest: | | | | |
| Tan Sri Dato' Seri Ir. Shamsuddin bin Abdul Kadir | 13,794,839 | - | (13,794,839) | - |
| Tan Sri Dato' Seri Shahril bin Shamsuddin | 1,426,875 | - | - | 1,426,875 |
| Dato' Shahriman bin Shamsuddin | 663,175 | - | - | 663,175 |
| Indirect interest: | | | | |
| Tan Sri Dato' Seri Ir. Shamsuddin bin Abdul Kadir | 20,377,300 | - | - | 20,377,300 |

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

OTHER STATUTORY INFORMATION

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

DIRECTORS' REPORT**DIRECTORS' INTERESTS (CONT'D.)**

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

SUBSEQUENT EVENT

Details of the subsequent event is disclosed in Note 33 to the financial statements.

AUDITORS

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

Auditors' remuneration are disclosed in Note 7 to the financial statements.

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement against claims by third parties arising from the audit. No payment has been made to indemnify Ernst & Young during or since the financial year.

Signed on behalf of the Board in accordance with a resolution of the directors dated on 9 May 2019.

Datuk Kisai bin Rahmat

Md. Shah bin Hussin

STATEMENT BY DIRECTORS

Pursuant to section 251(2) of the Companies Act 2016

We, **Datuk Kisai bin Rahmat and Md. Shah bin Hussin**, being two of the directors of Sapura Industrial Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 67 to 137 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act 2016 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 2019 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 9 May 2019.

Datuk Kisai bin Rahmat

Md. Shah bin Hussin

STATUTORY DECLARATION

Pursuant to section 251(1)(b) of the Companies Act 2016

I, **Liyana Lee binti Abdullah**, being the officer primarily responsible for the financial management of Sapura Industrial Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 67 to 137 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly
declared by the abovenamed
Liyana Lee binti Abdullah (CA 10293)
at Bandar Baru Bangi, Selangor Darul Ehsan
on 9 May 2019

Liyana Lee binti Abdullah

Before me,

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SAPURA INDUSTRIAL BERHAD

(Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Sapura Industrial Berhad, which comprise the statements of financial position as at 31 January 2019 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 67 to 137.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 January 2019, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. We have determined that there are no key audit matters to communicate in our report on the financial statements of the Company. The key audit matter for the financial statements of the Group is described below. The matter was addressed in the context of our audit of the financial statement of the Group as a whole and in forming our opinion thereon, and we do not provide a separate opinion on this matter. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

*INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SAPURA INDUSTRIAL BERHAD
(Incorporated in Malaysia)*

Revenue recognition

(Refer to Note 4 to the financial statements)

Revenue from sale of goods recognised by the Group during the year amounted to approximately RM228.8 million. We identified revenue recognition to be an area of audit focus, as we consider the voluminous transactions for numerous types of products to be a possible cause of material misstatements in the timing and recognition of revenue. Specifically, we focused our audit efforts to determine the possibility of overstatement of revenue.

Our audit procedures for revenue recognition included amongst others the following procedures:

- (a) We obtained an understanding of the Group's relevant internal controls and tested the controls over timing and amount of revenue recognised;
- (b) We inspected the terms of significant sales contracts to determine the point in time at which customer obtained control of promised good and the Group satisfies the performance obligation;
- (c) We inspected documents evidencing customers acceptance; and
- (d) We also focused on testing the recording of sales transactions close to the year end, including credit notes issued after year end, to establish whether the transactions were recorded in the correct accounting period;

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

*INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SAPURA INDUSTRIAL BERHAD
(Incorporated in Malaysia)*

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

*INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SAPURA INDUSTRIAL BERHAD
(Incorporated in Malaysia)*

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Ismed Darwis bin Bahatlar
No. 02921/04/2020 J
Chartered Accountant

Kuala Lumpur, Malaysia
9 May 2019

STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 January 2019

| | Note | Group | | Company | |
|---|------|---------------|---------------|--------------|--------------|
| | | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Revenue | 4 | 228,783,714 | 211,713,270 | 23,911,700 | 19,712,915 |
| Cost of sales | | (195,104,671) | (183,296,798) | - | - |
| Gross profit | | 33,679,043 | 28,416,472 | 23,911,700 | 19,712,915 |
| Other income | 5 | 3,716,921 | 4,576,397 | 2,062,670 | 2,124,393 |
| Administrative expenses | | (29,057,849) | (26,872,798) | (23,492,182) | (20,349,146) |
| Selling and marketing expenses | | (717,049) | (609,633) | (421,552) | (326,870) |
| Other expenses | | (92,995) | (202,120) | (11,703) | (18,247) |
| Profit from operations | | 7,528,071 | 5,308,318 | 2,048,933 | 1,143,045 |
| Finance costs | 6 | (2,561,458) | (1,947,270) | (393,045) | (719,793) |
| Profit before tax | 7 | 4,966,613 | 3,361,048 | 1,655,888 | 423,252 |
| Taxation | 10 | (822,540) | (342,944) | (103,008) | (84,638) |
| Profit for the year, representing total comprehensive income for the year | | 4,144,073 | 3,018,104 | 1,552,880 | 338,614 |
| Profit attributable to: | | | | | |
| Owners of the parent | | 4,237,668 | 3,076,690 | 1,552,880 | 338,614 |
| Non-controlling interests | | (93,595) | (58,586) | - | - |
| | | 4,144,073 | 3,018,104 | 1,552,880 | 338,614 |
| Total comprehensive income attributable to: | | | | | |
| Owners of the parent | | 4,237,668 | 3,076,690 | 1,552,880 | 338,614 |
| Non-controlling interests | | (93,595) | (58,586) | - | - |
| | | 4,144,073 | 3,018,104 | 1,552,880 | 338,614 |
| Earnings per share attributable to owners of the parent (sen): | | | | | |
| Basic/diluted | 11 | 5.82 | 4.23 | | |

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

STATEMENTS OF
FINANCIAL POSITION
as at 31 January 2019

| | Note | Group | | Company | |
|--------------------------------|------|--------------------|--------------------|-------------------|-------------------|
| | | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Assets | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 13 | 69,613,861 | 92,105,444 | 720,587 | 15,313,889 |
| Investment property | 14 | 32,592,163 | - | 14,135,693 | - |
| Development expenditure | 15 | 2,983,372 | 3,610,110 | - | - |
| Investments in subsidiaries | 16 | - | - | 28,957,878 | 28,957,878 |
| Other receivables | 18 | - | - | 10,519,273 | - |
| | | 105,189,396 | 95,715,554 | 54,333,431 | 44,271,767 |
| Current assets | | | | | |
| Inventories | 17 | 28,400,123 | 26,633,981 | - | - |
| Tax recoverable | | 1,275,648 | 1,031,504 | - | - |
| Trade and other receivables | 18 | 52,754,845 | 54,349,314 | 23,062,308 | 24,416,627 |
| Other current assets | 19 | 1,680,865 | 2,531,582 | 108,942 | 102,874 |
| Dividend receivable | | - | - | 11,546,071 | 22,375,339 |
| Short term investment | 20 | 2,096,998 | 5,264,169 | - | - |
| Cash and bank balances | | 13,495,777 | 12,630,346 | 2,637,558 | 841,852 |
| | | 99,704,256 | 102,440,896 | 37,354,879 | 47,736,692 |
| Total assets | | 204,893,652 | 198,156,450 | 91,688,310 | 92,008,459 |
| Equity and liabilities | | | | | |
| Current liabilities | | | | | |
| Retirement benefit obligations | 21 | 62,937 | 59,226 | 10,728 | 10,728 |
| Trade and other payables | 25 | 36,222,651 | 35,905,970 | 4,437,173 | 3,631,341 |
| Provisions | 26 | 5,902,623 | 6,536,507 | - | - |
| Tax payable | | 715,865 | 802,303 | 47,808 | - |
| Loans and borrowings | 22 | 20,573,700 | 24,534,526 | 7,086,328 | 7,085,156 |
| | | 63,477,776 | 67,838,532 | 11,582,037 | 10,727,225 |
| Net current assets | | 36,226,480 | 34,602,364 | 25,772,842 | 37,009,467 |

STATEMENTS OF FINANCIAL POSITION

as at 31 January 2019

| | Note | Group | | Company | |
|--|------|-------------|-------------|------------|------------|
| | | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Equity and liabilities (cont'd.) | | | | | |
| Non-current liabilities | | | | | |
| Retirement benefit obligations | 21 | 7,565,585 | 6,908,789 | 2,701,656 | 2,432,140 |
| Loans and borrowings | 22 | 25,710,368 | 16,018,084 | 175,022 | 261,350 |
| Deferred tax liabilities | 24 | 3,408,967 | 3,893,133 | - | - |
| | | 36,684,920 | 26,820,006 | 2,876,678 | 2,693,490 |
| Total liabilities | | 100,162,696 | 94,658,538 | 14,458,715 | 13,420,715 |
| Net assets | | 104,730,956 | 103,497,912 | 77,229,595 | 78,587,744 |
| Equity attributable to owners of the parent | | | | | |
| Share capital | 27 | 74,975,863 | 74,975,863 | 74,975,863 | 74,975,863 |
| Retained profits | | 31,847,799 | 30,521,160 | 2,253,732 | 3,611,881 |
| | | 106,823,662 | 105,497,023 | 77,229,595 | 78,587,744 |
| Non-controlling interests | | (2,092,706) | (1,999,111) | - | - |
| Total equity | | 104,730,956 | 103,497,912 | 77,229,595 | 78,587,744 |
| Total equity and liabilities | | 204,893,652 | 198,156,450 | 91,688,310 | 92,008,459 |

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

CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY
 for the year ended 31 January 2019

| <---- Attributable to owners of the parent ----> | | | | | | |
|--|------|---|--|-------------|------------------------------------|-----------------------|
| | Note | Non-distributable Share capital RM | Distributable Retained profits RM | Total RM | Non-controlling interests RM | Total equity RM |
| As at 1 February 2018 | | 74,975,863 | 30,521,160 | 105,497,023 | (1,999,111) | 103,497,912 |
| Total comprehensive income for the year | | - | 4,237,668 | 4,237,668 | (93,595) | 4,144,073 |
| Dividends on ordinary shares | 12 | - | (2,911,029) | (2,911,029) | - | (2,911,029) |
| At 31 January 2019 | | 74,975,863 | 31,847,799 | 106,823,662 | (2,092,706) | 104,730,956 |
| As at 1 February 2017 | | 74,975,863 | 31,083,257 | 106,059,120 | (1,940,525) | 104,118,595 |
| Total comprehensive income for the year | | - | 3,076,690 | 3,076,690 | (58,586) | 3,018,104 |
| Dividends on ordinary shares | 12 | - | (3,638,787) | (3,638,787) | - | (3,638,787) |
| At 31 January 2018 | | 74,975,863 | 30,521,160 | 105,497,023 | (1,999,111) | 103,497,912 |

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

COMPANY STATEMENT OF
CHANGES IN EQUITY
 for the year ended 31 January 2019

| | Note | Non-distributable Share capital RM | Distributable Retained profits RM | Total RM |
|---|------|---------------------------------------|--------------------------------------|-------------|
| As at 1 February 2018 | | 74,975,863 | 3,611,881 | 78,587,744 |
| Total comprehensive income for the year | | - | 1,552,880 | 1,552,880 |
| Dividends on ordinary shares | 12 | - | (2,911,029) | (2,911,029) |
| At 31 January 2019 | | 74,975,863 | 2,253,732 | 77,229,595 |
| As at 1 February 2017 | | 74,975,863 | 6,912,054 | 81,887,917 |
| Total comprehensive income for the year | | - | 338,614 | 338,614 |
| Dividends on ordinary shares | 12 | - | (3,638,787) | (3,638,787) |
| At 31 January 2018 | | 74,975,863 | 3,611,881 | 78,587,744 |

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

STATEMENTS OF
CASH FLOWS
for the year ended 31 January 2019

| | Group | | Company | |
|--|-------------|-------------|--------------|--------------|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Operating activities | | | | |
| Profit before tax | 4,966,613 | 3,361,048 | 1,655,888 | 423,252 |
| Adjustments for: | | | | |
| Depreciation of property, plant and equipment | 12,760,077 | 11,700,869 | 338,195 | 560,145 |
| Property, plant and equipment written off | 17,299 | 9,587 | - | 170 |
| Depreciation of investment property | 231,236 | - | 193,716 | - |
| Amortisation of development expenditure | 1,330,971 | 1,164,404 | - | - |
| Short term accumulating absences | 34,184 | 5,078 | 23,815 | 9,200 |
| Profit from short term investment | (129,062) | (212,519) | - | - |
| Gain on disposal of property, plant and equipment | - | (207,279) | - | (119,824) |
| Interest income | - | - | (20,000) | (27,535) |
| Impairment loss on other receivables | - | - | 3,168,452 | 1,232,919 |
| Writeback of impairment loss on other receivables | (11,548) | (17,972) | - | - |
| Provisions (net movement) | (401,683) | (191,369) | - | - |
| Net unrealised loss/(gain) on foreign exchange | 673 | (14,503) | - | - |
| Increase in liability for defined benefit plan | 758,307 | 705,627 | 269,516 | 250,596 |
| Impairment of trade receivables | - | 306,291 | - | - |
| Dividend income | - | - | (5,800,000) | (2,490,000) |
| Reversal of provision for slow moving inventories | (310,065) | (12,302) | - | - |
| Interest expense | 2,561,458 | 1,947,270 | 393,045 | 719,793 |
| Development expenditure written off | 138,567 | - | - | - |
| Operating profit before working capital changes | 21,947,027 | 18,544,230 | 222,627 | 558,716 |
| (Increase)/decrease in inventories | (1,456,077) | 4,154,862 | - | - |
| Decrease/(increase) in trade and other receivables | 1,606,017 | (8,826,835) | (12,333,406) | (7,567,769) |
| Decrease/(increase) in other current assets | 850,717 | (244,538) | (6,068) | 238,596 |
| Increase/(decrease) in trade and other payables | 281,824 | (4,245,841) | 782,017 | (35,247,548) |
| Increase/(decrease) in provisions | (232,201) | 77,272 | - | - |
| Cash generated from/(used in) operations | 22,997,307 | 9,459,150 | (11,334,830) | (42,018,005) |
| Interest paid | (2,561,458) | (1,947,270) | (393,045) | (719,793) |
| Taxes paid | (1,637,288) | (1,672,839) | (55,200) | (84,638) |
| Retirement benefits paid | (97,800) | (206,366) | - | (49,410) |
| Net cash generated from/(used in) operating activities | 18,700,761 | 5,632,675 | (11,783,075) | (42,871,846) |

