



ENGINEERED  
TO EXCEL

ANNUAL REPORT



TABLE OF  
**C O N T E N T S**

---

03	Notice of Annual General Meeting
05	Statement Accompanying Notice of the 44 <sup>th</sup> Annual General Meeting
07	Corporate Profile
08	Corporate Information
09	Corporate Structure
10	Board of Directors
12	Directors' Profile
16	Chief Executive Officer's Profile
17	Management's Profile
19	Management Discussion and Analysis
27	Financial Highlights
29	Sustainability Report
39	Corporate Governance Overview Statement
47	Audit Committee's Report
50	Statement on Risk Management and Internal Control
53	Additional Compliance Information
53	Statement of Directors' Responsibility in Respect of the Audited Financial Statements
55	Financial Statements
142	Analysis of Shareholdings
144	Particulars of Properties

---

**PROXY FORM**

---



## OUR SHARED ATTRIBUTES

Over the years, our people have been defined by a common set of qualities - qualities that collectively differentiate us from our 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 44<sup>th</sup> Annual General Meeting of the Company will be conducted on a fully virtual basis through live streaming from the broadcast venue at Tricor Business Centre, Manuka 2 & 3 Meeting Room, Unit 29-01, Level 29, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia (“Broadcast Venue”) on Wednesday, 29 July 2020 at 11.00 a.m. to transact the following businesses:

### AGENDA

#### ORDINARY BUSINESS

- |   |   |
|---|---|
| 1. To receive the Audited Financial Statements together with the Directors’ and Auditors’ reports for the financial year ended 31 January 2020.   | Please refer to Note 2                          |
| To consider and if thought fit, to pass the following Ordinary Resolutions:   |   |
| 2. To approve payment of a final single tier dividend of 2 sen per ordinary share in respect of the financial year ended 31 January 2020.   | Ordinary Resolution 1                           |
| 3. (i) To re-elect Tan Sri Dato’ Seri Ir. Shamsuddin bin Abdul Kadir who retires by rotation pursuant to Article 109 of the Articles of Association of the Company and being eligible, offers himself for re-election.  | Ordinary Resolution 2                           |
| (ii) To re-elect Dato’ Azlan bin Hashim who retires by rotation pursuant to Article 109 of the Articles of Association of the Company and being eligible, offers himself for re-election.   | Ordinary Resolution 3                           |
| 4. To reappoint Messrs. Ernst & Young PLT 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                           |
| 5. Directors’ Fees  |   |
| (i) To approve the payment of Directors’ fees amounting to RM315,833 for the Non-Executive Directors in respect of the financial year ended 31 January 2020.  | Ordinary Resolution 5<br>Please refer to Note 5 |
| (ii) To approve the payment of Directors’ remuneration (excluding Directors’ fees) to the Non-Executive Directors up to an amount of RM110,000, from the date of this Annual General Meeting until the next Annual General Meeting in year 2021 of the Company. | Ordinary Resolution 6<br>Please refer to Note 5 |

#### SPECIAL BUSINESS

To consider and if thought fit, to pass the following Ordinary Resolutions:

- |  |   |
|--|---|
| 6. Authority For Directors To Issue Shares Under Section 75 & 76 Of The Companies Act, 2016  |   |
| 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. | Ordinary Resolution 7<br>Please refer to Note 6 |

## Notice of Annual General Meeting

7. (i) To approve the reappointment of Datuk Kisai bin Rahmat as an Independent Non-Executive Director who has served the Board as an Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years pursuant to Practice 4.2 of the Malaysian Code on Corporate Governance 2017 until the conclusion of the next Annual General Meeting.
- (ii) To approve the retention of Encik Wan Ahamad Sabri bin Wan Daud as an Independent Non-Executive Director who has served the Board as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years pursuant to Practice 4.2 of the Malaysian Code on Corporate Governance 2017 until the conclusion of the next Annual General Meeting.

**Ordinary Resolution 8**  
Please refer to Note 7

**Ordinary Resolution 9**  
Please refer to Note 7

To consider and if thought fit, to pass the following Special Resolution:

8. Proposed Adoption Of New Constitution Of The Company

THAT approval be and is hereby given to the Company to revoke its existing Memorandum and Articles of Association in its entirety with immediate effect and in place thereof, the new Constitution as set out in Appendix I be and is hereby adopted as the new Constitution of the Company.

AND THAT the Directors be and is hereby authorised and empowered to sign, execute, deliver and cause to be delivered on behalf of the Company, all documents as the Directors may consider necessary, with full powers to assent to any conditions, variations, modifications and/or amendments in any manner as may be required or permitted by any relevant authorities and to deal with all matters relating thereto and to take all such steps and do all such acts and things in any manner as the Directors may deem fit, necessary and/or expedient to implement, finalise and give full effect to the Proposed Adoption of New Constitution of the Company.

**Special Resolution 10**  
Please refer to Note 8

## NOTICE OF DIVIDEND ENTITLEMENT

**NOTICE IS HEREBY GIVEN THAT** a final single tier dividend of 2 sen per ordinary share in respect of the financial year ended 31 January 2020, if approved by the shareholders at the 44<sup>th</sup> Annual General Meeting, will be payable on 10 September 2020 to Depositors registered in the Record of Depositors at the close of business on 26 August 2020.

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 August 2020 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**  
(SSM Practising Certificate No. 202008001402)  
(MIA 10293)  
Company Secretary

Bandar Baru Bangi, Selangor Darul Ehsan  
30 June 2020

## Notice of Annual General Meeting

### NOTES:

#### 1. IMPORTANT NOTICE

In light of the current Covid-19 pandemic and considering the well-being and safety of our Shareholders, the 44<sup>th</sup> Annual General Meeting (“AGM”) will be conducted on a fully virtual basis through live streaming. Shareholders are to participate and vote remotely at the 44<sup>th</sup> AGM via the Remote Participation and Voting facilities (“RPV”) provided by Tricor Investor & Issuing House Services Sdn. Bhd. (“Tricor”) via its TIH Online website at <https://tiah.online>. Please follow the procedures in the **Administrative Guide on 44<sup>th</sup> Annual General Meeting** and take note of **Notes (3) and (4)** below in order to participate remotely via RPV.

The Broadcast Venue is for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the meeting to be present at the main venue of the meeting.

Shareholders **WILL NOT BE ALLOWED** to attend the 44<sup>th</sup> AGM in person at the Broadcast Venue on the day of the meeting.

#### 2. 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.

#### 3. Proxy Forms

Only a member whose name appears in the Record of Depositors of the Company as at 22 July 2020 shall be entitled to participate and vote at this Meeting via RPV.

A member of the Company who is entitled to participate and vote at this Meeting is entitled to appoint not more than two (2) proxies to participate 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 participate 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.

#### 4. 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.

#### 5. 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 44<sup>th</sup> Annual General Meeting on the directors’ remuneration in two (2) separate resolutions as below:

- Ordinary Resolution 5 on payment of Directors’ fees for the financial year ended 31 January 2020 amounting RM315,833.
- Ordinary Resolution 6 on payment of Directors’ remuneration (excluding Directors’ fees) in respect of the period from the date of this Annual General Meeting until the next Annual General Meeting in year 2021 up to an amount of RM110,000, 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.

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

Subject to the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”), the proposed Ordinary Resolution 7 is for the purpose 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 26 June 2019 which will lapse at the conclusion of the Annual General Meeting.

#### 7. Proposed Reappointment and Retention of Independent Director

Practice 4.2 of the Malaysian Code on Corporate Governance 2017 provides that shareholders’ approval be sought in the event the Company intends for an Independent Director who has served in the capacity for more than nine (9) years, to continue to act as Independent Director of the Company and if the Company wishes to retain an independent director beyond 12 years, the Company should use the two-tier voting process in seeking annual shareholders’ approval.

Datuk Kisai bin Rahmat and Encik Wan Ahamad Sabri bin Wan Daud have been the Company’s Independent Directors for more than 12 years and 9 years on a cumulative basis respectively. The proposed Ordinary Resolutions 8 and 9, if passed, will allow both Datuk Kisai bin Rahmat and Encik Wan Ahamad Sabri bin Wan Daud to continue acting as Independent Directors of the Company until the conclusion of the next Annual General Meeting.

The Board recommends that the shareholders’ approval for reappointment of Datuk Kisai bin Rahmat who has served as Independent Director for a cumulative term of 12 years be sought through a two-tier voting process.

Details of the Board’s justification and recommendation for the retention of both Datuk Kisai bin Rahmat and Encik Wan Ahamad Sabri bin Wan Daud as Independent Directors are set out in the Corporate Governance Overview Statement on page 41 of the Annual Report.

#### 8. Proposed Adoption of New Constitution of the Company

The proposed Special Resolution 10 on the adoption of the new Constitution of the Company, if passed, will streamline the Company’s Constitution with the new provisions of the Companies Act 2016 and amendments made to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Board has proposed that the existing Memorandum and Articles of Association of the Company be replaced in its entirety with the proposed new Constitution as set out in Appendix I of the Annual Report as the new Constitution of the Company. The Proposed Adoption shall take effect once it has been passed by a majority of not less than 75% of such members who are entitled to participate and vote and to vote in person or by proxy at the Annual General Meeting.

## STATEMENT ACCOMPANYING

# NOTICE OF THE 44<sup>th</sup> ANNUAL GENERAL MEETING

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

The details of the Directors who are standing for re-election, reappointment and retention as per Agenda 3 & 7 of the Notice of 44<sup>th</sup> Annual General Meeting are provided for in the “Directors’ Profile” on pages 12 to 15 of this Annual Report. Details of their interests in the securities of the Company are set out in the “Analysis of Shareholdings” on page 142 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*

**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](mailto: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**  
(SSM Practising Certificate  
No. 202008001402)  
(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 PLT**  
*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 12 June 2020



## Sapura Industrial Berhad

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



## BOARD OF DIRECTORS



**From Left to Right**

---

**DATO' SHAHRIMAN  
BIN SHAMSUDDIN**  
Executive Director

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

**DATUK KISAI  
BIN RAHMAT**  
Independent  
Non-Executive Director

---



**From Left to Right**

---

**MD. SHAH  
BIN HUSSIN**  
Independent  
Non-Executive Director

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

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


---

## DIRECTORS' PROFILE

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

Age: 88

Gender: Male

Nationality: 

Tan Sri Dato' Seri Ir. Shamsuddin bin Abdul Kadir 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 45th 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.