STATEMENTS OF CASH FLOWS
for the year ended 31 January 2019

| | Group | | Company | |
|---|---------------------|---------------------|--------------------|-------------------|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Investing activities | | | | |
| Dividend received | - | - | 16,629,268 | 40,338,117 |
| Purchase of property, plant and equipment | (6,417,225) | (16,994,957) | (74,302) | (658,601) |
| Short term in money market funds withdrawal | 3,296,233 | 6,800,584 | - | - |
| Interest received | - | - | 20,000 | 27,535 |
| Proceeds from disposal of property, plant and equipment | - | 357,015 | - | 247,164 |
| Purchase of investment property | (16,691,967) | - | - | - |
| Development expenditure incurred | (842,800) | (2,534,447) | - | - |
| Net cash (used in)/generated from investing activities | (20,655,759) | (12,371,805) | 16,574,966 | 39,954,215 |
| Financing activities | | | | |
| Net drawdown of term loans | 7,625,734 | 4,352,561 | - | - |
| Net repayment of other short term borrowings | (292,585) | (1,333,972) | - | - |
| (Repayment)/drawdown of revolving credit | (1,500,000) | 9,500,000 | - | 7,000,000 |
| Net repayment of hire purchase and lease financing | (101,691) | 47,323 | (85,156) | 98,214 |
| Dividends on ordinary shares | (2,911,029) | (3,638,787) | (2,911,029) | (3,638,787) |
| Net cash generated from/(used in) financing activities | 2,820,429 | 8,927,125 | (2,996,185) | 3,459,427 |
| Net increase cash and cash equivalents | 865,431 | 2,187,995 | 1,795,706 | 541,796 |
| Cash and cash equivalents at beginning of year | 12,630,346 | 10,442,351 | 841,852 | 300,056 |
| Cash and cash equivalents at end of year | 13,495,777 | 12,630,346 | 2,637,558 | 841,852 |

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

NOTES TO THE FINANCIAL STATEMENTS

- 31 January 2019

1. CORPORATE INFORMATION

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

The principal activities of the Company are investment holding and the provision of management services to its subsidiaries. The principal activities of the subsidiaries are disclosed in Note 16.

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 9 May 2019.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) as issued by Malaysian Accounting Standards Board (“MASB”), International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board, and the Companies Act 2016 in Malaysia.

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

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

As of 1 February 2018, the Group and the Company have adopted new, amendments and revised MFRS (collectively referred to as “pronouncements”) that have been issued by the Malaysian Accounting Standard Board (“MASB”) as described fully in Note 2.2.

2.2 Changes in accounting policies

On 1 February 2018, the Group and the Company adopted the following new and amended MFRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2018.

Effective for annual periods beginning on or after 1 January 2018

| | |
|------------------------|---|
| Amendments to MFRS 1 | Annual Improvements to MFRS 2014-2016 Cycle |
| Amendments to MFRS 2 | Share Based Payment - Classification and Measurement of Share Based Payment Transaction |
| MFRS 9 | Financial Instruments |
| MFRS 15 | Revenue from Contract with Customers |
| Amendments to MFRS 140 | Transfer of Investment Properties |
| IC Interpretation 22 | Foreign Currency Transaction and Advance Consideration |

The adoption of the above new and amended standards did not have any significant effect on the financial performance or position of the Group and the Company except for those disclosed below:

MFRS 9: Financial Instruments

MFRS 9 Financial Instruments replaces MFRS 139 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments, classification and measurement, impairment and hedge accounting. The Group has applied MFRS 9 using prospective approach, with the initial application date of 1 January 2018 and will not restate comparative information.

The adoption of MFRS 9 does not have any material impact on the Group’s and the Company’s financial statements as the classification and measurement of the Group’s financial assets under MFRS 9 is similar to the Group’s previous classification and measurement under MFRS 139.

NOTES TO THE FINANCIAL STATEMENTS
- 31 January 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Changes in accounting policies (cont'd.)

MFRS 15: Revenue from Contracts with Customers

MFRS 15 supersedes MFRS 111 Construction Contracts, MFRS 118 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. MFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

MFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group and the Company adopted MFRS 15 using the modified retrospective method, i.e. to apply MFRS 15 to only contracts that are not completed at the date of initial application. The adoption of MFRS 15 has no material impact on the Group's and the Company's financial position or performance.

MFRS 140: Transfer of Investment Property (Amendments to MFRS 140)

The amendments clarify that when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of change in use.

Entities can apply these amendments either retrospectively (if this is possible without the use of hindsight) or prospectively. Early application of the amendments is permitted and must be disclosed. The Group has applied Amendments to MFRS 140 using prospective approach, with the initial application date of 1 February 2018 and will not restate comparative information. The Group and the Company had applied these amendments prospectively.

Based on the assessment, the Group and the Company identified potential impact on transfer of certain properties from property, plant and equipment to investment property due to the clarification in this new amendments. The Group and the Company had adopted MFRS 140 as per disclosure in Note 14.

2.3 New and revised pronouncements yet in effect

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

Effective for annual periods beginning on or after 1 January 2019

| | |
|------------------------|--|
| MFRS 16 | Leases |
| Amendments to MFRS 9 | Financial Instruments (Prepayment Features With Negative Compensation) |
| Amendments to MFRS 128 | Long-term Interests in Associates and Joint Ventures |
| Amendments to MFRS 112 | Income Taxes (Annual Improvement to MFRS Standards 2015-2017 cycle) |
| Amendments to MFRS 119 | Employee Benefits (Plan Amendment, Curtailment or Settlement) |
| Amendments to MFRS 123 | Borrowing Cost (Annual Improvement to MFRS Standards 2015-2017 cycle) |
| IC Interpretation 23 | Uncertainty over Income Tax Treatments |

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**2.3 New and revised pronouncements yet in effect (cont'd.)****Effective for annual periods beginning on or after 1 January 2020**

| | |
|------------------------|---|
| Amendments to MFRS 3 | Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle) |
| Amendments to MFRS 101 | Presentation of Financial Statements (Definition of Material) |
| Amendments to MFRS 108 | Accounting Policies, Changes in Accounting Estimates and Errors |
| MFRS 117 | Insurance Contracts |

Deferred yet to be effective

| | |
|------------------------------------|---|
| Amendments to MFRS 10 and MFRS 128 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture |
|------------------------------------|---|

Except for the new MFRS discussed below, there are no other new or revised MFRSs and amendments to MFRSs that are not yet effective and that would be expected to have a material impact on the Group and the Company in the current or future reporting periods.

MFRS 16: Leases

In April 2017, MASB issued MFRS 16: Leases which sets out principles for the recognition, measurement, presentation and disclosure of leases, and replaces the existing MFRS 117: Leases. The standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, apart from those where the underlying asset is of low value. Assets and liabilities arising from a lease are initially measured on a present value basis, including non-cancellable lease payments as well as payments to be made in optional periods if the lessee is reasonably certain to exercise the option of not terminating the lease.

Lessor accounting is substantially unchanged from the existing MFRS 117. However, MFRS 16 requires enhanced disclosures to be provided by lessors on lessor's risk exposure, particularly on residual value risk.

A lessee can choose to apply the standard using either a full retrospective or a modified retrospective transition approach. MFRS 16 is effective for annual periods beginning on or after 1 January 2019, with early application permitted for entities that have applied MFRS 15.

The standard will affect primarily the accounting for the Group's operating leases. As at 31 January 2019, the Group has non-cancellable operating lease commitments of RM1,556,750. MFRS 117 does not require the recognition of any right-of-use asset or liability for future payments for these non-cancellable operating leases. Instead, certain disclosures are made in Note 28(b). A preliminary assessment indicates that these arrangements will meet the definition of a lease under MFRS 16 and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of these leases. The new requirements to recognise a right-of-use asset and a related lease liability is expected to have an impact on the amounts recognised in the Group's consolidated financial statements and the Group is currently finalising the impact.

2.4 Basis of consolidation

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
- 31 January 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Basis of consolidation (cont'd.)

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

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

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

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

2.5 Transactions with non-controlling interests

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

2.6 Subsidiaries

Subsidiaries are entities controlled by the Company.

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

Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control when such rights are substantive. The Group considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**2.7 Foreign currency****(a) Functional and presentation currency**

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia, which is also the Company's functional currency.

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

2.8 Property, plant and equipment and depreciation

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

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

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

| | |
|--|------------|
| Building | 2% |
| Plant, machinery, electrical installation, factory equipment and application tools | 10% to 33% |
| Furniture, fittings, office equipment, renovation, computers and motor vehicles | 10% to 25% |

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

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

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

2.9 Investment properties

Investment properties are land or buildings held by the Group or held under finance leases, to earn rental income or for capital appreciation or both. Investment property is stated at cost less accumulated depreciation and accumulated impairment losses.

Freehold land is not depreciated. Depreciation of other investment properties is provided for on a straight-line basis to write off the cost to its residual value over its estimated useful life at the following periods:

| | |
|--------------------------------|---|
| Leasehold land - finance lease | Over lease period of 50 - 99 years |
| Buildings | Over a period of 50 years or period of the lease whichever is the shorter |

Upon the disposal of an item of investment property, the difference between the net disposal proceeds and the carrying amount is recognised in the profit or loss.

When an indication of impairment exists, the carrying amount of the asset is written down immediately to its recoverable value. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.11.

2.10 Intangible asset - Development expenditure

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.10 Intangible asset - Development expenditure (cont'd.)

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

2.11 Impairment of non-financial assets

The Group and the Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group and the Company makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis. Impairment losses are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

2.12 Financial assets

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

(a) Recognition and initial measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("OCI"), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Company's business model for managing them.

With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the Group and the Company initially measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Trade receivables that do not contain a significant financing component or if the period between performance and payment is 1 year or less under practical expedient of MFRS 15, are measured at the transaction price determined under MFRS 15.

NOTES TO THE FINANCIAL STATEMENTS
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.12 Financial assets (cont'd.)

(a) Recognition and initial measurement (cont'd.)

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument.

The Group's and the Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place ("regular way trades") are recognised on the trade date, that is the date that the Group or the Company commits to purchase or sell the asset.

(b) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in three categories:

- (i) Financial assets at amortised cost (debt instruments)
- (ii) Financial assets at fair value through OCI (debt instruments)
- (iii) Financial assets at fair value through profit or loss

Financial assets at amortised cost

This category is the most relevant to the Group and the Company. The Group and the Company measure financial assets at amortised cost if both of the following conditions are met:

- (i) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- (ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.12 Financial assets (cont'd.)

(c) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- (i) The rights to receive cash flows from the asset have expired; or
- (ii) The Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
 - The Group and the Company have transferred substantially all the risks and rewards of the asset, or
 - The Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

When the Group and the Company have transferred their rights to receive cash flows from an asset or have entered into a pass-through arrangement, they evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company would required to repay.

2.13 Impairment of financial assets

The Group and the Company recognise an allowance for expected credit losses ("ECLs") for all debt instruments carried at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group and the Company applies a simplified approach in calculating ECLs. Therefore, the Group and the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group and the Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 30 to 90 days past due. However, in certain cases, the Group and the Company may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

NOTES TO THE FINANCIAL STATEMENTS
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.14 Cash and bank balances

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

2.15 Inventories

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

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

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

2.16 Provisions

Provisions are recognised when the Group and the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.17 Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

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

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group and the Company that are not designated as hedging instruments in hedge relationships as defined by MFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**2.17 Financial liabilities (cont'd.)****Subsequent measurement (cont'd.)****(a) Financial liabilities at fair value through profit or loss (cont'd.)**

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied. The Group and the Company have not designated any financial liabilities as at fair value through profit or loss.

(b) Loans and borrowings

This is the category most relevant to the Group and the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate ("EIR") method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. Borrowings are classified as current liabilities unless the Group and the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Derecognition

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.18 Borrowing costs

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

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

2.19 Employee benefits**(a) Short term**

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.19 Employee benefits (cont'd.)

(b) Defined contribution plans

The Group and the Company participate in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employees Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(c) Defined benefit plan

The Group operates an unfunded, defined benefit Retirement Benefit Scheme ("the Scheme") for its eligible employees. The Group's obligation under the Scheme, calculated using the Projected Unit Credit Method, is determined based on actuarial computations by independent actuaries, through which the amount of benefit that employees have earned in return for their service in the current and prior years is estimated. That benefit is discounted in order to determine its present value. Actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the statements of financial position to reflect the full value of the plan deficit or surplus. Past service costs are recognised immediately to the extent that the benefits are already vested, and otherwise are amortised on a straight-line basis over the average period until the amended benefits become vested.

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

2.20 Leases

(a) As lessee

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**2.20 Leases (cont'd.)****(b) As lessor**

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

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

2.21 Revenue from contract customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers.

The core principle of MFRS 15 is that an entity should recognise revenue which depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(a) Sale of goods

The performance obligation is satisfied upon the delivery of goods to the customers. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Services

The performance obligation is satisfied at a point of time upon the services rendered to the customers.

(c) Interest income

Interest income is recognised using the effective interest method.

(d) Management fees

The performance obligation is satisfied over time upon services being rendered to the customers.

(e) Dividend income

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

2.22 Income taxes**(a) Current tax**

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

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

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.22 Income taxes (cont'd.)

(b) Deferred tax

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

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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associate, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associate, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

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

(c) Good and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of goods and services tax/sales tax except:

- Where the goods and services tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the goods and services tax/sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**2.22 Income taxes (cont'd.)****(c) Good and Services Tax ("GST") (cont'd.)**

- Receivables and payables that are stated with the amount of goods and services tax included.

The net amount of goods and services tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

GST ceased to be effective from 1 September 2018.

2.23 Segment reporting

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

2.24 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.25 Contingencies

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

3.1 Judgements made in applying accounting policies

There were no critical judgements made by management in the process of applying accounting policies that have significant effect on the amount recognised in the financial statements during the current year.

3.2 Key sources of estimation uncertainty

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

(a) Deferred tax assets

Deferred tax assets are recognised for all unabsorbed tax losses and unutilised capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances 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. Further details of recognised and unrecognised deferred tax assets is disclosed in Note 24.

(b) Provision for expected credit losses of trade and other receivables

The Group uses simplified approach to calculate ECLs for trade receivables, contract assets and other investments. The provision rates are based on various customer's historical observed default rates.

The Group will consider and assess the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 18.

NOTES TO THE FINANCIAL STATEMENTS
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4. REVENUE

| | Group | | Company | |
|--|--------------------|--------------------|-------------------|-------------------|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Type of goods or services | | | | |
| Sales of automotive parts | 228,680,442 | 210,495,561 | - | - |
| Services | 103,272 | 1,217,709 | - | - |
| Management fees from subsidiaries | - | - | 18,111,700 | 17,222,915 |
| Total revenue from contract with customers | 228,783,714 | 211,713,270 | 18,111,700 | 17,222,915 |
| Dividends from subsidiaries | - | - | 5,800,000 | 2,490,000 |
| Total revenue from other sources | - | - | 5,800,000 | 2,490,000 |
| | 228,783,714 | 211,713,270 | 23,911,700 | 19,712,915 |
| Geographical markets | | | | |
| Malaysia | 228,573,093 | 211,405,790 | 18,111,700 | 17,222,915 |
| Outside Malaysia | 210,621 | 307,480 | - | - |
| Total revenue from contract with customers | 228,783,714 | 211,713,270 | 18,111,700 | 17,222,915 |
| Total revenue from other sources - Malaysia | - | - | 5,800,000 | 2,490,000 |
| | 228,783,714 | 211,713,270 | 23,911,700 | 19,712,915 |
| Timing of revenue recognition | | | | |
| At a point of time | 228,783,714 | 211,713,270 | - | - |
| Over time | - | - | 18,111,700 | 17,222,915 |
| Total revenue from contract with customers | 228,783,714 | 211,713,270 | 18,111,700 | 17,222,915 |
| Total revenue from other sources | - | - | 5,800,000 | 2,490,000 |

PERFORMANCE OBLIGATIONS

Sales of automotive parts

The performance obligation is satisfied upon delivery of the automotive parts. Payment is generally due within 30 to 90 days from delivery.

Services

The performance obligation is satisfied upon services rendered. Payment is generally due within 30 to 90 days from services rendered.

Management fees from subsidiaries

The Company recognised management fees over time upon services being rendered to subsidiaries.

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5. OTHER INCOME

Included in other income are:

| | Group | | Company | |
|---|------------|------------|------------|------------|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Compensation on unmet volume | - | 810,472 | - | - |
| Rental income | 887,944 | 821,184 | 1,909,704 | 1,858,933 |
| Profit from short term investment | 129,062 | 212,519 | - | - |
| Interest income from advances to subsidiaries | - | - | 20,000 | 27,535 |
| Gain on disposal of property, plant and equipment | - | 207,279 | - | 119,824 |
| Income from sales of scrap | 2,181,122 | 1,390,034 | - | - |
| Foreign exchange gain | | | | |
| - Unrealised | - | 14,503 | - | - |
| - Realised | - | 609,405 | - | - |

6. FINANCE COSTS

| | Group | | Company | |
|---------------------------------|------------|------------|------------|------------|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Interests expense on: | | | | |
| Term loans | 1,161,261 | 705,253 | - | - |
| Overdrafts | 147 | 120 | - | - |
| Revolving credit | 452,618 | 310,611 | 352,922 | 187,610 |
| Obligations under finance lease | 66,715 | 22,089 | 14,252 | 19,087 |
| Bankers' acceptances | 804,552 | 844,150 | - | - |
| Letter of credits | 76,165 | 65,047 | - | - |
| Advances from subsidiaries | - | - | 25,871 | 513,096 |
| | 2,561,458 | 1,947,270 | 393,045 | 719,793 |

NOTES TO THE FINANCIAL STATEMENTS
- 31 January 2019

7. PROFIT BEFORE TAX

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

| | Group | | Company | |
|---|------------|------------|------------|------------|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Employee benefits expense (Note 8) | 42,670,720 | 40,242,296 | 16,435,347 | 15,448,884 |
| Non-executive directors' remuneration (Note 9) | 389,000 | 396,000 | 389,000 | 396,000 |
| Amortisation of development expenditure (Note 15) | 1,330,971 | 1,164,404 | - | - |
| Auditors' remuneration | | | | |
| - Statutory audit | 170,800 | 195,900 | 43,900 | 50,400 |
| - Other services | 31,900 | 8,000 | 31,900 | 8,000 |
| Depreciation of property, plant and equipment (Note 13) | 12,760,077 | 11,700,869 | 338,195 | 560,145 |
| Depreciation of investment property (Note 14) | 231,236 | - | 193,716 | - |
| Foreign exchange loss/(gain) | | | | |
| - Unrealised | 673 | (14,503) | - | - |
| - Realised | 865,709 | (609,405) | - | 73 |
| Development expenditure written off (Note 15) | (138,567) | - | - | - |
| Net reversal of provision for slow moving inventories (Note 17) | (310,065) | (12,302) | - | - |
| Property, plant and equipment written off (Note 13) | 17,299 | 9,587 | - | 170 |
| Impairment of trade receivables (Note 18(a)) | - | 306,291 | - | - |
| (Writeback)/impairment loss on other receivables (Note 18(b)) | (11,548) | (17,972) | 3,168,452 | 1,232,919 |
| Reversal of provisions (Note 26) | (500,041) | (200,000) | - | - |
| Provisions (Note 26) | 98,358 | 8,631 | - | - |
| Rental expense: | | | | |
| - Premises | 548,307 | 823,775 | 1,185,251 | 1,377,472 |
| - Motor vehicles | - | - | - | 3,094 |
| - Equipments | 72,720 | 184,386 | 31,320 | 34,380 |

NOTES TO THE FINANCIAL STATEMENTS
- 31 January 2019

8. EMPLOYEE BENEFITS EXPENSE

| | Group | | Company | |
|--|------------|------------|------------|------------|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Wages and salaries | 31,018,820 | 28,973,183 | 11,456,348 | 10,801,073 |
| Social security contribution | 389,635 | 331,000 | 84,264 | 75,398 |
| Contributions to defined contribution plan | 3,188,778 | 3,011,883 | 1,432,392 | 1,308,696 |
| Increase in liability for defined benefit plan (Note 21) | 758,307 | 705,627 | 269,516 | 250,596 |
| Short term accumulating compensated absences | 34,184 | 5,078 | 23,815 | 9,200 |
| Other benefits | 7,280,996 | 7,215,525 | 3,169,012 | 3,003,921 |
| | 42,670,720 | 40,242,296 | 16,435,347 | 15,448,884 |

Included in employee benefits expense of the Group and of the Company are remuneration of executive directors of the Group and of the Company excluding benefit-in-kind amounting to RM3,440,283 (2018: RM3,788,197) as further disclosed in Note 9.

9. DIRECTORS' REMUNERATION

| | Group and Company | |
|--|-------------------|------------|
| | 2019 RM | 2018 RM |
| Directors of the Company | | |
| Executive: | | |
| Salaries and other emoluments | 3,238,000 | 3,238,000 |
| Bonus | - | 330,000 |
| Contributions to defined contribution plan | 202,283 | 220,197 |
| Benefits-in-kind | 18,561 | 21,250 |
| | 3,458,844 | 3,809,447 |
| Non-Executive: | | |
| Fees | 345,000 | 345,000 |
| Other emoluments | 44,000 | 51,000 |
| | 389,000 | 396,000 |
| | 3,847,844 | 4,205,447 |
| Analysis excluding benefits-in-kind: | | |
| Total executive director's remuneration, excluding benefits-in-kind (Note 8) | 3,440,283 | 3,788,197 |
| Total non-executive directors' remuneration, excluding benefits-in-kind (Note 7) | 389,000 | 396,000 |
| Total directors' remuneration excluding benefits-in-kind | 3,829,283 | 4,184,197 |

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9. 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 | |
|---------------------------|---------------------|------|
| | 2019 | 2018 |
| Executive directors: | | |
| RM2,000,001 - RM2,050,000 | 1 | 1 |
| RM1,750,001 - RM1,800,000 | 1 | 1 |
| Non-executive directors: | | |
| RM50,001 - RM100,000 | 5 | 5 |

10. TAXATION

| | Group | | Company | |
|---|------------|-------------|------------|------------|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Current income tax: | | | | |
| Malaysia income tax | 1,700,748 | 1,987,576 | 103,008 | 58,663 |
| (Over)/under provision in prior years | (394,042) | 24,391 | - | 25,975 |
| | 1,306,706 | 2,011,967 | 103,008 | 84,638 |
| Deferred tax (Note 24): | | | | |
| Relating to origination and reversal of temporary differences | 118,888 | (2,497,940) | - | - |
| (Over)/under provision in prior years | (603,054) | 828,917 | - | - |
| | (484,166) | (1,669,023) | - | - |
| | 822,540 | 342,944 | 103,008 | 84,638 |

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable profit for the year.

NOTES TO THE FINANCIAL STATEMENTS
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10. TAXATION (CONT'D.)

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 January 2019 and 2018 are as follows:

| | Group | | Company | |
|---|------------|-------------|-------------|------------|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Profit before tax | 4,966,613 | 3,361,048 | 1,655,888 | 423,252 |
| Tax at Malaysian statutory tax rate of 24% | 1,191,987 | 806,652 | 397,413 | 101,580 |
| Income not subject to tax | - | (49,747) | (1,392,000) | (597,600) |
| Expenses not deductible for tax purposes | 427,541 | 572,889 | 462,137 | 341,649 |
| Utilisation of reinvestment allowances | (629,222) | (2,293,435) | - | - |
| Deferred tax assets not recognised during the year | 1,097,496 | 584,249 | 903,624 | 213,034 |
| Utilisation of previously unrecognised tax losses and unabsorbed capital allowances | (268,166) | - | (268,166) | - |
| Utilisation of group relief | - | (130,972) | - | - |
| (Over)/under provision of deferred tax expense in prior years | (603,054) | 828,917 | - | - |
| (Over)/under provision of income tax expense in prior years | (394,042) | 24,391 | - | 25,975 |
| | 822,540 | 342,944 | 103,008 | 84,638 |

11. EARNINGS PER SHARE

(a) Basic/diluted

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

| | 2019 | 2018 |
|---|------------|------------|
| Profit net of tax attributable to owners of the parent (RM) | 4,237,668 | 3,076,690 |
| Weighted average number of ordinary shares in issue (unit) | 72,775,737 | 72,775,737 |
| Basic/diluted earnings per share (sen) | 5.82 | 4.23 |

(b) Diluted

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

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12. DIVIDENDS

| | Group and Company | |
|--|-------------------|------------|
| | 2019 RM | 2018 RM |
| Recognised during the year: | | |
| Final single tier dividend for 2018: 2 sen (2017: 3 sen) per share | 1,455,515 | 2,183,272 |
| Interim single tier dividend for 2019: 2 sen (2018: 2 sen) per share | 1,455,515 | 1,455,515 |
| | 2,911,029 | 3,638,787 |

At the forthcoming Annual General Meeting, a final single tier dividend in respect of the financial year ended 31 January 2019 of 3 sen per ordinary shares, amounting to a dividend payable of RM2,183,272 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders will be accounted for in equity as an appropriation of distributable reserves in the financial year ending 31 January 2019.

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13. PROPERTY, PLANT AND EQUIPMENT

| | Long term leasehold land RM | Building RM | Plant, machinery, electrical installation, factory equipment and application tools RM | Furniture, fittings, office equipment, renovation, computers and motor vehicles RM | Total RM |
|---|--------------------------------------|----------------|--|--|--------------|
| Group | | | | | |
| At 31 January 2019 | | | | | |
| Costs | | | | | |
| At 1 February 2018 | 24,454,624 | 23,773,755 | 264,726,094 | 11,009,852 | 323,964,325 |
| Reclassifications to Investment Property (Note 14) | (16,443,220) | (3,199,034) | - | - | (19,642,254) |
| Additions | - | 45,000 | 6,183,487 | 188,738 | 6,417,225 |
| Disposal | - | - | (6,285) | - | (6,285) |
| Write offs | - | - | (14,144,155) | (136,259) | (14,280,414) |
| At 31 January 2019 | 8,011,404 | 20,619,721 | 256,759,141 | 11,062,331 | 296,452,597 |
| Accumulated depreciation and impairment | | | | | |
| At 1 February 2018 | 4,446,678 | 11,985,872 | 206,250,242 | 9,176,089 | 231,858,881 |
| Reclassifications to Investment Property (Note 14) | (2,706,746) | (804,076) | - | - | (3,510,822) |
| Depreciation charge for the year | 82,332 | 355,504 | 11,598,064 | 724,177 | 12,760,077 |
| Disposal | - | - | (6,285) | - | (6,285) |
| Write offs | - | - | (14,136,824) | (126,291) | (14,263,115) |
| At 31 January 2019 | 1,822,264 | 11,537,300 | 203,705,197 | 9,773,975 | 226,838,736 |
| Analysed as: | | | | | |
| Accumulated depreciation | 1,822,264 | 9,352,659 | 168,751,049 | 9,597,959 | 189,523,931 |
| Accumulated impairment losses | - | 2,184,641 | 34,954,148 | 176,016 | 37,314,805 |
| | 1,822,264 | 11,537,300 | 203,705,197 | 9,773,975 | 226,838,736 |
| Net carrying amount | 6,189,140 | 9,082,421 | 53,053,944 | 1,288,356 | 69,613,861 |

NOTES TO THE FINANCIAL STATEMENTS
- 31 January 2019

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

| | Long term leasehold land RM | Building RM | Plant, machinery, electrical installation, factory equipment and application tools RM | Furniture, fittings, office equipment, renovation, computers and motor vehicles RM | Total RM |
|--|--------------------------------------|-------------------|--|--|-------------------|
| Group (cont'd.) | | | | | |
| At 31 January 2018 | | | | | |
| Costs | | | | | |
| At 1 February 2017 | 24,454,624 | 23,773,755 | 250,711,751 | 12,654,357 | 311,594,487 |
| Additions | - | - | 16,198,700 | 796,257 | 16,994,957 |
| Disposal | - | - | (238,146) | (2,527,814) | (2,765,960) |
| Write offs | - | - | (1,619,566) | (239,593) | (1,859,159) |
| Reclassifications | - | - | (326,645) | 326,645 | - |
| At 31 January 2018 | 24,454,624 | 23,773,755 | 264,726,094 | 11,009,852 | 323,964,325 |
| Accumulated depreciation and impairment | | | | | |
| At 1 February 2017 | 4,197,090 | 11,564,419 | 198,111,509 | 10,750,790 | 224,623,808 |
| Depreciation charge for the year | 249,588 | 421,453 | 10,196,423 | 833,405 | 11,700,869 |
| Disposal | - | - | (238,146) | (2,378,078) | (2,616,224) |
| Write offs | - | - | (1,609,058) | (240,514) | (1,849,572) |
| Reclassifications | - | - | (210,486) | 210,486 | - |
| At 31 January 2018 | 4,446,678 | 11,985,872 | 206,250,242 | 9,176,089 | 231,858,881 |
| Analysed as: | | | | | |
| Accumulated depreciation | 4,446,678 | 9,801,231 | 171,296,094 | 9,000,073 | 194,544,076 |
| Accumulated impairment losses | - | 2,184,641 | 34,954,148 | 176,016 | 37,314,805 |
| | 4,446,678 | 11,985,872 | 206,250,242 | 9,176,089 | 231,858,881 |
| Net carrying amount | 20,007,946 | 11,787,883 | 58,475,852 | 1,833,763 | 92,105,444 |