Directors' Profile

**DATO' SHAHRIMAN  
BIN SHAMSUDDIN**

*Executive Director*

Age: 51  
Gender: Male  
Nationality: 

Dato' Shahrیمان bin Shamsuddin 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*

Age: 69  
Gender: Male  
Nationality: 

Datuk Kisai bin Rahmat 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.


Directors' Profile

**DATO' AZLAN BIN HASHIM**

*Non-Independent  
Non-Executive Director*

Age: 78

Gender: Male

Nationality: 

Dato' Azlan bin Hashim 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*

Age: 69

Gender: Male

Nationality: 

Encik Md. Shah bin Hussin 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 of 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, United States of America 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*

Age: 65

Gender: Male

Nationality: 

Encik Wan Ahamad Sabri bin Wan Daud 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 32 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 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 58 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 2020 can be found on page 42 of this Annual Report.

---

## CHIEF EXECUTIVE OFFICER'S PROFILE


### ENCIK HELMI BIN SHEIKH MAHMOOD

*Chief Executive Officer*

---

Age: 56

Gender: Male

Nationality: 

Encik Helmi bin Sheikh Mahmood 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 12 June 2020 Encik Helmi holds 61,917 shares in the Company.


## MANAGEMENT'S PROFILE

### ENCIK ADNAN BIN JAMAL

*Senior General Manager*

Age: 58

Gender: Male

Nationality: 

Encik Adnan bin Jamal was appointed as Senior General Manager of Sapura Industrial Berhad (SIB) on 1 July 2014.

Encik Adnan holds a Bachelor of Engineering (Electrical & Electronic) from Thames Polytechnic London (currently known as University of Greenwich).

With over 27 years of experience in automotive industries, he has held various positions in SIB Group since 1993, which includes Assistant Manager (QA & Engineering) for Metal Formers Sdn. Bhd., Production Manager for Asian Automotive Steels Sdn. Bhd., Plant Manager for Sapura Machining Corporation Sdn. Bhd., General Manager for Asian Automotive Steels Sdn. Bhd. and General Manager for Sapura Technical Centre Sdn. Bhd. before assuming his present position with SIB.


Encik Adnan does not have any family relationship with any of the Directors and/or major shareholders of the Company nor has he any conflict of interest with the Company. He also has no conviction for offences within the past 5 years.

### PUAN LIYANA LEE BINTI ABDULLAH

*Group Financial Controller*

Age: 53

Gender: Female

Nationality: 

Puan Liyana Lee binti Abdullah was appointed as Group Financial Controller of Sapura Industrial Berhad (SIB) on 1 February 2009.

Puan Liyana obtained a professional qualification with Chartered Institute of Management Accountants (UK).

Puan Liyana has over 25 years of financial experience in a listed conglomerate involved in automotive manufacturing, property investment, education and car dealership. She has held various senior management positions within the Sapura Group strategising corporate restructuring and fund raising projects. She is a licensed Company Secretary with 20 years of experience in corporate secretarial matters for the Group. She started her career with Arthur Andersen as an auditor, and is an Associate Member of the Chartered Institute of Management Accountants (UK) and a qualified Chartered Accountant registered with the Malaysian Institute of Accountants.


Puan Liyana does not have any family relationship with any of the Directors and/or major shareholders of the Company nor has she any conflict of interest with the Company. She also has no conviction for offences within the past 5 years.

### ENCIK KELANA BIN SAJARI

*Senior General Manager*

Age: 58

Gender: Male

Nationality: 

Encik Kelana bin Sajari was appointed as Senior General Manager, Group New Business Development/Strategic Planning of Sapura Industrial Berhad (SIB) on 1 January 2019.

Encik Kelana holds a Bachelor Degree in Engineering (Civil) from Universiti Teknologi MARA, Malaysia.

Encik Kelana started his career in SIB as General Manager of one of the subsidiaries of SIB in 2006. Apart from being a significantly long member of the Sapura Industrial team, another highlight in his career is his tenure with the global oil major BP Group in Malaysia. His twelve (12) years at BP includes two working stints at BP America and BP Singapore; with job experience and responsibilities covering engineering, downstream network development and operations.

Encik Kelana does not have any family relationship with any of the Directors and/or major shareholders of the Company nor has he any conflict of interest with the Company. He also has no conviction for offences within the past 5 years.



## **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 2020 (FY2020), Sapura Industrial Berhad (“SIB” or “the Group”) has achieved RM225.0 million in revenue and RM2.3 million in profit after tax. Our financial performance underscores the fundamental strengths of the Group, that is, our distinctive capabilities in innovative technologies and proven expertise, strong relationship with a growing customer base and prospects in the automotive industry. SIB also has a strong brand presence in the industry. Our responsible and dedicated approach in managing our business and performance will ensure that the Group continues to maintain its profitability in the future, particularly in the “new normal”, with opportunities for R&D capabilities, portfolio diversification as well as customer and revenue base expansion.

### External Environment

Following a broad-based upsurge in cyclical growth that lasted nearly two years, global economic expansion slowed down from second half of 2018 and remained soft throughout 2019.

2019 was a challenging year which saw protracted and unresolved trade tensions, geo-political uncertainties, heightened financial market volatility as well as capital flow reversals from emerging market economies. As a result, global growth significantly weakened from 3.6% in 2018 to 2.9% in 2019 (Source: International Monetary Fund, World Economic Outlook, April 2020).

### Malaysian Economy

As a highly open economy, Malaysia was also affected by the tensions and challenges of the global economic and financial environment in 2019. The Malaysian economy recorded a soft growth of 4.3% in 2019 vs 4.7% in 2018 (Source: Bank Negara Malaysia Annual Report 2019). Notwithstanding, the economic growth was driven by robust private sector spending which grew by 6.2%, particularly household spending that was supported by continued income and employment growth (Source: Bank Negara Malaysia Economic and Monetary Review 2019).

Private consumption performed well at a strong growth of 7.6% in 2019 which was well above its long-term average of 7% from 2011 to 2018, underpinned largely by selected Government measures, growth in employment by 2.1% (2018: 2.5%), an increase in labour force participation to 68.9% (2018: 68.3%) and unemployment rate remaining stable at 3.3% (Source: Bank Negara Malaysia Economic and Monetary Review 2019).

Meanwhile, headline inflation throughout the year averaged at 0.7% (2018: 1.0%) due to retail fuel price controls as well as changes in consumption tax policy in 2018 (Source: Bank Negara Malaysia Annual Report 2019).

### Malaysian Automotive Industry

In 2019, the Malaysian automotive industry had performed relatively well with Total Industry Volume (TIV) of new motor vehicles registered at 604,287 units against 598,598 units in 2018 (Source: Malaysian Automotive Association (MAA) Market Review for 2019 and Outlook for 2020). This was the first time in three consecutive years that the TIV surpassed the 600,000 units mark.

## Management Discussion And Analysis

The increase in TIV of 5,689 units in 2019 was contributed by the Passenger Vehicles segment whereas the Commercial Vehicles segment recorded a decline of 11,391 units. Monthly total vehicle sales were consistently higher in 2019 compared to 2018, except from June to August in which the TIV registered for the same period in 2018 was significantly higher than usual as a result of the 3-month GST tax holiday (Source: Malaysian Automotive Association (MAA) Market Review for 2019 and Outlook for 2020).

The relatively good performance of the year was attributed to the introduction of several new models with latest specifications and design styles at very competitive prices. Following the normalisation of vehicle sales in the third quarter of 2019, the industry saw its highest quarterly TIV achieved at 161,296 units in the fourth quarter, owing to aggressive sales campaigns as well as attractive offers and incentives by car companies (Source: Malaysian Automotive Association (MAA) Market Review for 2019 and Outlook for 2020).

Perodua remains the market leader in total vehicle sales in the local automotive industry at 39.8% market share, partly driven by the successful launch of their new Perodua Aruz model. Proton hit a significant milestone with the launch of their new Proton X70 and four updated models, namely, Proton Persona, Iriz, Exora and Saga, which increased its market share from 10.8% in 2018 to 16.6% within a year, surpassing Honda and Toyota which have recorded their market shares at 14.1% and 11.4% respectively (Source: Malaysian Automotive Association (MAA) Market Review for 2019 and Outlook for 2020).

## FINANCIAL PERFORMANCE

**For FY2020, the Group generated a revenue of RM225.0 million (FY2019: RM228.8 million) whilst net profit after tax was recorded at RM2.3 million (FY2019: RM4.1 million).**

The comparable revenue and the reduction in profit after tax were mainly due to lower revenue contribution from the chassis and assembly unit, which saw lower volume and phased out models, offset by higher revenue from new parts supply for new models launched by our Original Equipment Manufacturers (OEMs) during the year, namely, Perodua Aruz, Mazda CX8, Mitsubishi Outlander and XPander, and Naza-Peugeot 3008 and 5008.

The financial results for FY2020 also included several non-recurring items, namely the recognition of gain on disposal of subsidiary following the deconsolidation of Sapura-Schulz Hydroforming Sdn. Bhd. and non-recurring expenses comprising provisions for slow moving inventories, impairment of trade receivables and write-off of plant and machineries for low volume as well as phased out models.

As illustrated below (Diagram 1), our main customer, Perodua maintained its position as the highest contributor to the Group's revenue at 53% in the current financial year compared to that reported for FY 2019 of 48%. Total revenue contribution from the remaining OEMs of Proton, Honda and Mazda stood at 36% of the Group's revenue.

Total Group borrowings reduced to RM34.7 million (FY2019: RM46.3 million) whilst gearing ratio improved to 0.30 in FY2020 (FY2019: 0.39). As at the end of the financial year, the Group's cash position stood at RM22.4 million (FY2019: RM15.6 million) including short term placement in money market funds.

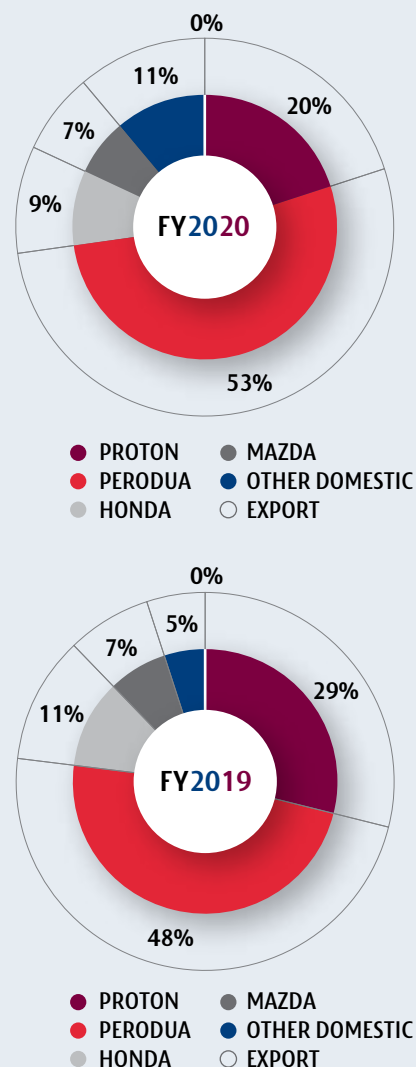


Diagram 1: Revenue by Customers

## DIVIDENDS

The Group has always been committed to rewarding shareholders through annual dividends. In respect of the financial year ended 31 January 2020, the Board of Directors has recommended a final single tier dividend of 2 sen per ordinary share to be approved by shareholders at the forthcoming Annual General Meeting of the Company. If approved, the total dividend for the year under review will be 2 sen per ordinary share; lower than FY2019 at 5 sen per ordinary share.