NOTES TO THE FINANCIAL STATEMENTS
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13. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

| | Long term leasehold land RM | Building RM | Plant, machinery, factory equipment and application tools RM | Furniture, fittings, office equipment, renovation, computers and motor vehicles RM | Total RM |
|---|--------------------------------------|----------------|---|--|----------------|
| Company | | | | | |
| At 31 January 2019 | | | | | |
| Cost | | | | | |
| At 1 February 2018 | 16,571,044 | 2,265,637 | 10,423 | 3,787,470 | 22,634,574 |
| Reclassifications to Investment Property (Note 14) | (16,571,044) | (2,265,637) | - | - | (18,836,681) |
| Additions | - | - | - | 74,302 | 74,302 |
| Write offs | - | - | - | (4,210) | (4,210) |
| At 31 January 2019 | - | - | 10,423 | 3,857,562 | 3,867,985 |
| Accumulated depreciation and impairment | | | | | |
| At 1 February 2018 | 2,744,072 | 1,569,535 | 10,423 | 2,996,655 | 7,320,685 |
| Reclassifications to Investment Property (Note 14) | (2,744,072) | (1,569,535) | - | (193,665) | (4,507,272) |
| Charge for the year | - | - | - | 338,195 | 338,195 |
| Write offs | - | - | - | (4,210) | (4,210) |
| At 31 January 2019 | - | - | 10,423 | 3,136,975 | 3,147,398 |
| Analysed as: | | | | | |
| Accumulated depreciation | - | (751,508) | 10,423 | 3,136,975 | 2,395,890 |
| Accumulated impairment losses | - | 751,508 | - | - | 751,508 |
| | - | - | 10,423 | 3,136,975 | 3,147,398 |
| Net carrying amount | - | - | - | 720,587 | 720,587 |

NOTES TO THE FINANCIAL STATEMENTS
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13. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

| | Long term leasehold land RM | Building RM | Plant, machinery, factory equipment and application tools RM | Furniture, fittings, office equipment, renovation, computers and motor vehicles RM | Total RM |
|--|--------------------------------------|----------------|---|--|-------------------|
| Company (cont'd.) | | | | | |
| At 31 January 2018 | | | | | |
| Cost | | | | | |
| At 1 February 2017 | 16,571,044 | 2,265,637 | 10,423 | 4,941,890 | 23,788,994 |
| Additions | - | - | - | 658,601 | 658,601 |
| Disposal | - | - | - | (1,767,554) | (1,767,554) |
| Write offs | - | - | - | (45,467) | (45,467) |
| At 31 January 2018 | 16,571,044 | 2,265,637 | 10,423 | 3,787,470 | 22,634,574 |
| Accumulated depreciation and impairment | | | | | |
| At 1 February 2017 | 2,575,137 | 1,544,763 | 6,575 | 4,319,576 | 8,446,051 |
| Charge for the year | 168,935 | 24,772 | 3,848 | 362,590 | 560,145 |
| Disposal | - | - | - | (1,640,214) | (1,640,214) |
| Write offs | - | - | - | (45,297) | (45,297) |
| At 31 January 2018 | 2,744,072 | 1,569,535 | 10,423 | 2,996,655 | 7,320,685 |
| Analysed as: | | | | | |
| Accumulated depreciation | 2,744,072 | 818,027 | 10,423 | 2,996,655 | 6,569,177 |
| Accumulated impairment losses | - | 751,508 | - | - | 751,508 |
| | 2,744,072 | 1,569,535 | 10,423 | 2,996,655 | 7,320,685 |
| Net carrying amount | 13,826,972 | 696,102 | - | 790,815 | 15,313,889 |

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

- (a) During the financial year, the Group and the Company acquired property, plant and equipment at aggregate costs of RM5,878,515 (2018: RM16,994,957) and RM74,302 (2018: RM658,601) respectively, of which RM Nil (2018: RM366,000) and RM Nil (2018: RM366,000) respectively were acquired by means of hire purchases.

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

| | Group | | Company | |
|---------------|------------|------------|------------|------------|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Motor vehicle | 302,674 | 502,572 | 294,114 | 476,892 |

Details of the terms and conditions of the finance leases are disclosed in Note 23.

- (b) The net carrying amounts of property, plant and equipment pledged as securities for borrowings (Note 22) are as follows:

| | Group | | Company | |
|---------------------|------------|------------|------------|------------|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Plant and machinery | 23,688,414 | 27,541,242 | - | - |

- (c) At 1 February 2018, the Group and Company has adopted the amendments to MFRS 140, and transfer certain leasehold land and building to investment properties.

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14. INVESTMENT PROPERTY

| | Long term leasehold land RM | Building RM | Total RM |
|--|--------------------------------------|------------------|-------------------|
| Group | | | |
| At 31 January 2019 | | | |
| Costs | | | |
| At 1 February 2018 | - | - | - |
| Reclassifications from property, plant and equipment (Note 13) | 16,443,220 | 3,199,034 | 19,642,254 |
| Additions | 16,691,967 | - | 16,691,967 |
| At 31 January 2019 | 33,135,187 | 3,199,034 | 36,334,221 |
| Accumulated depreciation and impairment | | | |
| At 1 February 2018 | - | - | - |
| Reclassifications from property, plant and equipment (Note 13) | 2,706,746 | 804,076 | 3,510,822 |
| Depreciation charge for the year | 167,255 | 63,981 | 231,236 |
| At 31 January 2019 | 2,874,001 | 868,057 | 3,742,058 |
| Net carrying amount | 30,261,186 | 2,330,977 | 32,592,163 |

Fair value of investment properties as at 31 January 2019 was estimated by the independent valuer to be approximately RM60,360,000 (2018: Nil).

The net carrying amounts of investment property pledged as securities for borrowings (Note 22) is RM16,691,967.

Fair value disclosed in the financial statements are categorised within the Level 3 fair value hierarchy which is described as inputs for the assets or liabilities that are based on unobservable market data.

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14. INVESTMENT PROPERTY (CONT'D.)

| | Long term leasehold land RM | Building RM | Total RM |
|--|--------------------------------------|----------------|-------------------|
| Company | | | |
| At 31 January 2019 | | | |
| Cost | | | |
| At 1 February 2018 | - | - | - |
| Reclassifications from property, plant and equipment (Note 13) | 16,571,044 | 2,265,637 | 18,836,681 |
| At 31 January 2019 | 16,571,044 | 2,265,637 | 18,836,681 |
| Accumulated depreciation and impairment | | | |
| At 1 February 2018 | - | - | - |
| Reclassifications from property, plant and equipment (Note 13) | 2,912,966 | 1,594,306 | 4,507,272 |
| Charge for the year | 168,944 | 24,772 | 193,716 |
| At 31 January 2019 | 3,081,910 | 1,619,078 | 4,700,988 |
| Analysed as: | | | |
| Accumulated depreciation | 3,081,910 | 867,570 | 3,949,480 |
| Accumulated impairment losses | - | 751,508 | 751,508 |
| | 3,081,910 | 1,619,078 | 4,700,988 |
| Net carrying amount | 13,489,134 | 646,559 | 14,135,693 |

Fair value of investment properties as at 31 January 2019 was estimated by the independent valuers to be approximately RM43,890,000 (2018: Nil).

Fair value disclosed in the financial statements are categorised within the Level 3 fair value hierarchy which is described as inputs for the assets or liabilities that are based on unobservable market data.

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14. INVESTMENT PROPERTY (CONT'D.)

| Investment property | Valuation Technique | Significant unobservable Inputs | Inter-relationship between significant unobservable inputs and fair value measurement |
|---|---------------------|---|--|
| Lot 5 & 7, Persiaran Usahawan, Taman IKS, Seksyen 9, 43650 Bandar Baru Bangi, Selangor Darul Ehsan. - Land | Comparison method | <p>a) A parcel of freehold industrial land located at Lot 3296, Mukim of Beranang, Plot 1-38, Jalan Perindustrian Mahkota 11A, Lion Industrial Park with a land area of approximately 34,629 square feet was transacted on 26 July 2018 for RM2,600,000.</p> <p>b) A parcel of freehold industrial land located at Lot 3290, Mukim of Beranang, Plot 1-48, Jalan Perindustrian Mahkota 11A, Lion Industrial Park with a land area of approximately 34,629 square feet was transacted on 22 January 2018 for RM2,000,000.</p> <p>c) A parcel of freehold industrial land located at Lot 3215, Mukim of Beranang, Jalan Perindustrian Mahkota 2, Lion Industrial Park with a land area of approximately 88,708 square feet was transacted on 22 January 2018 for RM5,200,000.</p> | The estimated fair value would increase/(decrease) if: - Transacted Price were higher/(lower) |
| Plot 98, Mukim of Bukit Katil, District of Melaka Tengah, Melaka Bandaraya Bersejarah. - Land | Comparison method | <p>a) A vacant parcel of leasehold industrial land located at PT 7521, Mukim of Bukit Katil, District of Melaka Tengah, Melaka Bandaraya Bersejarah with a land area of approximately 205,225 square feet was transacted on 21 July 2015 for RM4,925,393.</p> <p>b) A vacant parcel of leasehold industrial land located at Lot 10109, Mukim of Bukit Katil, District of Melaka Tengah, Melaka Bandaraya Bersejarah with a land area of approximately 37,803 square feet was transacted on 16 February 2016 for RM1,680,000.</p> | The estimated fair value would increase/(decrease) if: - Transacted Price were higher/(lower) |

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14. INVESTMENT PROPERTY (CONT'D.)

| Investment property | Valuation Technique | Significant unobservable Inputs | Inter-relationship between significant unobservable inputs and fair value measurement |
|--|---------------------|---|---|
| Plot 98, Mukim of Bukit Katil, District of Melaka Tengah, Melaka Bandaraya Bersejarah. - Land (cont'd.) | Comparison method | <p>c) A vacant parcel of leasehold industrial land located at Lot 9121, Mukim of Bukit Katil, District of Melaka Tengah, Melaka Bandaraya Bersejarah with a land area of approximately 99,071 square feet was transacted on 13 August 2015 for RM2,773,986.</p> <p>d) Industrial premises located at No.15A, Jalan Usaha 1, Kawasan Perindustrian Ayer Keroh, with a land area of approximately 82,699 square feet was transacted on 12 October 2016 for RM4,600,000.</p> | <p>The estimated fair value would increase/(decrease) if:</p> <p>- Transacted Price were higher/(lower)</p> |
| No 58, Kawasan Perindustrian Gurun, Jalan Jeniang, 08300 Gurun Kedah Darul Aman - Land and building | Comparison method | <p>a) A parcel of vacant leasehold industrial land located at Lot 85, Kawasan Perusahaan Sungai Petani, Kedah Darul Aman with a land area of approximately 104,544 square feet was transacted on 13 March 2018 for RM1,367,821.</p> <p>b) A parcel of vacant leasehold industrial land located at PT95008, Jalan PKNK Utama, Kawasan Perusahaan Sungai Petani, Kedah Darul Aman with a land area of approximately 696,960 square feet was transacted on 8 January 2016 for RM7,643,021.</p> <p>c) A parcel of vacant leasehold industrial land located at PT95009, Jalan PKNK Utama, Kawasan Perusahaan Sungai Petani, Kedah Darul Aman with a land area of approximately 339,768 square feet was transacted on 27 July 2016 for RM3,741,085.</p> <p>d) A parcel of vacant leasehold industrial land located at PT95010, Jalan PKNK Utama, Kawasan Perusahaan Sungai Petani, Kedah Darul Aman with a land area of approximately 130,680 square feet was transacted on 8 January 2016 for RM1,855,000.</p> | <p>The estimated fair value would increase/(decrease) if:</p> <p>- Transacted Price were higher/(lower)</p> |

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14. INVESTMENT PROPERTY (CONT'D.)

| Investment property | Valuation Technique | Significant unobservable Inputs | Inter-relationship between significant unobservable inputs and fair value measurement |
|---|---------------------|--|--|
| No 58, Kawasan Perindustrian Gurun, Jalan Jeniang, 08300 Gurun Kedah Darul Aman - Land and building (cond't.) | Comparison method | e) Industrial premises located at No. 5539, Kawasan Perindustrian Gurun, Jalan Jeniang, 08300 Gurun Kedah Darul Aman with a land area of approximately 422,532 square feet and a build-up area of 95,832 square feet was transacted on 13 October 2017 for RM11,670,513. | The estimated fair value would increase/(decrease) if: - Transacted Price were higher/(lower) |
| HS(D) 207937, PT 6409, Bandar Seri Sendayan, Seremban, Negeri Sembilan Darul Khusus - Land | Comparison method | a) A parcel of vacant leasehold industrial land located at PT 6394, Bandar Seri Sendayan with a land area of approximately 261,369 square feet was transacted on 23 June 2016 for RM12,545,280. b) A parcel of vacant leasehold industrial land located at PT 6396, Bandar Seri Sendayan with a land area of approximately 242,897 square feet was transacted on 23 January 2017 for RM11,304,614. c) A parcel of vacant leasehold industrial land located at Lot 43825, Geran 253378, Bandar Seri Sendayan with a land area of approximately 43,562 square feet was transacted on 16 May 2016 for RM1,930,000. d) A parcel of vacant leasehold industrial land located at PT 6137, Bandar Seri Sendayan with a land area of approximately 130,685 square feet was transacted on 15 May 2014 for RM5,880,852. | The estimated fair value would increase/(decrease) if: - Transacted Price were higher/(lower) |

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14. INVESTMENT PROPERTY (CONT'D.)

| Investment property | Valuation Technique | Significant unobservable Inputs | Inter-relationship between significant unobservable inputs and fair value measurement |
|---|---------------------|--|--|
| HS(D) 207937, PT 6409, Bandar Seri Sendayan, Seremban, Negeri Sembilan Darul Khusus - Land (cont'd.) | Comparison method | e) A parcel of vacant leasehold industrial land located at Lot 10615, Geran 128811, Jalan Permata 2 with a land area of approximately 135,055 square feet was transacted on 6 October 2015 for RM6,752,739. | The estimated fair value would increase/(decrease) if: - Transacted Price were higher/(lower) |
| Lot 1 & 3, Jalan P/11, Seksyen 10, Bandar Baru Bangi, Selangor - Land and building | Comparison method | a) Detached factory located at No 66, Jalan P10/21, Seksyen 10, Bangi with a land and building area of approximately 85,777 and 23,191 square feet respectively was transacted on 19 December 2017 for RM20,800,000. b) Detached factory located at No 4682, Persiaran Jaya, Seksyen 10, Bangi with a land and building area of approximately 943,057 and 206,666 square feet respectively was transacted on 11 December 2015 for RM58,000,000. c) Detached factory located at Lot 57010, Lebu Silk, Kawasan Perusahaan Ringan Balakong with a land and building area of approximately 44,056 and 9,799 square feet respectively was transacted on 15 September 2017 for RM22,248,632. | The estimated fair value would increase/(decrease) if: - Transacted Price were higher/(lower) |

Comparison method

Entails analysing recent transactions of similar properties in the vicinity or within similar localities for comparison purposes to derive the market value with adjustments made for differences in location, physical characteristics and time element to arrive at the market value.