## Management Discussion And Analysis

Meanwhile, the final single tier dividend for FY2019 of 3 sen per ordinary share was paid on 8 August 2019. There was no interim dividend declared for FY2020.

### OPERATIONAL PERFORMANCE

Throughout the years, SIB has pursued a robust business model and prudent approach in coping with the fast-evolving automotive market conditions and tough economic environment. This has proven our resilience, consistency and focus in delivering profitability growth and sustainable value for our shareholders by enhancing the quality of our core businesses, diligently improving our business fundamentals, driving operational excellence and exceeding customer expectations.

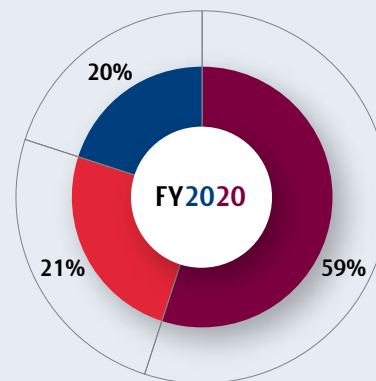
Our past business development efforts in diversifying our customer and revenue base have led us to secure several Letters of Award (LOAs) in 2019 for more future car models from FY2020 onwards. The Group has successfully delivered various components for new car models launched during the year: the new Perodua Aruz, Mazda CX-8, Mitsubishi Outlander and XPander, and Naza-Peugeot 3008 and 5008. In tandem with these new product offerings, we have expanded our in-plant assembly business segments at OEMs, namely, Mazda and Naza-Peugeot.

We continue to make strides in enhancing productivity and operational efficiency while sustaining an improvement culture in managing costs and achieving the high-quality standards that we have set for ourselves. A testament to our commitment is our International Automotive Task Force (IATF) 16949 certification achieved in 2018, which is aligned with ISO's quality management systems standard of ISO 9001:2015. Additionally, we were the recipient of Perodua's "Excellent Delivery Vendor" award in 2019, in recognition of our continuous exemplary delivery performance.

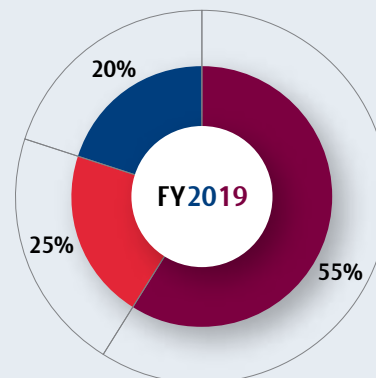


Perodua's "Excellent Delivery Vendor" Award.

The Group's manufacturing segment accounts for 99% of its total revenue for FY2020 while the remaining 1% relates to 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.



- Machining
- Modular Assembly
- Hot & Cold Forming



- Machining
- Modular Assembly
- Hot & Cold Forming

Diagram 2: Revenue by Core Expertise

As illustrated above (Diagram 2), Precision Machining is the Group's main revenue contributor in FY2020 at 59% (FY2019: 55%), whilst the total revenue contribution from Modular Assembly and Hot & Cold Forming make up 41% in FY2020 (FY2019: 45%).

## Management Discussion And Analysis

### Precision Machining

SIB is at the forefront 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, to name a few.

Our customer base includes the national car makers, Perodua and Proton, as well as many of the OEMs with operations in Malaysia such as Honda and Mazda. In 2019, we had successfully mass-produced and delivered components for the new Perodua Aruz and Mazda CX-8.

The precision machining division contributes 59% of total Group revenue for FY2020 (FY2019: 55%).

### Chassis and Modular Assembly

We are known as one of the top major brake systems and modular suppliers in the domestic market, particularly in chassis and modular assembly operations. The Group's expertise is further enhanced with long-term technical ties with Japan's Advics Co. Ltd. and Korea's Erae Automotive Systems Co. Ltd. (formerly known as Korea Delphi Automotive Systems).

With a well-established supply chain management system, the chassis and modular assembly division has grown from assembly of modular components to total chassis integration for Proton, Mazda, Great Wall and Naza-Peugeot car models. At the end of 2019, the division commenced modular assembly operations for Naza-Peugeot in their car assembly plant in Gurun, Kedah.

The chassis and modular assembly division contributes 21% of total Group revenue for FY2020 (FY2019: 25%). Although there was a slight decrease in contribution from assembly unit during the year due to certain phased-out models, we are aggressively pursuing new contracts in this unit for replacement and new models from OEMs in the near future.



### Hot & Cold Forming

The hot & cold forming division specialises in suspension components including production of high-quality coil springs, strut assemblies and stabilizer bars. What differentiates our hot & cold forming division from our competitors in Malaysia and abroad is our in-house design integration and advanced design and testing expertise and capability – a feature that enables us to work closely with customers such as Proton, Perodua, Honda, Mazda, Mitsubishi and UMW Kayaba, as well as, to supply to overseas markets such as Thailand, India and Ecuador. Components for new models mass-produced in 2019 include those for Mitsubishi Xpander and Perodua Aruz.

Being the longest serving unit in the Group, the hot & cold forming division contributes 20% of the total Group revenue for FY2020 (FY2019: 20%).

## STRATEGIES FOR GROWTH

To navigate through the present market condition and challenging automotive landscape, the Group shall adopt, as always, a holistic approach towards exceeding our customers' expectations, maintaining our lean operations and maximising value-creation potential for our businesses, at a deliberate measured pace. In parallel, we are pursuing venture synergies in non-automotive sectors 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 profit while adapting in an evolving industry of technological changes and fast-shifting trends, our business performance is supported by three core strategies – Commercial, Technical and Operational.

### Commercial Strategies

With increasing shift towards vehicle safety, carbon emission reduction and fuel economy efficiency around the world, our commercial strategies are driven by the following initiatives:

- Diversify and scale up our customer base to secure new customers in automotive and non-automotive sectors
- Consolidate our market position with existing customers
- Enhance our competitiveness in the domestic and global supply value chain
- Increase our high-technology product offerings
- Drive innovation and technology

SIB is renowned for quality, reliability and service excellence, hence we have been a long-standing Tier-1 vendor for the national carmakers, Perodua and Proton, in the domestic OEM market.

## Management Discussion And Analysis

We are aggressively pursuing to supply new parts for Perodua's latest generation Daihatsu New Global Architecture (DNGA) platform which is expected to support mass production for their future models. DNGA is a new modular platform that aims to improve fuel efficiency, drivability and costs, particularly for the A and B segment models in emerging markets. The Group continues to align with Proton on their Proton-Geely plans and to participate in the development of new models and export sales. We are currently securing parts supply for Proton's new engine development program and localisation of parts for Geely's current and new models.

Our proven track record, capabilities and experience for more than three decades have also earned the trust and confidence of global OEMs. SIB is participating in Honda's localisation program for hub and disk assembly business as well as securing parts for new and replacement models. We have also been awarded the supply of stabiliser bars and coil springs for the Mitsubishi Xpander model.

SIB continues to remain as Mazda's Tier-1 vendor for its car assembly plant in Kulim, Kedah and as a supplier of transmission components for Akashi Kikai's manufacturing plant in Sendayan, Negeri Sembilan. The Group will continue to explore business opportunities with new OEMs such as Toyota and Nissan.

We are expanding our reach across the global automotive supply chain that enables us to source for competitive technology, quality child parts and raw materials, and to collaborate with 78 vendors across countries such as Japan, Korea, China, Thailand, Philippines, Indonesia, India, United Kingdom and Germany. As demand for our product offerings increases, we will further strengthen our in-house capabilities, particularly the process technologies applicable to the new products.

### Technical Strategies

SIB aspires to be a leader in innovation which drives us to consistently identify future technology partners and requirements, therefore giving us the expertise to deliver market-leading innovative solutions that exceed our customers' expectations.

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 addition, our R&D division has implemented modernisation projects by deploying Industrial Revolution 4.0 (IR4.0) pilot projects in the production line. Real time Overall Equipment

Effectiveness (OEE) monitoring hardware and software, robotics and other automation are being implemented in Precision Machining for brake drums and brake discs machining line as well as Metal Forming Process for coil spring manufacturing. These IR4.0 modernisation initiatives enhance durability performance of the components and convert complex production problems into simple, accessible information for management to improve the overall efficiency and reduce operating expenses.

Technology and engineering initiatives enable us to move towards smarter and leaner manufacturing, diversification of customer base and enhancement of our global market competitiveness.

### Operational Strategies

The importance of our operational excellence initiatives underscores the need for us to be nimble in adapting to the fluid development within the automotive industry.

Our operational strategies are implemented based on 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.

The operational transformation framework implemented in the Group is categorised under four main pillars: Material, Machine, Man and Method. From the "Material" perspective, our objectives are to reduce material costs, improve the number of Grade A suppliers and ensure on-time delivery. Under "Machine", our focus is to improve efficiency and capacity utilisation as well as reduce machine down-time. The third pillar, "Man" is aimed to upskill human capital and reduce employee turnover rate. Finally, we regularly review our process to eliminate process rejects and warranty claims which is stated under the pillar "Method".



## Management Discussion And Analysis

### OUTLOOK AND PROSPECTS

#### Economic Environment

2020 was initially projected as a year of stabilisation and modest recovery for the global economy, but the economic progress was interrupted by the sudden onset of the COVID-19 pandemic which has since spread to more than 100 countries and has tragically cost thousands of lives.

COVID-19 disrupted social and economic order in an unprecedented global scale. Containment measures to slow down the transmission of the virus were implemented across the world ranging from quarantines, shutdowns of non-essential services, enforced business closures to social distancing on all segments of the population. While these measures are critical, they have triggered supply and demand shocks which dramatically contract the growth prospects of both advanced and emerging market economies.

Confronted with a crisis like no other, the global economy is projected to contract sharply to -3.0% in 2020, with the assumption that the pandemic fades in the second half of the year, allowing for a gradual lifting of containment measures and restoring consumer and investor confidence (Source: International Monetary Fund, World Economic Outlook, April 2020).

Malaysia is not spared either. The economic impact from the pandemic and implementation of the Movement Control Order (MCO) to contain its spread, will result in huge output losses for the domestic economy in 2020. To prevent a transitory economic disruption from becoming permanent, the Government has introduced several rounds of economic stimulus packages, aimed to provide immediate relief to individuals and households, safeguard jobs and ease cashflow of affected businesses.



## Management Discussion And Analysis

In light of these developments, Malaysia's economic growth is expected to be within -2.0 to 0.5% in 2020 with considerable uncertainty, as developments surrounding the pandemic continue to evolve (Source: Bank Negara Malaysia Economic and Monetary Review 2019).

Despite the grim outlook, prospects for domestic growth are expected to improve towards the end of 2020, in line with projected recovery in global consumer and investor confidence. Additionally, the Malaysian economy has diversified sources of growth and external trade structure, a well-developed financial system with strong capital buffers and sound risk management practices, adequate levels of international reserves, and a flexible exchange rate, all of which form some buffers against COVID-19 economic shocks and maintain a clear line of sight of the path to stable recovery.

### Industry Outlook

With the development surrounding COVID-19 above, MAA has revised downward the country's TIV 2020 forecast from 607,000 to 400,000 units in April 2020 (Source: New Straits Times, 29 April 2020). The lower TIV forecast is due to the enforcement of the MCO from 18 March until 3 May 2020 and Conditional MCO from 4 May until 9 June 2020. During MCO, automotive operations were halted and car dealers were shut, as the auto sector was not considered as high-priority sectors. However, most auto players resumed operations during Conditional MCO in May, and their production levels are expected to be back to normal by the third quarter of this year.

With the likely sharp contraction in economic demand in 2020, the Malaysian automotive industry is expected to remain under pressure from declining car sales as many consumers are likely to defer big-ticket discretionary spending.

### National Automotive Policy 2020 (NAP 2020)

To safeguard business sustainability and future competitiveness especially in the era of digital industrial transformation, the Malaysian government announced the National Automotive Policy 2020 (NAP2020) in February 2020, which is designed to make Malaysia a regional leader in manufacturing, engineering, technology and sustainable development in the said sectors. The NAP2020 is built upon NAP2014, with additional technological elements around the areas of Next-Generation Vehicles (NxGV), Mobility-as-a-Service (MaaS) and IR4.0.

The objectives of NAP2020 are mainly to:

- Develop Malaysia as a regional hub for Energy-Efficient Vehicles (EEV) and NxGV technology.

- Plan transport services and mobility solutions that serve the purpose of developing and expanding the domestic automotive sector.
- Align and equip the domestic automotive industry with systems, components and human capital talent closely related to mobility technologies and IR4.0.
- Reduce vehicle carbon emissions in Malaysia by 2025.

Among some of the roadmaps established in the NAP2020 framework are: enhancing the competitiveness of the domestic value chain in producing high-quality and high-technology products; developing technology infrastructure in relation to EEV, NxGV, smart mobility, robotics, Internet of Things (IoT) and IR4.0; building a competitive workforce that is fit for industry demand at all levels; promoting the adoption of new and more environmentally-friendly technologies that improve vehicle safety and fuel efficiency; and increasing exports of vehicles, components and the after-market services sector.

SIB intends to work in tandem with NAP2020 strategies, focusing on development of lightweight material components, miniaturisation, intelligence and electrification technologies. We will also take full advantage of comprehensive and customised incentives and assistance offered to facilitate business and manufacturing operations.

### Future Prospects

The outlook for the automotive sector remains arduous with the expected decline in TIV for 2020 due to sudden interruptions in economic growth caused by the COVID-19 pandemic. Changes in policies and regulations as well as economic and currency uncertainties are primary factors that could affect SIB's business performance. As such, the Group will continue to exercise prudence in its business dealings, and has intensified efforts via its COVID-19 Business Continuity Plan to further strengthen operational efficiency and implement more stringent cost cutting measures.

Among the COVID-19 Business Continuity Plan initiatives that are implemented across the organisation are reviewing and re-assessing new projects and revenue streams appropriately, strategising future investments, maximising production potential, realising unproductive assets, securing access to applicable COVID-19 economic stimulus packages and other relevant incentive measures introduced by the government as well as re-evaluating costs and pricing in view of the "new normal".

## Management Discussion And Analysis

Although the world is going through a testing moment, the automotive industry in general still has much to offer as population and demographics growth drive changes in demand and trends that will push for new innovative products and disruptive technologies across the global markets. SIB is well-positioned to capitalise on those changes as they represent opportunities for us to develop business initiatives and projects that are complementary with the Group's skills and capabilities in precision machining, chassis and modular assembly and hot & cold forming technologies, while remaining steadfast in achieving greater productivity, improving earnings, and most of all, in delivering more value to our customers and shareholders.

As part of our long-term strategy for the future, we believe in synergy and diversity. We will continue to pursue other possible ventures in the auto segment via organic and inorganic growth as well as exploring upstream and downstream activities. We will also tap into our R&D capabilities to develop new innovative products and solutions that will expand our range of product offerings, thus giving us a unique advantage in today's highly competitive and fast-evolving market. As for non-automotive sectors, we will continue to explore industries with niche markets that have synergies with our existing capabilities, such as aerospace, medical and renewable energy.

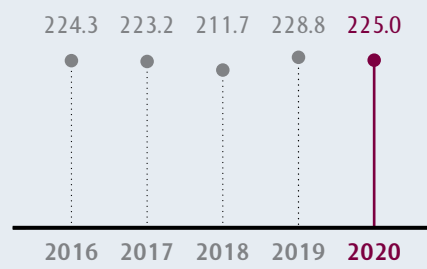
This Management Discussion And Analysis is made in accordance with a resolution of the Board of Directors dated 18 June 2020.



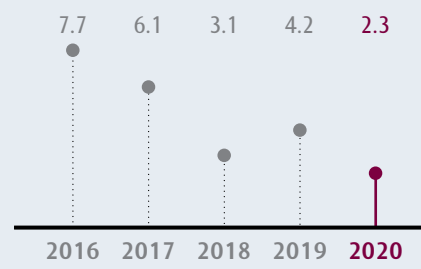
# FINANCIAL HIGHLIGHTS

		← 31 January →				
		2016	2017	2018	2019	2020
Revenue	(RM' million)	224.3	223.2	211.7	228.8	<b>225.0</b>
Profit attributable to owners of the parent	(RM' million)	7.7	6.1	3.1	4.2	<b>2.3</b>
Equity	(RM' million)	102.8	104.1	103.5	104.7	<b>107.7</b>
Basic/diluted earnings per share	(sen)	10.62	8.45	4.23	5.82	<b>3.15</b>
Net asset per share attributable to owners of the parent	(RM)	1.43	1.46	1.42	1.44	<b>1.48</b>

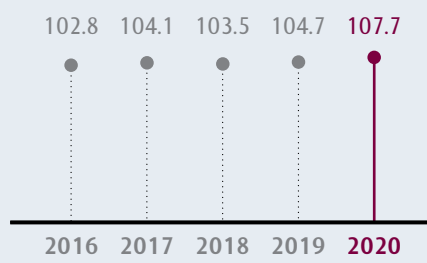
Revenue (RM' Million)



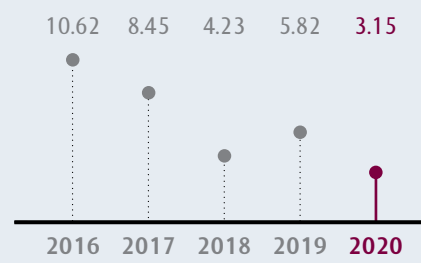
Profit Attributable to Owners of the Parent (RM' Million)



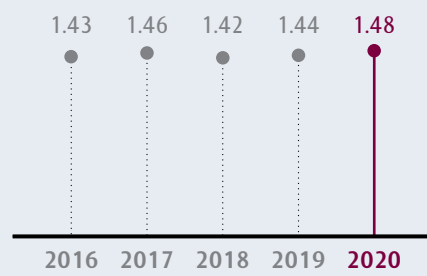
Equity (RM' Million)



Basic/Diluted Earnings Per Share (Sen)



Net Asset Per Share Attributable to Owners of the Parent (RM)





## 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 REPORT

At Sapura Industrial Berhad (“SIB” or “the Group”), we recognise that we have a social responsibility in driving positive change across our four pillars: at work, in the industry, the communities in which we operate, and the impact on the environment. With successful automotive manufacturing experience behind us and building on a strong foundation of corporate governance, we are committed as a Group to incorporate sustainability principles and practices across those pillars, in both good and challenging times. Sustainable long-term business value is even more crucial under the “new normal” in which high standards of products and solutions and innovative approaches are expected, as well as, an increased sense of employee well-being and community goodwill.

### Our Sustainability Approach

SIB’s sustainability framework is centred upon the evaluation of economic, environmental and social (“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.

We continuously focus in improving 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) and core option of Global Reporting Initiative (GRI) framework.

### Scope of Reporting

SIB’s Sustainability Report 2020 covers the progress of EES aspects in our core businesses and daily operations for the financial year ended 31 January 2020 (FY2020). The report also highlights the systems and measures that we have developed and implemented in ensuring our products, operational processes and supply chains are consistently robust, balanced and resilient; our working environment are safe and healthy; and international standards and local regulations are complied with. This report was also reviewed by the Group’s Sustainability Committee and Internal Audit.

There is no change in the scope of reporting from the Sustainability Statement of FY2019.

### Sustainability Governance

Sustainability permeates every aspect of the business, therefore the Board of Directors oversees the Group’s sustainability framework and strategy, and provides direction to the Audit Committee and Sustainability Committee. The latest trends and emerging EES issues that could become relevant to the Group are discussed by the Committees, and embedded appropriately within the organisation.



## Sustainability Report

The Chief Executive Officer (CEO) leads the Sustainability Committee which comprises heads of business units and corporate functions in SIB that have sustainability-related issues. Where necessary, experts and representatives from other areas in the organisation are invited to the Committee. The Sustainability Committee prepares and submits the Sustainability Report to the Board of Directors for approval.

The CEO develops sustainability plans and initiatives for the Group, while 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.