The fair value of the investment property is at its highest and current best use.

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15. DEVELOPMENT EXPENDITURE

| | Group | |
|--|------------------|------------------|
| | 2019 RM | 2018 RM |
| Cost | | |
| At beginning of year | 9,432,582 | 6,898,135 |
| Incurred during the year | 842,800 | 2,534,447 |
| Write offs | (509,131) | - |
| At end of year | 9,766,251 | 9,432,582 |
| Accumulated amortisation and impairment | | |
| At beginning of year | 5,822,472 | 4,658,068 |
| Amortisation during the year (Note 7) | 1,330,971 | 1,164,404 |
| Write offs | (370,564) | - |
| At end of year | 6,782,879 | 5,822,472 |
| Net carrying amount | 2,983,372 | 3,610,110 |

Development expenditure relates to development costs incurred for production of goods on car model projects carried out by the Group. Development expenditure with finite useful lives are amortised over their useful lives.

During the year, the amount of development expenditure recognised as an expense in cost of sales of the Group was RM1,330,971 (2018: RM1,164,404).

16. INVESTMENT IN SUBSIDIARIES

| | Company | |
|-------------------------------------|-------------------|-------------------|
| | 2019 RM | 2018 RM |
| Unquoted shares, at cost | 61,713,074 | 61,713,074 |
| Less: Accumulated impairment losses | (32,755,196) | (32,755,196) |
| | 28,957,878 | 28,957,878 |

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16. INVESTMENT IN SUBSIDIARIES (CONT'D.)

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

| Name of subsidiaries | Principal activities | Equity interest held | |
|--|---|----------------------|-----------|
| | | 2019 % | 2018 % |
| Held by the Company | | | |
| Sapura Machining Corporation Sdn. Bhd. | Manufacture and sale of high value added machined products for the automotive industry. | 100 | 100 |
| Asian Automotive Steels Sdn. Bhd. | Manufacture and sale of stabiliser bar and cold drawn high grade structured steel bars used in the automotive, electronics and electrical industries. | 100 | 100 |
| Sapura Automotive Industries Sdn. Bhd. | Manufacture and sale of coil springs, shock absorbers and strut assemblies, constant velocity joint, axle module and front corner module assemblies for the automotive industry. | 100 | 100 |
| International Autoparts Sdn. Bhd. | Trading of auto parts in retail/after sales market. | 100 | 100 |
| Automotive Specialist Centre Sdn. Bhd. | Dormant. | 100 | 100 |
| Sapura Brake Technologies Sdn. Bhd. | Manufacture, supply and sale of brake systems for the automotive industry. | 100 | 100 |
| Sapura Technical Centre Sdn. Bhd. | Computer aided design and computer aided manufacture of tools, jigs and dies and engineering services in design, modifications and fabrications of sub-system/system for the application in production and testing. | 100 | 100 |
| Isencorp Sdn. Bhd. | Dormant. | 100 | 100 |
| Sapura-Schulz Hydroforming Sdn. Bhd. ("SSH") | Manufacture and sale of butt-weld fittings for oil and gas. | 75 | 75 |
| Subang Properties Sdn. Bhd. ("SPSB") | Dormant. | 51.68 | 51.68 |
| Held by International Autoparts Sdn. Bhd. | | | |
| Awaltek Sdn. Bhd. | Manufacture, supply, sale or service of equipment, machinery and related accessories for energy and manufacturing industries. | 100 | 100 |

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16. INVESTMENT IN SUBSIDIARIES (CONT'D.)

| Non-controlling interests ("NCI") | SSH RM | SPSB RM | Total RM |
|---|-------------|------------|-------------|
| | 25% | 48.32% | |
| 2019 | | | |
| NCI percentage of ownership interest and voting interest | | | |
| Carrying amount of NCI | (2,582,191) | 489,485 | (2,092,706) |
| Loss allocated to NCI | (90,172) | (3,423) | (93,595) |
| 2018 | | | |
| NCI percentage of ownership interest and voting interest | | | |
| Carrying amount of NCI | (2,492,019) | 492,908 | (1,999,111) |
| Loss allocated to NCI | (55,227) | (3,359) | (58,586) |

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

| | SSH RM | SPSB RM | Total RM |
|--|--------------|------------|--------------|
| | 25% | 48.32% | |
| Summarised statement of profit or loss for 2019: | | | |
| Revenue | - | - | - |
| Loss for the year, representing total comprehensive loss | (360,691) | (7,084) | (367,775) |
| Summarised statement of profit or loss for 2018: | | | |
| Revenue | - | - | - |
| Loss for the year, representing total comprehensive loss | (220,906) | (6,952) | (227,858) |
| Summarised statement of financial position as at 31 January 2019: | | | |
| Non-current assets | 1,406,949 | - | 1,406,949 |
| Current assets | 5,841 | 1,018,711 | 1,024,552 |
| Current liabilities | 35,878,154 | 5,700 | 35,883,854 |
| Net (liabilities)/assets | (34,465,364) | 1,013,011 | (33,452,353) |
| Summarised statement of financial position as at 31 January 2018: | | | |
| Non-current assets | 1,423,228 | - | 1,423,228 |
| Current assets | 22,702 | 1,025,791 | 1,048,493 |
| Current liabilities | 35,550,603 | 5,700 | 35,556,303 |
| Net (liabilities)/assets | (34,104,673) | 1,020,091 | (33,084,582) |

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16. INVESTMENT IN SUBSIDIARIES (CONT'D.)

| Non-controlling interests ("NCI") (cont'd.) | SSH RM | SPSB RM | Total RM |
|---|-----------|------------|-------------|
| | 25% | 48.32% | |
| Summarised statement of cash flows for 2019: | | | |
| Cash flows from operating activities representing net decrease in cash and cash equivalents | (16,861) | (48) | (16,909) |
| Dividend paid to NCI | - | - | - |
| Summarised statement of cash flows for 2018: | | | |
| Cash flows from operating activities representing net decrease in cash and cash equivalents | (7,508) | (47) | (7,555) |
| Dividend paid to NCI | - | - | - |

17. INVENTORIES

| | Group | |
|-------------------------------|------------|------------|
| | 2019 RM | 2018 RM |
| At cost: | | |
| Materials and component parts | 17,999,726 | 16,426,323 |
| Work-in-progress | 2,810,622 | 2,812,674 |
| Finished goods | 4,394,454 | 4,259,387 |
| Spares and tools | 1,526,394 | 1,722,693 |
| Consumables | 1,668,927 | 1,412,904 |
| | 28,400,123 | 26,633,981 |

During the year, the amount of inventories recognised as an expense in cost of sales of the Group was RM81,180,157 (2018: RM64,832,438).

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18. TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|--|-------------|-------------|--------------|--------------|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Current: | | | | |
| Trade receivables | | | | |
| Third parties | 50,750,399 | 52,883,388 | - | - |
| Less: Allowance for impairment third parties | - | (1,014,963) | - | - |
| Trade receivables, net | 50,750,399 | 51,868,425 | - | - |
| Other receivables | | | | |
| Amounts due from subsidiaries | - | - | 71,967,016 | 70,641,352 |
| Amounts due from related companies | 701,045 | 165,956 | 662,846 | 127,757 |
| Amounts due from an affiliate company | 5,828,770 | 5,828,770 | - | - |
| Refundable deposits | 524,731 | 563,765 | 294,649 | 294,649 |
| Other receivables | 1,396,760 | 2,380,806 | 181,440 | 228,060 |
| | 8,451,306 | 8,939,297 | 73,105,951 | 71,291,818 |
| Non-current: | | | | |
| Amounts due from subsidiaries | - | - | 10,519,273 | - |
| Less: Allowance for | | | | |
| Amounts due from subsidiaries | - | - | (50,043,643) | (46,875,191) |
| Amounts due from related companies | (38,199) | (38,199) | - | - |
| Amounts due from an affiliate company | (5,828,770) | (5,828,770) | - | - |
| Refundable deposits | (7,090) | (7,090) | - | - |
| Other receivables | (572,801) | (584,349) | - | - |
| | (6,446,860) | (6,458,408) | (50,043,643) | (46,875,191) |
| Other receivables, net | 2,004,446 | 2,480,889 | 33,581,581 | 24,416,627 |
| Total trade and other receivables | 52,754,845 | 54,349,314 | 33,581,581 | 24,416,627 |
| Less: Refundable deposits net of impairment | (517,641) | (556,675) | (294,649) | (294,649) |
| Less: Goods and Services Tax ("GST") receivable | - | (185,046) | - | (121,211) |
| Add: Cash and bank balances | 13,495,777 | 12,630,346 | 2,637,558 | 841,852 |
| Total financial assets carried at amortised costs/ loans and receivables | 65,732,981 | 66,237,939 | 35,924,490 | 24,842,619 |
| Classification of trade and other receivables: | | | | |
| Current | 52,754,845 | 54,349,314 | 23,062,308 | 24,416,627 |
| Non-current | - | - | 10,519,273 | - |
| | 52,754,845 | 54,349,314 | 33,581,581 | 24,416,627 |

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

(a) Trade receivables

Trade receivables are non-interest bearing and the Group's normal trade credit terms range from 30 to 90 (2018: 30 to 90) days. Other credit terms are assessed and approved on a case-by-case basis. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

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

| | Group | |
|--------------------------------------|------------|------------|
| | 2019 RM | 2018 RM |
| Neither past due nor impaired | 37,504,020 | 36,755,406 |
| 1 to 30 days past due not impaired | 6,416,210 | 8,301,353 |
| 31 to 60 days past due not impaired | 5,992,957 | 6,203,013 |
| 61 to 120 days past due not impaired | 837,212 | 608,653 |
| | 13,246,379 | 15,113,019 |
| Impaired | - | 1,014,963 |
| | 50,750,399 | 52,883,388 |

Receivables that are neither past due nor impaired

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

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

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM 13,246,379 (2018: RM15,113,019) that are past due at the reporting date but not impaired. These relate mostly to customers with slower repayment patterns, with no history of default.

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

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

| | Group | |
|---------------------------------|------------|-------------|
| | 2019 RM | 2018 RM |
| Trade receivables: | | |
| Nominal value | - | 1,014,963 |
| Less: Allowance for impairment: | | |
| - individually impaired | - | (1,014,963) |
| | - | - |

NOTES TO THE FINANCIAL STATEMENTS
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18. TRADE AND OTHER RECEIVABLES (CONT'D.)

(a) Trade receivables (cont'd.)

Movement in allowance accounts:

| | Group | |
|------------------------------|-------------|------------|
| | 2019 RM | 2018 RM |
| At 1 February | 1,014,963 | 708,672 |
| Charge for the year (Note 7) | - | 306,291 |
| Written off during the year | (1,014,963) | - |
| At 31 January | - | 1,014,963 |

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

(b) Other receivables

The Group's and the Company's other receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

| | Group | | Company | |
|---------------------------------|-------------|-------------|--------------|--------------|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Other receivables: | | | | |
| Nominal value | 6,446,860 | 6,458,408 | 50,043,643 | 46,875,191 |
| Less: Allowance for impairment | (6,446,860) | (6,458,408) | (50,043,643) | (46,875,191) |
| | - | - | - | - |
| Movement in allowance accounts: | | | | |
| At the beginning of year | 6,458,408 | 6,476,380 | 46,875,191 | 45,642,272 |
| Charge for the year (Note 7) | - | - | 3,168,452 | 1,232,919 |
| Impairment write back (Note 7) | (11,548) | (17,972) | - | - |
| At the end of year | 6,446,860 | 6,458,408 | 50,043,643 | 46,875,191 |

Other receivables that are impaired

At the reporting date, the Group and the Company have provided an allowance of RM6,446,860 (2018: RM6,458,408) and RM50,043,643 (2018: RM46,875,191) respectively. These mainly relate to balances due from related parties which have been significantly long outstanding.

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

(c) Amount due from subsidiaries

The amounts due from subsidiaries are unsecured, non-interest bearing and with no fixed terms of repayment, except for an amount due from subsidiaries of RM500,000 (2018: RM500,000) is unsecured, interest rate of 4.00% (2018: 4.00%) per annum and repayable within 1 to 5 years.

(d) Amount due from related companies and an affiliate company

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

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

The amounts due from related companies and an affiliate company are unsecured, non-interest bearing and are repayable upon demand.

(e) Credit risk

As at the reporting date, the Group has significant concentration of credit risk in the form of outstanding balances due from 2 (2018: 2) groups of debtors representing 70% (2018: 68%) of the total net trade receivables.

19. OTHER CURRENT ASSETS

| | Group | | Company | |
|-------------|------------|------------|------------|------------|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Prepayments | 1,680,865 | 2,531,582 | 108,942 | 102,874 |

20. SHORT TERM INVESTMENT

| | Group | |
|--|-------------|-------------|
| | 2019 RM | 2018 RM |
| Held for trading investments | 5,264,169 | 11,852,234 |
| Withdrawal | (3,296,233) | (6,800,584) |
| Profit received during the year (Note 5) | 129,062 | 212,519 |
| Investment in money market funds, representing total financial assets at fair value through profit or loss | 2,096,998 | 5,264,169 |

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21. RETIREMENT BENEFIT OBLIGATIONS

The Group operates an unfunded, defined benefit Retirement Benefit Scheme (“the Scheme”) for its eligible employees. The Group’s obligation under the Scheme is determined based on the latest actuarial valuation by an independent valuer for the financial year 2019. Under the Scheme, eligible employees are entitled to retirement benefits on attainment of the retirement age.

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

| | Group | | Company | |
|---|------------|------------|------------|------------|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Present value of unfunded defined benefit obligations, representing net liabilities | 7,628,522 | 6,968,015 | 2,712,384 | 2,442,868 |
| Analysed as: | | | | |
| Current | 62,937 | 59,226 | 10,728 | 10,728 |
| Non-current | 7,565,585 | 6,908,789 | 2,701,656 | 2,432,140 |
| | 7,628,522 | 6,968,015 | 2,712,384 | 2,442,868 |

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

| | Group | | Company | |
|---|------------|------------|------------|------------|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Current service costs | 532,997 | 369,982 | 140,660 | 134,260 |
| Interest cost | 225,310 | 335,645 | 128,856 | 116,336 |
| Total, included in employee benefits expense (Note 8) | 758,307 | 705,627 | 269,516 | 250,596 |

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

| | Group | | Company | |
|------------------------------|------------|------------|------------|------------|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| At beginning of year | 6,968,015 | 6,468,754 | 2,442,868 | 2,241,682 |
| Recognised in profit or loss | 758,307 | 705,627 | 269,516 | 250,596 |
| Benefits paid | (97,800) | (206,366) | - | (49,410) |
| At end of year | 7,628,522 | 6,968,015 | 2,712,384 | 2,442,868 |

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21. RETIREMENT BENEFIT OBLIGATIONS (CONT'D.)

Principal actuarial assumptions used:

| | 2019 % | 2018 % |
|-----------------------------------|-----------|-----------|
| Discount rate | 5.2 | 5.2 |
| Expected rate of salary increases | | |
| - Executives | 5.0 | 5.0 |
| - Non executives | 5.0 | 5.0 |

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

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

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

22. LOANS & BORROWINGS

| | Group | | Company | |
|--|------------|------------|------------|------------|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Current | | | | |
| Secured: | | | | |
| Term loans | 5,090,911 | 7,253,826 | - | - |
| Obligations under finance leases (Note 23) | 96,361 | 101,687 | 86,328 | 85,156 |
| | 5,187,272 | 7,355,513 | 86,328 | 85,156 |
| Unsecured: | | | | |
| Bankers' acceptances | 7,386,428 | 7,679,013 | - | - |
| Revolving credits | 8,000,000 | 9,500,000 | 7,000,000 | 7,000,000 |
| | 15,386,428 | 17,179,013 | 7,000,000 | 7,000,000 |
| | 20,573,700 | 24,534,526 | 7,086,328 | 7,085,156 |
| Non-current | | | | |
| Secured: | | | | |
| Term loans | 25,535,345 | 15,746,696 | - | - |
| Obligations under finance leases (Note 23) | 175,023 | 271,388 | 175,022 | 261,350 |
| | 25,710,368 | 16,018,084 | 175,022 | 261,350 |

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22. LOANS & BORROWINGS (CONT'D.)

| | Group | | Company | |
|--|------------|------------|------------|------------|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Total | | | | |
| Revolving credits | 8,000,000 | 9,500,000 | 7,000,000 | 7,000,000 |
| Bankers' acceptances | 7,386,428 | 7,679,013 | - | - |
| Term loans | 30,626,256 | 23,000,522 | - | - |
| Obligations under finance leases (Note 23) | 271,384 | 373,075 | 261,350 | 346,506 |
| | 46,284,068 | 40,552,610 | 7,261,350 | 7,346,506 |

The remaining maturities of the loans and borrowings as at 31 January 2019 are as follows:

| | Group | | Company | |
|---|------------|------------|------------|------------|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Within 1 year | 20,573,700 | 24,534,526 | 7,086,328 | 7,085,156 |
| More than 1 year and less than 2 years | 4,552,270 | 5,777,946 | 75,604 | 86,328 |
| More than 2 years and less than 5 years | 21,158,098 | 10,240,138 | 99,419 | 175,022 |
| | 46,284,068 | 40,552,610 | 7,261,351 | 7,346,506 |

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

| | Group | | Company | |
|----------------------|-----------|-----------|-----------|-----------|
| | 2019 % | 2018 % | 2019 % | 2018 % |
| Revolving credits | 5.06 | 4.81 | 5.06 | 4.81 |
| Bankers' acceptances | 3.92 | 3.96 | - | - |
| Term loans | 4.60 | 4.33 | - | - |

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

The term loans are secured by a first legal charge over certain investment property of the Group (Note 14).

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

The Company has extended corporate guarantees amounting to RM 133,327,000 (2018: RM113,327,000) as at the reporting date to banks and financial institutions for banking facilities granted to certain subsidiaries.

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22. LOANS & BORROWINGS (CONT'D.)

Change in liabilities arising from financing activities

| 2019: | At 1 February 2018 RM | Net drawdown/ (repayment) RM | At 31 January 2019 RM |
|--|--------------------------------|---------------------------------------|--------------------------------|
| Group | | | |
| Revolving credits | 9,500,000 | (1,500,000) | 8,000,000 |
| Bankers' acceptances | 7,679,013 | (292,585) | 7,386,428 |
| Term loans | 23,000,522 | 7,625,734 | 30,626,256 |
| Obligations under finance leases (Note 23) | 373,075 | (101,691) | 271,384 |
| | 40,552,610 | 5,731,458 | 46,284,068 |
| Company | | | |
| Revolving credits | 7,000,000 | - | 7,000,000 |
| Obligations under finance leases (Note 23) | 346,506 | (85,156) | 261,350 |
| | 7,346,506 | (85,156) | 7,261,350 |

| 2018: | At 1 February 2017 RM | Net drawdown/ (repayment) RM | At 31 January 2018 RM |
|--|--------------------------------|---------------------------------------|--------------------------------|
| Group | | | |
| Revolving credits | - | 9,500,000 | 9,500,000 |
| Bankers' acceptances | 9,012,985 | (1,333,972) | 7,679,013 |
| Term loans | 18,647,961 | 4,352,561 | 23,000,522 |
| Obligations under finance leases (Note 23) | 325,752 | 47,323 | 373,075 |
| | 27,986,698 | 12,565,912 | 40,552,610 |
| Company | | | |
| Revolving credits | - | 7,000,000 | 7,000,000 |
| Obligations under finance leases (Note 23) | 248,292 | 98,214 | 346,506 |
| | 248,292 | 7,098,214 | 7,346,506 |

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23. HIRE PURCHASE AND FINANCE LEASE LIABILITIES

| | Group | | Company | |
|--|------------|------------|------------|------------|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Minimum lease payments: | | | | |
| Not later than 1 year | 106,708 | 116,928 | 96,500 | 99,408 |
| Later than 1 year and not later than 2 years | 82,032 | 106,708 | 82,032 | 96,500 |
| Later than 2 years and not later than 5 years | 102,484 | 184,514 | 102,483 | 184,514 |
| | 291,224 | 408,150 | 281,015 | 380,422 |
| Less: Finance charges | (19,840) | (35,075) | (19,665) | (33,916) |
| | 271,384 | 373,075 | 261,350 | 346,506 |
| Analysis of present value of finance lease liabilities: | | | | |
| Not later than 1 year | 96,361 | 101,687 | 86,328 | 85,156 |
| Later than 1 year and not later than 2 years | 75,604 | 96,366 | 75,604 | 86,328 |
| Later than 2 years and not later than 5 years | 99,419 | 175,022 | 99,418 | 175,022 |
| | 271,384 | 373,075 | 261,350 | 346,506 |
| Less: Amount due within 12 months (Note 22) | (96,361) | (101,687) | (86,328) | (85,156) |
| Amount due after 12 months (Note 22) | 175,023 | 271,388 | 175,022 | 261,350 |

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

The finance leases of the Group and of the Company attract interest rate during the year varying between 4.57% to 5.38% (2018: 4.48% to 5.73%) and 4.57% to 5.38% (2018: 4.48% to 5.73%) per annum respectively.

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

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24. DEFERRED TAX

Recognised deferred tax (assets)/liabilities

| | Assets | | Liabilities | | Net | |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Group | | | | | | |
| Accelerated capital allowances | - | - | 10,118,824 | 10,205,215 | 10,118,824 | 10,205,215 |
| Development expenditure capitalised | - | - | 708,963 | 890,286 | 708,963 | 890,286 |
| Provisions | (2,983,442) | (2,966,787) | - | - | (2,983,442) | (2,966,787) |
| Unused tax losses | (382,970) | (89,733) | - | - | (382,970) | (89,733) |
| Unabsorbed capital allowances | (1,283,451) | (1,728,751) | - | - | (1,283,451) | (1,728,751) |
| Unutilised reinvestment and investment tax allowance | (2,768,957) | (2,417,097) | - | - | (2,768,957) | (2,417,097) |
| Tax (asset)/liabilities | (7,418,820) | (7,202,368) | 10,827,787 | 11,095,501 | 3,408,967 | 3,893,133 |
| Set off tax | 7,418,820 | 7,202,368 | (7,418,820) | (7,202,368) | - | - |
| Net tax (asset)/liabilities | - | - | 3,408,967 | 3,893,133 | 3,408,967 | 3,893,133 |
| Company | | | | | | |
| Accelerated capital allowances | - | - | 823,234 | 927,192 | 823,234 | 927,192 |
| Provisions | (823,234) | (927,192) | - | - | (823,234) | (927,192) |
| Tax (asset)/liabilities | (823,234) | (927,192) | 823,234 | 927,192 | - | - |
| Set off tax | 823,234 | 927,192 | (823,234) | (927,192) | - | - |
| Net tax (asset)/liabilities | - | - | - | - | - | - |

Unrecognised deferred tax assets

| | Group | | Company | |
|--|-------------|-------------|------------|------------|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Unused tax losses | 42,410,296 | 42,292,304 | 14,071,470 | 15,188,829 |
| Unabsorbed capital allowances | 35,383,913 | 35,447,446 | - | 258,432 |
| Unabsorbed reinvestment and investment tax allowance | 1,899,977 | 1,899,977 | - | - |
| Other temporary differences | 57,289,768 | 53,888,685 | 50,912,939 | 46,889,408 |
| | 136,983,954 | 133,528,412 | 64,984,409 | 62,336,669 |

The unused tax losses, unabsorbed capital allowances, unabsorbed reinvestment and investment tax allowances and other temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

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24. DEFERRED TAX (CONT'D.)

Recognised deferred tax (assets)/liabilities

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

| | As at 1.2.2018 RM | Charged/ (credited) to profit or loss RM | As at 31.1.2019 RM |
|---|-------------------------|--|--------------------------|
| Group | | | |
| Deferred tax liabilities | | | |
| Accelerated capital allowances | 10,205,215 | (86,391) | 10,118,824 |
| Development expenditure capitalised | 890,286 | (181,323) | 708,963 |
| | 11,095,501 | (267,714) | 10,827,787 |
| Deferred tax assets | | | |
| Provisions | (2,966,787) | (16,655) | (2,983,442) |
| Unused tax losses | (89,733) | (293,237) | (382,970) |
| Unabsorbed capital allowances | (1,728,751) | 445,300 | (1,283,451) |
| Unutilised reinvestment and investment tax allowances | (2,417,097) | (351,860) | (2,768,957) |
| | (7,202,368) | (216,452) | (7,418,820) |
| | As at 1.2.2017 RM | Charged/ (credited) to profit or loss RM | As at 31.1.2018 RM |
| Deferred tax liabilities | | | |
| Accelerated capital allowances | 9,774,167 | 431,048 | 10,205,215 |
| Development expenditure capitalised | 507,353 | 382,933 | 890,286 |
| | 10,281,520 | 813,981 | 11,095,501 |
| | As at 1.2.2017 RM | Charged/ (credited) to profit or loss RM | As at 31.1.2018 RM |
| Deferred tax assets | | | |
| Provisions | (2,348,032) | (618,755) | (2,966,787) |
| Unused tax losses | - | (89,733) | (89,733) |
| Unabsorbed capital allowances | (1,436,808) | (291,943) | (1,728,751) |
| Unutilised reinvestment and investment tax allowances | (934,524) | (1,482,573) | (2,417,097) |
| | (4,719,364) | (2,483,004) | (7,202,368) |

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24. DEFERRED TAX (CONT'D.)

| Company | As at 1.2.2018 RM | Charged/ (credited) to profit or loss RM | As at 31.1.2019 RM |
|---------------------------------|-------------------------|--|--------------------------|
| Deferred tax liabilities | | | |
| Accelerated capital allowances | 927,192 | (103,958) | 823,234 |
| Deferred tax assets | | | |
| Provisions | (927,192) | 103,958 | (823,234) |
| Company | As at 1.2.2017 RM | Charged/ (credited) to profit or loss RM | As at 31.1.2018 RM |
| Deferred tax liabilities | | | |
| Accelerated capital allowances | 439,244 | 487,948 | 927,192 |
| Deferred tax assets | | | |
| Provisions | - | (927,192) | (927,192) |
| Unabsorbed capital allowances | (439,244) | 439,244 | - |
| | (439,244) | (487,948) | (927,192) |

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25. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|---|------------|------------|------------|------------|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Trade payables - third parties | 20,186,054 | 21,441,529 | - | - |
| Other payables | | | | |
| Accruals | 686,595 | 1,029,212 | - | - |
| Other payables | 15,339,531 | 13,402,088 | 3,417,503 | 2,581,965 |
| Amount due to subsidiaries | - | - | 1,016,773 | 1,023,809 |
| Amount due to related companies | 10,471 | 33,141 | 2,897 | 25,567 |
| | 16,036,597 | 14,464,441 | 4,437,173 | 3,631,341 |
| Total trade and other payables | 36,222,651 | 35,905,970 | 4,437,173 | 3,631,341 |
| Less: Goods and Services Tax ("GST") payable | - | (76,787) | - | - |
| Add: Loans and borrowings (Note 22) | 46,284,068 | 40,552,610 | 7,261,350 | 7,346,506 |
| Total financial liabilities carried at amortised cost | 82,506,719 | 76,381,793 | 11,698,523 | 10,977,847 |

(a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 60 (2018: 30 to 60) days.