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; and
- 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

Strong engagement with our key stakeholders is our priority. We recognise that we can further improve and make headways in our sustainability journey by collaborating with our stakeholders and understanding their expectations and responding to their concerns. We have undertaken various activities and implement new initiatives as part of our engagement approach with 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	OE 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 Report

### 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:



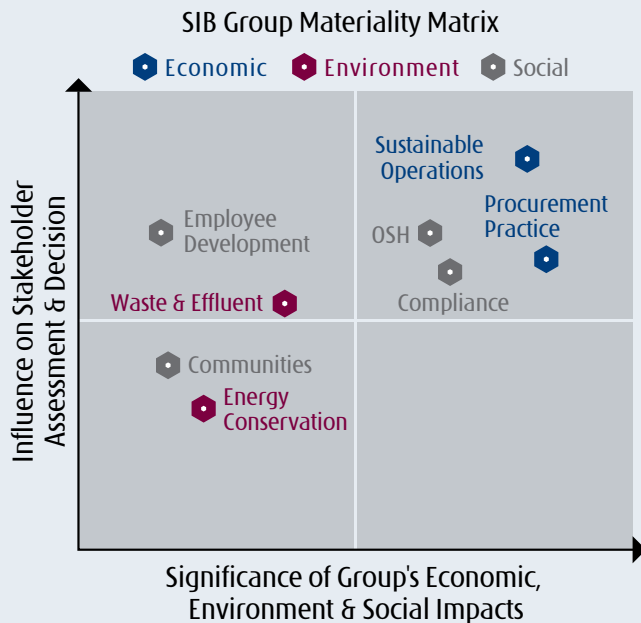
A review was conducted during the reporting period to determine whether the materiality assessment needed to be updated or modified due to any significant changes in key influencing factors both inside and outside the Group. The review showed that there were no significant changes and negative impacts to the business.

The materiality assessment produced the following list of topics, which was presented to and approved by the Board of Directors.

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

## Sustainability Report

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 standards, and delivering innovative solutions 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 8.3 out of 10 in FY2020, an improvement from 8.2 out of 10 in FY2019.

In product design and development, 16 parts developments were made during the financial year with 100% success for sample submission. Advancement was also made in engineering and process improvement especially in the area of Image-Base Inspection (IBI) and Overall Equipment Effectiveness (OEE).

All SIB operating plants are 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.

### Transformational Initiatives

On 28th February 2019, the Group launched Operational Transformation Programme with the aim of achieving world class manufacturing practices across four strategic turning points: people, manufacturing, quality and supply chain. Among the areas reviewed and transformed were the enforcement of organisational set masterplan and structure, organisation structure, effective implementation of 5S, enhanced maintenance system, and the introduction of Industrial Revolution 4.0 through real time monitoring and data management.

To ensure product quality, enhancements were made to systems and documentations through the Teach, Test and Verify (TTV) method. The TTV method requires in-built quality checks and audits in the workplace through campaigns and slogans and frequent patrols to identify and address abnormality findings immediately.

Additionally, the Suppliers Performance Sheet (Scorecard) was introduced to monitor and improve suppliers' performance across the supply chain, so that suppliers' competencies, safety, compliance, site audit and concerned issues were highlighted for action.

On 6th February 2020, Sapura Transformation 2.0 was launched with the aim to elevate the current measuring performance to higher and superior quality and standards. In the same event, awards were given to business functions that achieved "Most Improved Plant 2019" and "Most TTV Implementer 2019".

### 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 engaged with our Vendor Development Programme (VDP) through which our vendors work towards improving and strengthening their capabilities to Levels 3, 4 and 5 as well as pursuing accreditation to international quality certifications.

With more stringent standards implemented through the Sapura Transformation Program, the number of Defect Countermeasure Request Sheet (DCRS) issued to suppliers increased from 55 in FY2019 to 77 in FY2020. Of these, 54 cases are due to visual defects and 23 cases for internal parts and high rejects. The Group will enhance supplier improvement programmes by focusing on the repeated issues and those which are critical to our customers.

## Sustainability Report

We continue to provide support and advice to all our vendors and suppliers in striving 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

The Group is cognizant of the biggest environmental challenge that our planet has ever seen. The pressing issue of climate change and its detrimental effects of greenhouse gases, toxic emissions and waste on the Earth's ecosystem are driving SIB in advocating the sustainable use of renewable natural resources and promoting minimal pollution and wasteful consumption. In upholding a corporate responsibility to build a future in which current and future generations live in harmony with nature, we closely monitor our environmental footprint and minimise any negative environmental impact, if any. 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.

To mitigate adverse impact on the environment, our manufacturing facilities are in compliance with ISO 14001:2015 Environmental Management System through which we implement processes and procedures that reduce the impact of emissions and waste materials as well as conserve energy and material resources. As part of its certification audit process

during the financial year of 2020, four locations were inspected and affirmed that the Environment, Health & Safety (EHS) management system was properly implemented.

Employees working in the treatment of plant effluents and waste water are fully trained as per local regulations. Continuous training and awareness on EHS-related issues are conducted for relevant personnel on a regular basis, to prevent negative environmental impact and regulatory breaches.

Minimal wasteful consumption is a high priority in SIB. Waste materials such as coolants, hydraulic oil, zinc phosphates and other chemical compounds are accounted for and safely disposed through licensed waste transporter and contractor in accordance with local regulations. We have also established an internal monitoring system on the transport of hazardous materials. For FY2020, we are pleased to report that there were no operational spills on both water and land.

#### Energy Conservation

SIB is committed to energy conservation and efficiency. As an industrial company, our important sources of energy are electricity and natural gas from which our production facilities consume the most, followed by the Group's offices.

To conserve and utilise energy efficiently, relative consumption targets are set annually at each production facility. As part of the monthly and half-yearly business reporting cycle, the Group monitors and reviews the actual energy consumption rate against the targeted rate. Such energy-saving measures help to improve our financial cost position and increase our market competitiveness as well.



## Sustainability Report

### 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 just as crucial in ensuring our success into the future. Employee development at SIB is a vital strategic approach in improving our business competitiveness over the long-term. Hence, the Group remains attentive to hiring people with the right talents and skills for the jobs, developing them in tandem with changes at the workplace and in the industry, and providing them opportunities for professional development, all of which empower them in reaching their highest potential. Throughout the financial year in review, SIB has invested RM301,000 in its employees' continuing professional development.

Our employees benefit from a range of developmental programmes in every area of the Group's business, which include formal trainings, job rotations, workshops, seminars and mentoring. These dedicated development programmes are targeted for 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 benefited from CDP while one employee was identified for the FY2020 programme.

Our internship programmes play a major role in securing the next generation of employees. These interns are given opportunities to understand how businesses function in real-life settings, and to gain exposure in the areas of technical and commercial trades, thereby accelerating their career



Sport for Fun



Long Service Award Event 2019

experience. In FY2020, 44 interns served an apprenticeship with SIB (FY2019: 52 interns) while 21 interns were accepted for a study programme in collaboration with Malaysia Automotive, Robotics & IoT Institute (MARii) for a period of five months.

To promote a sustainable and engaging experience at the workplace, we connect and communicate with our employees regularly through various far-reaching initiatives. These initiatives include townhalls, "teh tarik" meetings with SIB management, and periodical meetings with in-house and trade union representatives. Employees are also encouraged to share their honest feedback and concerns through formal appraisal channels and the employee satisfaction and engagement survey, from which we use to guide our initiatives and management decisions in encouraging collaboration for greater success, driving accountability and rewarding high performance.

Employee motivation and satisfaction are also enhanced with other organisational benefits such as "early bird" allowance and rewards for staff with no medical leave and medical cost. In recognition of employees' loyalty, 125 employees were recipients of our Long Service Award and 5 recipients for Best Worker Award in FY2020 compared to 77 and 5 respectively in FY2019.

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 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.

## Sustainability Report

### Occupational Safety & Health

SIB is committed in upholding an incident-free and a safe and healthy working environment for our employees. Safety and Health underscores our work culture and central to our operations, therefore it remains the highest priority across the Group.

Our Group's Occupational Safety & Health Policy require production facilities to adhere to the OHSAS 18001:2007 Occupational Health and Safety Management Certification Standards and Occupational Safety and Health Act 1994. Internal and external audits are conducted to ensure compliance.

The following principles are outlined in the Group's Occupational Safety & Health Policy:

- Compliance with applicable safety, health and environmental laws and regulations;
- 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; and
- Report immediately, investigate and implement corrective actions on all incidents.

A host of Occupational, Health and Safety-related activities and measures were carried out throughout the year. These included special work safety days and various health talks on healthy lifestyle with the aim to share best practices, increase awareness on safety and to optimise personal safety equipment.

There were no fatalities reported for FY2020: zero major and 4 minor incidents (FY2019: 3 major and 4 minor incidents). Effective implementation of the Group's Occupational Safety & Health Policy across the organisation allowed a safe, secured and healthy working environment in SIB at all times.

### Employee & Community Engagement

SIB sees itself as being part of the greater community which means that our responsibilities also extend beyond the confines of the Group. In affirming our position as a responsible corporate citizen, we are dedicated in establishing a strong relationship with the surrounding communities in which we operate, contributing to their overall health and well-being through community projects and supply of local goods and services.

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.

In FY2020, 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 Sillaturrahim Aidilfitri" open house events. During the month of Ramadhan, apart from monetary contributions to 45 mosques and suraus, our employee volunteered their time and effort to visit homes for the underprivileged and the elderly – Rumah Bakti Nur Ain and Pusat Jagaan Beribuan Kasih – and donated laptops, lockers, electrical appliances and groceries.



Ihya Ramadhan



Visit to Orphanage.

Sustainability Report

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. During the reporting period, there were 11 children who benefited from this financial support. Additionally, school vouchers worth RM100 were given to those 11 children and children of non-executive staff - a total of 66 children received school vouchers worth RM6,600 in value.

In addition, 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 Aqil bin Ahmad Fatani whose mother is our Assistant Manager, Group Human Resource & Administration. 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 12 employees across the Group to perform the Umrah. This unique experience continues to provide our staff with a lifetime experience that builds lasting friendships and precious memories.



Visit to Elderly Home.



Umrah 2019.



Anugerah Cendekiawan 2019.

## Sustainability Report

### 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.

In light of the introduction of Corporate Liability provision in the newly-introduced Section 17A of the Malaysian Anti-Corruption Commission Act 2009 (MACC Act 2009), which came into force on 1 June 2020, the Group has taken proactive actions to ensure adequate procedures are in place across the organisation to prevent associated persons from undertaking conduct that would be in breach of that provision. A breach of the Corporate Liability provision is a criminal offence. The Group conducted a workshop on 18 February 2020 to senior and middle management, equipping them with relevant information and understanding on the associated liabilities and penalties imposed in the event of such a breach.

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

Sustainability is an on-going process, and to integrate sustainable practices in all that we do require inclusive and strong partnerships built upon principles and values, a shared vision and shared goals. To strive for a purposeful and responsible growth, we endeavour to collaborate with our stakeholders in responding swiftly to changes in demands of the business, environment and communities. We are also clear about the important role we play in driving positive change and will 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, as well as empowering our 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.

Whatever the capacity in which you read this report – as a business partner, an employee, a member of the local community or someone with general interest – we are keen to hear your feedback. Any question or feedback regarding this report can be emailed to [sib\\_enquiries@sapuraindustrial.com.my](mailto:sib_enquiries@sapuraindustrial.com.my).

This Sustainability Report is made in accordance with a resolution of the Board of Directors dated 18 June 2020.



## 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](http://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 Report 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 programme 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 and 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 Company is committed to promote a highly ethical culture of integrity and accountability. 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.

### Anti-Bribery and Corruption Policy

Acknowledging the need to raise awareness and inculcate a zero corruption culture throughout the Group, an Anti-Bribery and Corruption Task Force has been set up to formalise the Anti-Bribery and Corruption Policy as well as to implement the Anti-Bribery and Corruption Programmes ("ABC Programmes"). The ABC Programmes involve continuous education for our employees, suppliers, subcontractors and business partners. In addition, monitoring potential corruption risk is included in the annual risk assessment of the Group.

The Board Charter, Code of Ethics and Business Conduct, Whistle-Blowing Policy and Anti-Bribery and Corruption Policy are available on the Company's corporate website at [www.sapuraindustrial.com.my](http://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. A brief profile of the key management personnel of the Group are stated at page 17 of this Annual Report.

## Corporate Governance Overview Statement

### II. BOARD COMPOSITION

The Board is mindful that the Code recommends at least half of the Board comprises independent directors. 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, one (1) non-independent non-executive director and three (3) independent non-executive directors. 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 15 of this Annual Report.

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. Our Independent Directors, who are professionals of credibility and repute, demonstrate independent judgement and objectivity in the Board's deliberations.

Practice 4.2 of the MCG recommended that the tenure of an Independent Director does not exceed a cumulative term limit of nine (9) years. Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board as a Non-Independent Director. If the Board intends to retain an Independent Director beyond a cumulative term limit of nine (9) years, it should justify and seek annual shareholders' approval. If the Board continues to retain the Independent Director after twelve (12) years, the Board should seek annual shareholders' approval through a two-tier voting process.

Datuk Kisai bin Rahmat and Encik Wan Ahamad Sabri bin Wan Daud have been the Company's Independent Director for more than twelve (12) and nine (9) years cumulatively respectively. Following an assessment by the Board Nomination and Remuneration Committee (BNRC) and the Board, the Company will be seeking shareholders' approval at the forthcoming AGM for the reappointment of Datuk Kisai bin Rahmat and retention of Encik Wan Ahamad Sabri bin Wan Daud as Independent Directors, based on the following justifications:-

- i. Their appointment is made in accordance with the requirements of the MMLR and therefore are able to bring independent and objective judgement to the Board;
- ii. They are able to provide proper check and balance in the proceedings of the Board and the Committees;
- iii. Their vast experience, knowledge and skills in a diverse range of businesses allows them to participate actively and contribute during the deliberations or discussions at the Board and Committee meetings; and
- iv. They exercise due care as Independent Non-Executive Director of the Company and carry out their professional and fiduciary duties in the interest of the Company and shareholders.

The non-executive director contribute significantly in areas such as policy and strategy, performance monitoring, allocation of resources as well as improving governance and controls. He also ensures 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 appointment 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' commitment, 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 (retired w.e.f 26 June 2019)	Deputy Chairman Non-Independent Non-Executive	3/3
3.	Dato' Shahrizan bin Shamsuddin	Executive Director	5/5
4.	Dato' Azlan bin Hashim	Non-Independent Non-Executive	4/5
5.	Datuk Kisai bin Rahmat	Independent Non-Executive	5/5
6.	Encik Md. Shah bin Hussin	Independent Non-Executive	5/5
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 47 and also available on the Company's corporate website at [www.sapuraindustrial.com.my](http://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](http://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 agenda. 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.

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

- Corporate Governance and Anti-Corruption
- Corporate Liability – New Section 17A of the MACC Act
- Company Law – Directors' Duties & Powers – Recent Development and How it Affects the Directors
- Directors Dialogue on Integrated Reporting <IR>
- 20<sup>th</sup> Asia Oil & Gas Conference

### **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.

## Corporate Governance Overview Statement

### II. 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 2020, the total Directors' fees payable to the Non-Executive Directors amounting to RM315,833 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.

The details of the Directors' remuneration for the financial year ended 31 January 2020 are as follows:

	Executive RM	Non-Executive RM	Total RM
<b>Fees</b>	-	315,833	315,833
<b>Salaries and other emoluments</b>	3,238,000	-	3,238,000
<b>Bonus</b>	220,000	-	220,000
<b>Other emoluments</b>	-	44,000	44,000
<b>Benefits-in-kind</b>	36,786	-	36,786
<b>Contributions to defined contribution plan</b>	214,283	-	214,283
<b>Total</b>	<b>3,709,069</b>	<b>359,833</b>	<b>4,068,902</b>

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

Bands	Executive	Non-Executive	Total
<b>Below RM50,000</b>	-	1	1
<b>RM50,001 – RM100,000</b>	-	4	4
<b>RM1,700,001 – RM1,750,000</b>	1	-	1
<b>RM2,000,001 – RM2,050,000</b>	1	-	1
<b>Total</b>	<b>2</b>	<b>5</b>	<b>7</b>

Details of the remuneration of the top five (5) Senior Management for the financial year ended 31 January 2020 are disclosed in the Corporate Governance Report which is available on the Company's corporate website at [www.sapuraindustrial.com.my](http://www.sapuraindustrial.com.my).

## 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.

## Corporate Governance Overview Statement

### Risk Management and Internal Control

The Board acknowledges its overall responsibility for maintaining a sound system of internal control and a risk management framework to safeguard shareholders' investment and Group assets and for reviewing the effectiveness of these systems. The Statement on Risk Management and Internal Control is presented on pages 50 to 52 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 47 to 49 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 47 to 49 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.

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](mailto:director-sib@sapuraindustrial.com.my).

### Corporate Website

The Company has established a website at [www.sapuraindustrial.com.my](http://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 18 June 2020.

## AUDIT COMMITTEE'S REPORT

The Audit Committee of Sapura Industrial Berhad is pleased to present their report for the financial year ended 31 January 2020 in compliance with paragraph 15.15 of the Main Market Listing Requirement of Bursa Malaysia Security Berhad (MMLR).

### COMPOSITION

The current composition is in compliance with paragraph 15.09(1) (b) of the MMLR where all three Audit Committee members are Non-Executive Directors including two Independent Directors who fulfill the criteria of independence as defined in the MMLR. None of the Independent Directors has appointed alternate directors.

As at the date of this Report, 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(1)(c) 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](http://www.sapuraindustrial.com.my).

### MEETINGS HELD FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2020

The Audit Committee held five (5) meetings during the financial year ended 31 January 2020 with the Head of Internal Audit and the Group Financial Controller cum Company Secretary in attendance. The Chief Executive Officer, External Auditors and the Head of the Auditee Companies were also invited to brief the Audit Committee on issues tabled for discussion.

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

#### Audit Committee Meeting Attendance

There were five (5) meetings held during the financial year ended 31 January 2020 and the details of attendance are as follows:-

No.	Name of Directors	Attendance
1.	Datuk Kisai bin Rahmat (Chairman, Independent)	5 out of 5
2.	Dato' Azlan bin Hashim (Non-Independent)	4 out of 5
3.	Encik Wan Ahamad Sabri bin Wan Daud (Independent)	5 out of 5

## Audit Committee's Report

### CONTINUOUS TRAINING

Audit Committee members acknowledge the need for continuous education training. During the financial year under review, all Members attended training on developments in accounting and auditing standards, practices and rules, which is in line with Practice 8.5 of the MCGG 2017.

### 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 Sustainability Report 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, two executives 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:

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

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

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

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

Internal Audit's function, including its activities are guided by its Charter, Audit Manuals 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 RM554,004.

### **REPORTING TO THE EXCHANGE**

In the financial year ended 31 January 2020, the Audit Committee was of the view that the Group was in compliance with MMLR and as such, the reporting to Exchange under paragraph 15.16 of the MMLR is not required.

Report made in accordance with a resolution of the Board of Directors dated 18 June 2020.

### **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 is prepared in accordance with paragraph 15.26(b) of the MMLR and guided by the “Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers”.

### 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 and the statement outlines the nature and scope

of its risk management and internal control which has been in place during the financial year under review and up to the date of approval of this statement for inclusion in the Annual Report.

### 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. Preventive, detective and corrective 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:



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.



## Statement On Risk Management And Internal Control

- 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.
- 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 Whistle-Blowing Policy to facilitate disclosure of any improper conduct within the Group.
- Quality Management Systems has been implemented in all of the Group's manufacturing subsidiaries where documented internal procedures and standards operating procedures have been put in place. Internal quality audits are carried out by qualified management representatives

and periodical surveillance audits are conducted by an independent certification bodies to ensure compliance.

### 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 PLT, have reviewed this Statement on Risk Management and Internal Control in accordance with the Guidance for Auditors on Engagements 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 18 June 2020.

## 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 2020 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 2020.

### 4. AUDIT AND NON-AUDIT FEES

The amount of annual audit fees payable to Messrs. Ernst & Young PLT by the Group and the Company is RM169,100 and RM43,900 respectively.

Apart from the annual audit fees, there were non-audit fees amounting RM6,900 paid to Messrs. Ernst & Young PLT by the Group and the Company 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.



# FINANCIAL STATEMENTS

- 56 Directors' Report
- 60 Statement by Directors
- 60 Statutory Declaration
- 61 Independent Auditors' Report
- 65 Statements of Comprehensive Income
- 66 Statements of Financial Position
- 68 Consolidated Statement of Changes in Equity
- 69 Company Statement of Changes in Equity
- 70 Statements of Cash Flows
- 72 Notes to the Financial Statements

# 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 2020.

## 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	2,286,468	1,539,385
Attributable to:		
Owners of the parent	2,293,365	1,539,385
Non-controlling interests	(6,897)	-
	2,286,468	1,539,385

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 Company has paid final single tier dividend of 3 sen per ordinary share amounting to RM2,183,272 in respect of financial year ended 31 January 2019 as reported in the Directors' Report for that year. The dividend was declared on 26 June 2019 and paid on 8 August 2019.