(b) Other payables

These amounts are non-interest bearing. Other payables are normally settled on an average term range from 30 to 60 (2018: 30 to 60) days.

(c) Amounts due to subsidiaries and related companies

The amounts due to subsidiaries and related companies are unsecured, non-interest bearing and are repayable upon demand.

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26. PROVISIONS

| | Provision for arbitration claim RM | Provision for warranty RM | Total RM |
|---------------------------------|---|---------------------------------|-------------|
| Group | | | |
| At 1 February 2018 | 6,454,116 | 82,391 | 6,536,507 |
| Current year reversal (Note 7) | (500,041) | - | (500,041) |
| Provision utilised | - | (91,601) | (91,601) |
| Current year provision (Note 7) | - | 98,358 | 98,358 |
| Foreign exchange movement | (140,600) | - | (140,600) |
| At 31 January 2019 | 5,813,475 | 89,148 | 5,902,623 |
| At 1 February 2017 | 6,576,844 | 211,395 | 6,788,239 |
| Current year reversal (Note 7) | (200,000) | - | (200,000) |
| Provision utilised | - | (137,635) | (137,635) |
| Current year provision (Note 7) | - | 8,631 | 8,631 |
| Foreign exchange movement | 77,272 | - | 77,272 |
| At 31 January 2018 | 6,454,116 | 82,391 | 6,536,507 |

Provision for arbitration claim

The Group has entered into an arbitration with a third party for breach of business operation agreement. Correspondingly, the third party has made claims for loss of profits and payment for works performed together with interest and cost. The arbitration resulted in favour of the third party, hence, provision was made in the financial statement.

Provision for warranty

The Group recognised a provision for warranty associated with warranty given for certain products to its customers. The Group has made assumptions in relation to provision for future warranty claims based on historical experience of warranty claims made by its customers.

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27. SHARE CAPITAL

| | 2019 Unit | 2018 Unit | 2019 RM | 2018 RM |
|---|--------------|--------------|------------|------------|
| Issued and fully paid At 1 February / 31 January | 72,775,737 | 72,775,737 | 74,975,863 | 74,975,863 |

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

28. COMMITMENTS

(a) Capital commitments

| | Group | | Company | |
|---------------------------------|------------|------------|------------|------------|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Capital expenditures | | | | |
| Property, plant and equipment: | | | | |
| Approved and contracted for | 18,071,995 | 19,622,703 | - | - |
| Approved but not contracted for | 1,550,339 | 5,770,812 | - | 12,000 |

(b) Operating lease commitment - Group as lessee

The Group and the Company have entered into operating lease agreements for the use of buildings and certain plant and equipment. These leases have an average life of between 2 and 4 years with renewal but no purchase option included in the contracts. The Group and the Company are required to give, on an average, a 3-month notice for the termination of these leases.

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

| | Group | | Company | |
|--|------------|------------|------------|------------|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Future minimum lease payables: | | | | |
| Not later than 1 year | 792,600 | 596,900 | 1,170,708 | 1,170,708 |
| Later than 1 year and not later than 5 years | 764,150 | 207,800 | - | 1,170,708 |
| | 1,556,750 | 804,700 | 1,170,708 | 2,341,416 |

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28. COMMITMENTS (CONT'D.)

(c) Operating lease commitment - Group as lessor

The Group and the Company have entered into operating lease agreements for the use of buildings. These leases have an average life of between 1 and 5 years with renewal but no purchase option included in the contracts. The Group and the Company are required to give, on an average, a 3-month notice for the termination of these leases.

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

| | Group | | Company | |
|--|------------|------------|------------|------------|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Future minimum lease payables: | | | | |
| Not later than 1 year | 787,607 | 812,193 | 1,913,953 | 1,850,292 |
| Later than 1 year and not later than 5 years | 300,070 | 572,028 | 300,070 | 1,732,145 |
| | 1,087,677 | 1,384,221 | 2,214,023 | 3,582,437 |

29. RELATED PARTY DISCLOSURES

(a) Significant related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year.

| | Group | | Company | |
|--|------------|------------|--------------|--------------|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Subsidiaries | | | | |
| Interest expense | - | - | 25,871 | 513,096 |
| Rental expense | - | - | 1,170,708 | 1,170,708 |
| Interest income | - | - | (20,000) | (27,535) |
| Management fees | - | - | (18,111,700) | (17,222,915) |
| Dividend income | - | - | (5,800,000) | (2,490,000) |
| Rental income | - | - | (1,440,106) | (1,456,446) |
| Directors' related companies | | | | |
| Sapura Resources Berhad and its subsidiaries | | | | |
| Rental expenses | 13,543 | 203,184 | 13,543 | 203,184 |

Information regarding outstanding balance arising from related party transactions as at 31 January 2019 are disclosed in Notes 18 and 25.

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.

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29. RELATED PARTY DISCLOSURES (CONT'D.)

(b) Compensation of key management personnel

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

| | Group and Company | |
|--|-------------------|------------|
| | 2019 RM | 2018 RM |
| Wages and salaries | 5,504,466 | 5,837,368 |
| Contributions to defined contribution plan | 478,876 | 496,758 |
| Benefits-in-kind | 70,572 | 83,561 |
| | 6,053,914 | 6,417,687 |

30. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

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

(b) Interest rate risk

The Group's primary interest rate risk relates to interest-bearing debts as the Group had no substantial long term interest-bearing assets as at 31 January 2019. The investment in financial assets are mainly short term in nature and they are not held for speculative purposes.

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.

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30. FINANCIAL INSTRUMENTS (CONT'D.)

(b) Interest rate risk (cont'd.)

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

| | Group | | Company | |
|----------------------------------|--------------|--------------|-------------|-------------|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Fixed rate instruments | | | | |
| Financial assets | - | - | 500,000 | 500,000 |
| Financial liabilities | (30,897,640) | (23,373,597) | (261,350) | (346,506) |
| Floating rate instruments | | | | |
| Financial liabilities | (15,386,428) | (17,179,013) | (7,000,000) | (7,000,000) |

Sensitivity analysis for interest rate risk

At the reporting date; if interest rates had been 25 basis points lower/higher, with all other variables held constant, the Group's profit net of tax and total equity would have been RM29,234 (2018: RM32,640) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings and, if interest rates had been 25 basis points lower/higher, with all other variables held constant, the Company's profit net of tax and total equity would have been RM13,300 (2018: RM13,300) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings.

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

(c) Foreign exchange risk

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

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

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30. FINANCIAL INSTRUMENTS (CONT'D.)

(c) Foreign exchange risk

Sensitivity analysis for foreign currency risk

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

| | Group Profit net of tax | |
|--|----------------------------|------------|
| | 2019 RM | 2018 RM |
| USD/RM - strengthened 10% (2018: 10%) | (255,385) | (694,587) |
| - weakened 10% (2018: 10%) | 255,385 | 694,587 |
| JPY/RM - strengthened 10% (2018: 10%) | (59,582) | (128,061) |
| - weakened 10% (2018: 10%) | 59,582 | 128,061 |
| GBP/RM - strengthened 10% (2018: 10%) | (3,138) | - |
| - weakened 10% (2018: 10%) | 3,138 | - |
| IDR/RM - strengthened 10% (2018: 10%) | (70,282) | (152,071) |
| - weakened 10% (2018: 10%) | 70,282 | 152,071 |
| THB/RM - strengthened 10% (2018: 10%) | (49,954) | (86,340) |
| - weakened 10% (2018: 10%) | 49,954 | 86,340 |
| Euro/RM - strengthened 10% (2018: 10%) | (132,614) | (28,382) |
| - weakened 10% (2018: 10%) | 132,614 | 28,382 |

(d) Liquidity risk

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

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30. FINANCIAL INSTRUMENTS (CONT'D.)

(d) Liquidity risk (cont'd.)

Analysis of financial instruments by remaining contractual maturities

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

| | 2019 | | |
|---|---------------------------------|----------------------|-------------------|
| | On demand or within one year RM | One to five years RM | Total RM |
| Group | | | |
| Financial liabilities: | | | |
| Trade and other payables | 36,222,651 | - | 36,222,651 |
| Loans and borrowings | 21,992,730 | 26,594,936 | 48,587,666 |
| Total undiscounted financial liabilities | 58,215,381 | 26,594,936 | 84,810,317 |
| Company | | | |
| Financial liabilities: | | | |
| Trade and other payables | 4,437,173 | - | 4,437,173 |
| Loans and borrowings | 7,433,200 | 184,515 | 7,617,715 |
| Total undiscounted financial liabilities | 11,870,373 | 184,515 | 12,054,888 |

| | 2018 | | |
|---|---------------------------------|----------------------|-------------------|
| | On demand or within one year RM | One to five years RM | Total RM |
| Group | | | |
| Financial liabilities: | | | |
| Trade and other payables | 35,905,970 | - | 35,905,970 |
| Loans and borrowings | 25,946,988 | 17,614,042 | 43,561,030 |
| Total undiscounted financial liabilities | 61,852,958 | 17,614,042 | 79,467,000 |
| Company | | | |
| Financial liabilities: | | | |
| Trade and other payables | 3,631,341 | - | 3,631,341 |
| Loans and borrowings | 7,436,108 | 281,014 | 7,717,122 |
| Total undiscounted financial liabilities | 11,067,449 | 281,014 | 11,348,463 |

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30. FINANCIAL INSTRUMENTS (CONT'D.)

(e) Credit risk

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

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors as at 31 January 2019, other than as disclosed in Note 18.

(f) Market risk

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

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

At the reporting date, the exposure to investment in unit funds at fair value was RM2,096,998 (2018: RM5,264,169). An increase or decrease of 10% on market index of investment in unit funds could have an impact of approximately RM209,700 (2018: RM526,417) on the profit or loss of the Group.

(g) Fair values

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
- 31 January 2019

30. FINANCIAL INSTRUMENTS (CONT'D.)

(g) Fair values (cont'd.)

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

| | Group | | Company | |
|--|-----------------------|------------------|-----------------------|------------------|
| | Carrying amount RM | Fair Value RM | Carrying amount RM | Fair Value RM |
| Financial liabilities | | | | |
| At 31 January 2019: | | | | |
| Obligations under finance leases (non-current) | 184,515 | 171,815 | 175,023 | 171,815 |
| Term loans (non-current) | 25,535,345 | 22,632,497 | - | - |
| At 31 January 2018: | | | | |
| Obligations under finance leases (non-current) | 271,388 | 270,155 | 261,350 | 260,450 |
| Term loans (non-current) | 15,746,696 | 16,184,816 | - | - |

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

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

The investment in unit funds of the Group amounting RM2,096,998 (2018: RM5,264,169) is measured as Level 2 hierarchy based on reference to fair value provided by the bank at the close of business on the reporting date.

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

31. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 January 2019 and 2018.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio at an acceptable limit. The Group includes within net debt, loans and borrowings, trade and other payables, less cash and bank balances. Capital includes equity attributable to the owners of the parent less non-distributable share premium.

NOTES TO THE FINANCIAL STATEMENTS
- 31 January 2019

31. CAPITAL MANAGEMENT (CONT'D.)

| | Group | | Company | |
|--|--------------------|--------------------|-------------------|-------------------|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Loans and borrowings | 46,284,068 | 40,552,610 | 7,261,350 | 7,346,506 |
| Trade and other payables | 36,222,651 | 35,905,970 | 4,437,173 | 3,631,341 |
| Less: Cash and bank balances | (13,495,777) | (12,630,346) | (2,637,558) | (841,852) |
| Net debt | 69,010,942 | 63,828,234 | 9,060,965 | 10,135,995 |
| Equity attributable to the owners of the parent, representing total capital | 106,823,662 | 105,497,023 | 77,229,595 | 78,587,744 |
| Capital and net debt | 175,834,604 | 169,325,257 | 86,290,560 | 88,723,739 |
| Gearing ratio | 39% | 38% | 11% | 11% |

32. SEGMENT INFORMATION

(a) Business segments:

The Group is organised into three major business segments:

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

(b) Geographical segments:

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

(c) Allocation basis

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

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

(d) Information on major customers

Included in the manufacturing segment are two major customers contributing RM 67,108,295 (2018: RM69,109,374) and RM109,128,624 (2018: RM98,898,993) each respectively of revenue in the current financial year.