At the forthcoming Annual General Meeting, a final single tier dividend in respect of the financial year ended 31 January 2020 of 2 sen per ordinary shares, amounting to a dividend payable of RM1,455,515 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 2021.

## *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  
Dato' Shahrizan bin Shamsuddin  
Dato' Azlan bin Hashim  
Datuk Kisai bin Rahmat  
Md. Shah bin Hussin  
Wan Ahamad Sabri bin Wan Daud  
Azmi bin Hashim (alternate director to Dato' Azlan bin Hashim)  
Tan Sri Dato' Seri Shahril bin Shamsuddin (retired on 26 June 2019)

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  
Liyana Lee binti Abdullah (appointed on 30 April 2019)  
Noriyuki Wada (appointed on 1 July 2019)  
Noriharu Noshimura (appointed on 1 July 2019)  
Rose binti Mat (resigned on 24 July 2019)

### **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 30 to the financial statements.

The Company maintains a liability insurance for the directors and officers of the Group. The total amount of sum insured for the directors and officers of the Group for the financial year amounted to RM10,000,000.

The total amount of insurance premium effected for any director and officer of the Company as at the financial year end is RM16,122.

*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 31.1.2020
	At 1.2.2019	Acquired	Transferred	
<b>The Company</b>				
<b>Sapura Industrial Berhad</b>				
Direct interest:				
Dato' Shahrman 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 there were no known bad debts and that adequate provision had been made for doubtful debts.
  - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) it necessary to write off any bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; and
  - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

## *Directors' Report*

### **OTHER STATUTORY INFORMATION (CONT'D.)**

- (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, except as could arise from the COVID-19 pandemic, as disclosed in Note 35 to the financial statements.

### **SUBSEQUENT EVENT**

Details of the subsequent event is disclosed in Note 35 to the financial statements.

### **AUDITORS**

The auditors, Ernst & Young PLT (converted from a conventional partnership, Ernst & Young, on 2 January 2020), 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 PLT, 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 PLT for the financial year ended 31 January 2020.

Signed on behalf of the Board in accordance with a resolution of the directors dated on 18 June 2020.

**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 65 to 141 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 2020 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 18 June 2020.

**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 65 to 141 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 18 June 2020.

**Liyana Lee binti Abdullah**  
(MIA Membership No: 10293)

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 2020 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 65 to 141.

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 2020, 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 Code of Ethics for Professional Accountants (including International Independence Standards) ("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 RM225 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 focused on using analytic by obtaining general ledger and subledger data that enables us to focus on the process flow, between revenue, trade receivables and cash collection;
- (d) We reperformed testing over cash entries that settle trade receivables and inspecting documents evidencing customers acceptance; and
- (e) 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.

**Impairment assessment of property, plant and equipments and development expenditure**  
**(Refer to Note 13 and Note 15 to the financial statements)**

The industry in which the Group operates remains challenging in terms of volume and margin. Management has identified property, plant & equipment and development expenditure to be tested for impairment review. The carrying amounts of the property, plant and equipment and development expenditure amounted to approximately RM60.3 million and RM1.6 million respectively.

The Group performed an impairment review of these property, plant and equipment and development expenditure by estimating the recoverable amount using Value-in-Use ("VIU"). Estimating the VIU involves estimating the future cash inflows and outflows that will be derived from these assets and discounting them at an appropriate rate.

The estimation of VIU is significant to our audit as it is complex and contains assumptions, particularly profit margin, growth rates, discount rates and the anticipated sales volume that are inherently uncertain.

Our audit procedures for impairment assessment of property, plant and equipments and development expenditure included amongst others the following procedures:

- (a) We obtained an understanding of the Group's relevant processes and internal controls over estimation of recoverable amounts of the cash-generating unit;
- (b) We assessed the significant and highly sensitive assumptions to determine if they are appropriate and supportable by comparing those assumptions with internally derived information and external market data;
- (c) We assessed whether the rates used in discounting the future cash flows to its present value by comparing with prevailing market rates; and
- (d) We performed sensitivity analysis on the key inputs to understand the impact that alternative assumptions would have had on the carrying amount.

*Independent Auditors' Report to the Members of Sapura Industrial Berhad  
(Incorporated in Malaysia)*

*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.

*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.

*Independent Auditors' Report to the Members of Sapura Industrial Berhad  
(Incorporated in Malaysia)*

*Auditors' responsibilities for the audit of the financial statements (cont'd)*

- 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.

**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 PLT**  
202006000003 (LLP0022760-LCA) & AF 0039  
Chartered Accountants

**Ismed Darwis bin Bahatlar**  
No. 02921/04/2022 J  
Chartered Accountant

Kuala Lumpur, Malaysia  
18 June 2020

# STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 January 2020

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
Revenue	4	224,999,375	228,783,714	21,802,393	23,911,700
Cost of sales		(193,987,221)	(195,104,671)	-	-
Gross profit		31,012,154	33,679,043	21,802,393	23,911,700
Other income	5	6,798,835	3,716,921	2,069,837	2,062,670
Administrative expenses		(30,142,267)	(29,057,849)	(20,951,900)	(23,492,182)
Selling and marketing expenses		(1,182,381)	(717,049)	(928,445)	(421,552)
Other expenses		(88,435)	(92,995)	(13,078)	(11,703)
Profit from operations		6,397,906	7,528,071	1,978,807	2,048,933
Finance costs	6	(2,648,462)	(2,561,458)	(439,422)	(393,045)
Profit before tax	7	3,749,444	4,966,613	1,539,385	1,655,888
Taxation	10	(1,462,976)	(822,540)	-	(103,008)
Profit net of tax		2,286,468	4,144,073	1,539,385	1,552,880
Other comprehensive income:					
Actuarial loss on retirement benefit net of tax		(730,353)	-	(510,372)	-
Total comprehensive income for the year		1,556,115	4,144,073	1,029,013	1,552,880
Profit attributable to:					
Owners of the parent		2,293,365	4,237,668	1,539,385	1,552,880
Non-controlling interests		(6,897)	(93,595)	-	-
		2,286,468	4,144,073	1,539,385	1,552,880
Total comprehensive income attributable to:					
Owners of the parent		1,563,012	4,237,668	1,029,013	1,552,880
Non-controlling interests		(6,897)	(93,595)	-	-
		1,556,115	4,144,073	1,029,013	1,552,880
Earnings per share attributable to owners of the parent (sen):					
Basic/diluted	11	3.15	5.82		

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

## STATEMENTS OF FINANCIAL POSITION

as at 31 January 2020

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	13	60,274,953	69,613,861	3,571,036	720,587
Investment property	14	32,146,815	32,592,163	13,941,987	14,135,693
Development expenditure	15	1,621,047	2,983,372	-	-
Investments in subsidiaries	16	-	-	30,457,878	28,957,878
Other receivables	18	-	-	17,625,826	10,519,273
		94,042,815	105,189,396	65,596,727	54,333,431
<b>Current assets</b>					
Inventories	17	25,884,685	28,400,123	-	-
Tax recoverable		473,873	1,275,648	41,620	-
Trade and other receivables	18	32,431,837	52,754,845	15,263,579	23,062,308
Other current assets	19	2,389,770	1,680,865	208,447	108,942
Dividend receivable		-	-	4,080,000	11,546,071
Short term investment	20	9,949,163	2,096,998	-	-
Cash and bank balances		12,439,364	13,495,777	989,393	2,637,558
		83,568,692	99,704,256	20,583,039	37,354,879
<b>Total assets</b>		177,611,507	204,893,652	86,179,766	91,688,310
<b>Equity and liabilities</b>					
<b>Current liabilities</b>					
Retirement benefit obligations	21	26,934	62,937	10,804	10,728
Trade and other payables	26	23,164,696	36,222,651	3,726,632	4,437,173
Provisions	27	121,938	5,902,623	-	-
Tax payable		587,192	715,865	-	47,808
Loans and borrowings	22	9,040,449	20,573,700	1,310,803	7,086,328
		32,941,209	63,477,776	5,048,239	11,582,037
<b>Net current assets</b>		50,627,483	36,226,480	15,534,800	25,772,842

*Statements of Financial Position  
as at 31 January 2020 (cont'd)*

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
<b>Non-current liabilities</b>					
Retirement benefit obligations	21	8,423,377	7,565,585	3,287,583	2,701,656
Loans and borrowings	22	25,643,280	25,710,368	1,768,608	175,022
Deferred tax liabilities	25	2,910,536	3,408,967	-	-
		36,977,193	36,684,920	5,056,191	2,876,678
<b>Total liabilities</b>		69,918,402	100,162,696	10,104,430	14,458,715
<b>Net assets</b>		107,693,105	104,730,956	76,075,336	77,229,595
<b>Equity attributable to owners of the parent</b>					
Share capital	28	74,975,863	74,975,863	74,975,863	74,975,863
Retained profits		31,227,539	31,847,799	1,099,473	2,253,732
		106,203,402	106,823,662	76,075,336	77,229,595
<b>Non-controlling interests</b>		1,489,703	(2,092,706)	-	-
<b>Total equity</b>		107,693,105	104,730,956	76,075,336	77,229,595
<b>Total equity and liabilities</b>		177,611,507	204,893,652	86,179,766	91,688,310

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 2020

← Attributable to owners of the parent →						
	Note	Non- distributable Share capital RM	Distributable Retained profits RM	Total RM	Non- controlling interests ("NCI") RM	Total equity RM
<b>As at 1 February 2019</b>		74,975,863	31,847,799	106,823,662	(2,092,706)	104,730,956
Total comprehensive income for the year		-	1,563,012	1,563,012	(6,897)	1,556,115
Share of NCI on acquisition of subsidiary	16	-	-	-	1,000,000	1,000,000
Share of NCI on disposal of subsidiary	34	-	-	-	2,589,306	2,589,306
Dividends on ordinary shares	12	-	(2,183,272)	(2,183,272)	-	(2,183,272)
<b>At 31 January 2020</b>		74,975,863	31,227,539	106,203,402	1,489,703	107,693,105
<b>As at 1 February 2018</b>		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)
<b>At 31 January 2019</b>		74,975,863	31,847,799	106,823,662	(2,092,706)	104,730,956