NOTES TO THE FINANCIAL STATEMENTS
- 31 January 2019

32. SEGMENT INFORMATION (CONT'D.)

Business segments

| | Manufacturing RM | Investment Holding RM | Others RM | Eliminations RM | Notes | Consolidated RM |
|---|---------------------|-----------------------------|------------------|---------------------|----------|--------------------|
| 31 January 2019 | | | | | | |
| Revenue | | | | | | |
| External | 226,389,911 | - | 2,393,803 | - | | 228,783,714 |
| Inter-segment | 4,058,267 | 23,911,700 | - | (27,969,967) | A | - |
| Total revenue | 230,448,178 | 23,911,700 | 2,393,803 | (27,969,967) | | 228,783,714 |
| Results | | | | | | |
| Segment results, representing profit/(loss) from operations | 10,480,073 | 2,048,933 | (2,115,069) | (2,885,866) | | 7,528,071 |
| Finance costs | | | | | | (2,561,458) |
| Taxation | | | | | | (822,540) |
| Profit net of tax | | | | | | 4,144,073 |
| Assets | | | | | | |
| Consolidated segment assets | 191,507,450 | 90,988,310 | 4,782,252 | (82,384,360) | | 204,893,652 |
| Liabilities | | | | | | |
| Consolidated segment liabilities | 166,215,191 | 14,458,715 | 23,427,940 | (103,939,150) | | 100,162,696 |
| Other information | | | | | | |
| Capital expenditure | 23,364,539 | 74,302 | 820,659 | (307,508) | B | 23,951,992 |
| Depreciation | 12,342,110 | 531,911 | 117,292 | - | | 12,991,313 |
| Amortisation | 1,151,474 | - | 179,497 | - | | 1,330,971 |
| Non-cash expenses other than depreciation and amortisation | (1,075,168) | - | 231,277 | - | C | (843,891) |

NOTES TO THE FINANCIAL STATEMENTS
- 31 January 2019

32. SEGMENT INFORMATION (CONT'D.)

Business segments

| | Manufacturing RM | Investment Holding RM | Others RM | Eliminations RM | Notes | Consolidated RM |
|---|---------------------|-----------------------------|------------------|---------------------|----------|--------------------|
| 31 January 2018 | | | | | | |
| Revenue | | | | | | |
| External | 209,166,765 | - | 3,219,261 | (672,756) | | 211,713,270 |
| Inter-segment | 4,270,443 | 19,712,915 | - | (23,983,358) | A | - |
| Total revenue | 213,437,208 | 19,712,915 | 3,219,261 | (24,656,114) | | 211,713,270 |
| Results | | | | | | |
| Segment results, representing profit/(loss) from operations | 7,479,810 | 1,143,045 | (745,390) | (2,569,147) | | 5,308,318 |
| Finance costs | | | | | | (1,947,270) |
| Taxation | | | | | | (342,944) |
| Profit net of tax | | | | | | 3,018,104 |
| Assets | | | | | | |
| Consolidated segment assets | 185,925,077 | 92,045,647 | 6,607,120 | (86,421,394) | | 198,156,450 |
| Liabilities | | | | | | |
| Consolidated segment liabilities | 162,920,510 | 13,463,240 | 23,064,051 | (104,789,263) | | 94,658,538 |
| Other information | | | | | | |
| Capital expenditure | 19,993,660 | 658,601 | 55,444 | (1,178,301) | B | 19,529,404 |
| Depreciation | 11,004,051 | 560,145 | 136,673 | - | | 11,700,869 |
| Amortisation | 1,164,404 | - | - | - | | 1,164,404 |
| Non-cash expenses other than depreciation and amortisation | (252,375) | (3,488) | 306,415 | 29,180 | C | 79,732 |

NOTES TO THE FINANCIAL STATEMENTS
- 31 January 2019

32. SEGMENT INFORMATION (CONT'D.)

- Notes Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements.
- A Inter-segment revenues are eliminated on consolidation.
- B Capital expenditure consist of:

| | 2019 RM | 2018 RM |
|-------------------------------|------------|------------|
| Property, plant and equipment | 6,417,225 | 16,994,957 |
| Investment Property | 16,691,967 | - |
| Development expenditure | 842,800 | 2,534,447 |
| | 23,951,992 | 19,529,404 |

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

| | Note | 2019 RM | 2018 RM |
|---|------|------------|------------|
| Unrealised foreign exchange loss/(gain) | 7 | 673 | (14,503) |
| Development expenditure written off | 7 | (138,567) | - |
| Reversal of provision for slow moving inventories | 7 | (310,065) | (12,302) |
| Impairment of trade receivables | 7 | - | 306,291 |
| Writeback of impairment loss on other receivables | 7 | (11,548) | (17,972) |
| Provisions (net movement) | 7 | (401,683) | (191,369) |
| Property, plant and equipment written off | 7 | 17,299 | 9,587 |
| | | (843,891) | 79,732 |

33. SUBSEQUENT EVENT

(a) Liquidation of Sapura-Schulz Hydroforming Sdn. Bhd.

The Company had on 30 October 2018, presented a winding up petition pursuant to Section 465(1)(e) of the Companies Act 2016 against Sapura-Schulz Hydroforming Sdn. Bhd. ("SSHSB"), a 75% owned subsidiary of the Company, in respect of sums due and owing to the Company amounting to RM28,860,177. Pursuant thereto, the High Court of Malaysia at Shah Alam had on 21 February 2019 issued a court order for winding up of SSHSB.

(b) Incorporation of Sapura Aerospace Technologies Sdn. Bhd.

On 15 March 2019, the Company had incorporated Sapura Aerospace Technologies Sdn. Bhd. (Company No. 1318273-P) ("SATS B"), a private company limited by shares under the Companies Act 2016. SATS B was incorporated with paid up share capital of RM100 of which 60 ordinary shares is held by the Company, 25 ordinary shares by Wada Aircraft Technology Co., Ltd ("Wada") and 15 ordinary shares by Aero Inc. ("Aero"). Both Wada and Aero are companies incorporated in Japan. SATS B is the designated vehicle for the joint venture between the Company, Wada and Aero to carry out the business of manufacturing and assembly of aerospace sub-assemblies, tooling, jigs and fixtures for the aerospace industry.

ANALYSIS OF SHAREHOLDINGS

Authorised Share Capital : RM100,000,000
 Issued and Paid-up Share Capital : RM74,975,863 Comprising of 72,775,737 Ordinary Shares
 No. of Shareholders : 3,963

DISTRIBUTION OF ORDINARY SHARES

Based on Record of Depositors as at 15 May 2019

| Size of Holdings | No. of Holders | % Over Total Shareholders | No. of Shares | % Over Total Shares |
|--|----------------|---------------------------|-------------------|---------------------|
| Less than 100 | 403 | 10.17 | 6,081 | 0.01 |
| 100 to 1,000 | 569 | 14.36 | 294,122 | 0.41 |
| 1,001 to 10,000 | 2,575 | 64.98 | 8,095,088 | 11.12 |
| 10,001 to 100,000 | 382 | 9.64 | 10,441,057 | 14.35 |
| 100,001 to less than 5% of issued shares | 31 | 0.78 | 14,667,250 | 20.15 |
| 5% and above of issued shares | 3 | 0.07 | 39,272,139 | 53.96 |
| Total | 3,963 | 100 | 72,775,737 | 100 |

DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S SHAREHOLDINGS

Based on Record of Depositors as at 15 May 2019

| Name of Directors | Direct Interest | | Deemed Interest | |
|---|--------------------|------|--------------------|-------|
| | No. of Shares Held | % | No. of Shares Held | % |
| Tan Sri Dato' Seri Ir. Shamsuddin bin Abdul Kadir | - | - | 20,377,300* | 28.00 |
| Tan Sri Dato' Seri Shahril bin Shamsuddin | 1,426,875 | 1.96 | - | - |
| Dato' Shahrman bin Shamsuddin | 663,175 | 0.91 | - | - |
| Dato' Azlan bin Hashim | - | - | - | - |
| Datuk Kisai bin Rahmat | - | - | - | - |
| Md. Shah bin Hussin | - | - | - | - |
| Wan Ahamad Sabri bin Wan Daud | - | - | - | - |
| Chief Executive Officer | Direct Interest | | Deemed Interest | |
| | No. of Shares Held | % | No. of Shares Held | % |
| Helmi bin Sheikh Mahmood | 61,917 | 0.09 | - | - |

SUBSTANTIAL SHAREHOLDERS

Based on Record of Depositors as at 15 May 2019

| Name of Shareholders | Direct Interest | | Deemed Interest | |
|---|--------------------|-------|--------------------|---|
| | No. of Shares Held | % | No. of Shares Held | % |
| SAK Asset Ventures Sdn. Bhd. | 20,377,300 | 28.00 | - | - |
| Maybank Nominees (Tempatan) Sdn Bhd | | | | |
| Maybank Trustees Berhad for the AMEIS Trust | 13,794,839 | 18.96 | - | - |
| Puncak Exotika Sdn. Bhd. | 5,100,000 | 7.01 | - | - |

*Deemed Interested by virtue of his direct and indirect interest in SAK Asset Ventures Sdn. Bhd. pursuant to Section 8 of the Companies Act, 2016.

ANALYSIS OF SHAREHOLDINGS

THIRTY (30) LARGEST SHAREHOLDERS

Based on Record of Depositors as at 15 May 2019

| No. | Name of Shareholders | No. of Shares Held | % |
|--------------|--|--------------------|--------------|
| 1 | SAK Asset Ventures Sdn. Bhd. | 20,377,300 | 28.00 |
| 2 | Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for the AMEIS Trust | 13,794,839 | 18.96 |
| 3 | Puncak Exotika Sdn. Bhd. | 5,100,000 | 7.01 |
| 4 | HSBC Nominees (Asing) Sdn. Bhd. Exempt AN for Bank Julius Baer & Co. Ltd. (Singapore BCH) | 3,000,000 | 4.12 |
| 5 | CIMB Group Nominees (Asing) Sdn. Bhd. Exempt AN for DBS Bank Ltd. (SFS) | 2,594,700 | 3.57 |
| 6 | Tan Sri Dato' Seri Shahril bin Shamsuddin | 1,426,875 | 1.96 |
| 7 | Yeoh Phek Leng | 1,171,500 | 1.61 |
| 8 | RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Su Ming Yaw | 697,100 | 0.96 |
| 9 | CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB for Dato' Shahrman bin Shamsuddin (PB) | 663,175 | 0.91 |
| 10 | RHB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Chia Siew Fung | 604,900 | 0.83 |
| 11 | Lee Siew Hoon | 508,000 | 0.70 |
| 12 | Lim Kien Hua | 312,200 | 0.43 |
| 13 | Tan Yee Seng | 280,000 | 0.38 |
| 14 | TA Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Phua Lee Ping | 265,500 | 0.36 |
| 15 | Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Tian Sang @ Tan Tian Song (E-PPG) | 257,800 | 0.35 |
| 16 | Tan Yee Kong | 245,000 | 0.34 |
| 17 | Goh Wei Yee | 243,000 | 0.33 |
| 18 | Ng Ah Geok | 222,000 | 0.31 |
| 19 | Yew Peng Chai | 180,100 | 0.25 |
| 20 | Lim Kian Huat | 163,400 | 0.22 |
| 21 | Lam Pun Ying | 150,000 | 0.21 |
| 22 | Wong Lay Heong | 150,000 | 0.21 |
| 23 | Edmund Song Swee Khoon | 145,000 | 0.20 |
| 24 | Lee Kim Seng | 145,000 | 0.20 |
| 25 | Tan Kai Li | 139,000 | 0.19 |
| 26 | Chong Toke Chong | 138,000 | 0.19 |
| 27 | Ananda Krishna A/L Sithamberam Pillay | 133,500 | 0.18 |
| 28 | Kwan Chee Tong | 131,300 | 0.18 |
| 29 | Lam So Ha @ Lim Chong Swee | 126,500 | 0.17 |
| 30 | Global Asset Trustee (M) Berhad Ronfield Limited | 125,000 | 0.17 |
| Total | | 53,490,689 | 73.50 |

PARTICULARS OF PROPERTIES

| Location | Description / Existing Use | Land Area | Tenure/Year of Expiring | Approximate Age of Building (years) | Net Book Value as at 31.01.2019 RM'000/ Date of Last Revaluation |
|---|--------------------------------------|--|-----------------------------------|-------------------------------------|--|
| 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 | 28 | 6,689/ 27.10.2016 |
| 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 | 24 | 5,410/ 27.10.2016 |
| 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 | 4,938/ 31.12.2018 |
| 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 | 4,837/ 31.12.2018 |

PARTICULARS OF PROPERTIES

| Location | Description / Existing Use | Land Area | Tenure/Year of Expiring | Approximate Age of Building (years) | Net Book Value as at 31.01.2019 RM'000 / Date of Last Revaluation |
|---|--------------------------------------|--|-----------------------------------|-------------------------------------|---|
| 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 | 14 | 3,714/ 31.12.2018 |
| HS (M) 549, PT No. 98 Mukim Bukit Katil Daerah Melaka Tengah, Melaka Postal address: Lot 98, Jalan Usaha 7 Kawasan Perindustrian Ayer Keroh 75450 Melaka | Vacant industrial land | 5a1r.15.2p | 99-year lease expiring 22.10.2073 | Nil | 2,411/ 31.12.2018 |
| 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 | 23 | 1,950/ 27.10.2016 |
| HS (D) 207937, PT 6409 Bandar Sri Sendayan District of Seremban Negeri Sembilan | Vacant industrial land | 35,332 m ² | Freehold | Nil | 16,692/ 5.12.2017 |
| TOTAL | | | | | 46,641 |

Proxy Form

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

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

of _____
(FULL ADDRESS)

being a member of SAPURA INDUSTRIAL BERHAD, do hereby appoint _____

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

of _____
(FULL ADDRESS)

or failing him/her _____ NRIC No. _____
(FULL NAME IN CAPITAL LETTERS)

of _____
(FULL ADDRESS)

or failing him/her, the CHAIRMAN OF THE MEETING, as my/our proxy to vote for me/us and on my/our behalf at the 43rd Annual General Meeting to be held at the Multi-Purpose Hall, Ground Floor, Sapura @ Mines, No. 7, Jalan Tasik, The Mines Resort City, 43300 Seri Kembangan, Selangor Darul Ehsan on Wednesday, 26 June 2019 at 11.00 a.m. or at any adjournment thereof.

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

| Resolutions | | For | Against |
|-----------------------|---|-----|---------|
| Ordinary Resolution 1 | Payment of final single tier dividend | | |
| Ordinary Resolution 2 | Re-election of Encik Md. Shah bin Hussin | | |
| Ordinary Resolution 3 | Retention of Datuk Kisai bin Rahmat as Independent Non-Executive Director | | |
| Ordinary Resolution 4 | Reappointment of Messrs. Ernst & Young as Auditors of the Company | | |
| Ordinary Resolution 5 | Payment of Directors' fees to the Non-Executive Directors | | |
| Ordinary Resolution 6 | Payment of Directors' remuneration (excluding Directors' fees) to the Non-Executive Directors | | |
| Ordinary Resolution 7 | To authorise the Directors under Sections 75 and 76 of the Companies Act, 2016 to allot and issue new shares in the Company | | |

Signature/Common Seal of Shareholder

Dated this _____ day of _____ 2019

Notes:

- A member whose name appears in the Record of Depositors of the Company as at 18 June 2019 shall be entitled to attend, speak and vote at this Meeting.
- A member of the Company who is entitled to attend and vote at this Meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation as to the qualification of the proxy.
- Where a member is an authorised nominee (as defined under the Securities Industry (Central Depositories) Act 1991), it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- Where a member appoints two (2) proxies to attend and vote at the same meeting, such appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
- The instrument appointing a proxy shall be in writing and in the case of an individual shall be signed by the appointor or by his attorney duly authorised in writing and in the case of a corporate member, shall be either under its Common Seal or signed by its attorney or an officer of the corporation duly authorised.
- The instrument appointing a proxy must be deposited with the Share Registrar of the Company, Tricor Investor & Issuing House Services Sdn. Bhd. at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, or alternatively the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, not less than forty eight (48) hours before the time set for holding the Meeting or any adjournment thereof.

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Sapura Industrial Berhad (17547-W)

Proxy Form

Stamp

Share Registrar

Tricor Investor & Issuing House Services Sdn. Bhd.
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Malaysia

SAPURA INDUSTRIAL BERHAD (17547-W)

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

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