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 2020

	Note	Non-distributable Share capital RM	Distributable Retained profits RM	Total RM
<b>As at 1 February 2019</b>		74,975,863	2,253,732	77,229,595
Total comprehensive income for the year		-	1,029,013	1,029,013
Dividends on ordinary shares	12	-	(2,183,272)	(2,183,272)
<b>At 31 January 2020</b>		74,975,863	1,099,473	76,075,336
<b>As at 1 February 2018</b>		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)
<b>At 31 January 2019</b>		74,975,863	2,253,732	77,229,595

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 2020

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
<b>Operating activities</b>				
Profit before tax	3,749,444	4,966,613	1,539,385	1,655,888
Adjustments for:				
Depreciation of property, plant and equipment	12,096,939	12,760,077	292,995	338,195
Property, plant and equipment written off	1,767,197	17,299	3,929	-
Depreciation of investment property	445,348	231,236	193,706	193,716
Amortisation of development expenditure	1,525,520	1,330,971	-	-
Depreciation of right-of-use assets	4,132,968	-	1,115,845	-
Short term accumulating compensated absences	5,215	34,184	(2,459)	23,815
Profit from short term investment	(422,218)	(129,062)	-	-
Interest income	-	-	(5,000)	(20,000)
Impairment loss on other receivables	631,533	-	796,883	3,168,452
Writeback of impairment loss on other receivables	-	(11,548)	-	-
Net movement in provision	126,939	(401,683)	-	-
Gain on deconsolidation of subsidiary	(2,563,309)	-	-	-
Net unrealised loss on foreign exchange	236	673	-	-
Increase in liability for defined benefit plan	643,678	758,307	261,897	269,516
Impairment loss on trade receivables	1,104,178	-	-	-
Dividend income	-	-	(4,080,000)	(5,800,000)
Net reversal of provision for slow moving inventories	(164,123)	(310,065)	-	-
Inventories written off	661,111	-	-	-
Interest expense	2,648,462	2,561,458	439,422	393,045
Development expenditure written off	90,393	138,567	-	-
Operating profit before working capital changes	26,479,511	21,947,027	556,603	222,627
Decrease/(increase) in inventories	2,018,450	(1,456,077)	-	-
Decrease/(increase) in trade and other receivables	18,585,797	1,606,017	(104,707)	(12,333,406)
(Increase)/decrease in other current assets	(708,905)	850,717	(99,505)	(6,068)
(Decrease)/increase in trade and other payables	(12,171,920)	281,824	(708,082)	782,017
Decrease in provisions	(94,149)	(232,201)	-	-
Cash generated from/(used in) operations	34,108,784	22,997,307	(355,691)	(11,334,830)
Interest paid	(2,562,717)	(2,561,458)	(330,581)	(393,045)
Taxes paid	(1,193,076)	(1,637,288)	(89,428)	(55,200)
Retirement benefits paid	(647,472)	(97,800)	(186,266)	-
Net cash generated from/(used in) operating activities	29,705,519	18,700,761	(961,966)	(11,783,075)

*Statements Of Cash Flows*  
*for the year ended 31 January 2020 (con'td)*

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
<b>Investing activities</b>				
Dividend received	-	-	11,546,071	16,629,268
Purchase of property, plant and equipment	(7,200,332)	(6,417,225)	(915,683)	(74,302)
(Placement)/withdrawal of investment in money market funds	(7,429,947)	3,296,233	-	-
Interest received	-	-	5,000	20,000
Acquisition of subsidiary, net of cash required	1,000,000	-	-	-
Purchase of investment property	-	(16,691,967)	-	-
Net cash outflow from deconsolidation of subsidiary	(5,793)	-	-	-
Investment in subsidiary	-	-	(1,500,000)	-
Development expenditure incurred	(253,588)	(842,800)	-	-
<b>Net cash (used in)/generated from investing activities</b>	<b>(13,889,660)</b>	<b>(20,655,759)</b>	<b>9,135,388</b>	<b>16,574,966</b>
<b>Financing activities</b>				
Net (repayment)/drawdown of term loans	(1,720,747)	7,625,734	-	-
Net repayment of other short term borrowings	(4,307,814)	(292,585)	-	-
Repayment of revolving credit	(8,000,000)	(1,500,000)	(7,000,000)	-
Net drawdown/(repayment) of hire purchase	522,359	(101,691)	532,393	(85,156)
Repayment of lease liabilities	(1,182,798)	-	(1,170,708)	-
Dividends on ordinary shares	(2,183,272)	(2,911,029)	(2,183,272)	(2,911,029)
<b>Net cash (used in)/generated from financing activities</b>	<b>(16,872,272)</b>	<b>2,820,429</b>	<b>(9,821,587)</b>	<b>(2,996,185)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(1,056,413)</b>	<b>865,431</b>	<b>(1,648,165)</b>	<b>1,795,706</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>13,495,777</b>	<b>12,630,346</b>	<b>2,637,558</b>	<b>841,852</b>
<b>Cash and cash equivalents at end of year</b>	<b>12,439,364</b>	<b>13,495,777</b>	<b>989,393</b>	<b>2,637,558</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

- 31 January 2020

## 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 18 June 2020.

## 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 2019, 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 2019, 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 2019.

#### Effective for annual periods beginning on or after 1 January 2019

MFRS 16	Leases
Amendments to MFRS 3	Business Combination (Annual Improvements 2015-2017 Cycle)
Amendments to MFRS 9	Financial Instruments (Prepayment Features With Negative Compensation)
Amendments to MFRS 11	Joint Arrangements (Annual Improvements 2015-2017 Cycle)
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

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 16: Leases

MFRS 16 replaced MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

Notes to the Financial Statements  
- 31 January 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Changes in accounting policies (cont'd.)

**MFRS 16: Leases (cont'd.)**

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

Classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows, whereas under MFRS 16, the lease payments will be split into a principal (which will be presented as financing cash flows) and an interest portion (which will be presented as operating cash flows).

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases. MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

The Group have elected to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

As allowed by the transitional provision of MFRS 16, the Group have elected the modified retrospective approach to measure the right-of-use assets at amount equal to lease liability as at 1 February 2019, as disclosed below:

	Group RM	Company RM
Operating lease commitment as at 31 January 2019 as disclosed in the financial statements	1,556,750	1,170,708
Discounted using incremental borrowing rate at 1 February 2020	1,520,020	1,082,385
Lease relating to renewal option not included in operating lease commitments as at 31 January 2019	1,343,437	2,265,150
Lease liabilities recognised as at 1 February 2020	2,863,457	3,347,535
	<b>Impact of adoption of MFRS 16 to the opening balance as at 1 February 2019</b>	
	Group RM	Company RM
Increase in property, plant & equipment	2,863,457	3,347,535
Increase in loans and borrowings	2,863,457	3,347,535

*Notes to the Financial Statements*  
- 31 January 2020

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.3 New and revised pronouncements yet in effect**

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

**Effective for annual periods beginning on or after 1 January 2020**

Amendments to MFRS 3	Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)
Amendments to MFRS 7 and MFRS 9	Financial Instruments (Interest Rate Benchmark Reform)
Amendments to MFRS 101	Presentation of Financial Statements (Definition of Material)
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors

**Effective for annual periods beginning on or after 1 June 2020**

Amendments to MFRS 16	Leases (Covid-19 Related Rent Concessions)
-----------------------	--

**Effective for annual periods beginning on or after 1 January 2021**

MFRS 17	Insurance Contracts
---------	---------------------

**Effective for annual periods beginning on or after 1 January 2022**

Amendments to MFRS 101	Presentation of Financial Statements (Classification of Liabilities as Current or Non-Current)
Amendments to MFRS 116	Property, Plant & Equipment (Proceeds Before Intended Use)
Amendments to MFRS 137	Provision, Contingent Liabilities and Contingent Assets (Onerous Contracts-Cost of Fulfilling a Contract)

**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
------------------------------------	---

The Group and the Company are expected to apply the abovementioned pronouncements beginning from the respective dates the pronouncements become effective. The initial application of the abovementioned pronouncements are not expected to have any material impacts to the financial statements of the Group and the Company.

**2.4 Basis of Consolidation**

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

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

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

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

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

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

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

*Notes to the Financial Statements*

- 31 January 2020

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.5 Transactions with non-controlling interests**

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

**2.6 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.

**2.7 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.

*Notes to the Financial Statements*  
- 31 January 2020

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

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

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 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%

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	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**

Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criterias for recognition are fulfilled:

- It is technically feasible to complete the intangible assets so that it will be available for use;
- Management's intention to complete the intangible asset for use;
- There is an ability to use the intangible asset;
- It can be demonstrated that the intangible asset will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use the intangible asset are available; and
- The expenditure attributable to the intangible asset during its development can be reliably measured

*Notes to the Financial Statements*  
- 31 January 2020

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

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

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

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

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

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

**2.11 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.

*Notes to the Financial Statements*  
- 31 January 2020

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**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.

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 level.

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.

*Notes to the Financial Statements*  
- 31 January 2020

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.12 Financial assets (cont'd)**

**(b) Subsequent measurement (cont'd)**

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.

**(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 be 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.

*Notes to the Financial Statements*  
- 31 January 2020

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.13 Impairment of financial assets (cont'd)**

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 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.

**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.

*Notes to the Financial Statements*  
- 31 January 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 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.

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.

*Notes to the Financial Statements*  
- 31 January 2020

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.18 Borrowing costs**

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

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

**2.19 Employee benefits**

**(a) Short term benefits**

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

**(b) Defined contribution plans**

The Group and the Company 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**

**Current financial year**

**(a) Definition of a lease**

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for a consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

*Notes to the Financial Statements*  
- 31 January 2020

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.20 Leases (cont'd)**

**Current financial year (cont'd)**

**(a) Definition of a lease (cont'd)**

- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. The customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

**(b) Recognition and initial measurement**

**As lessee**

The Group and the Company recognise a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective entities' incremental borrowing rate is used. Generally, the Group entities use their incremental borrowing rate as the discount rate.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

**As a lessor**

When the Group act as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

**(c) Subsequent measurement**

**As lessee**

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

*Notes to the Financial Statements*  
- 31 January 2020

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.20 Leases (cont'd)**

**Current financial year (cont'd)**

**(c) Subsequent measurement (cont'd)**

**As lessee (cont'd)**

The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Depreciation of certain right-of-use assets are subsequently capitalised into carrying amount of other assets whenever they meet the criteria for capitalisation. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is subsequently increase by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonable certain not to be exercised.

The Group and the Company has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group and the Company is reasonably certain to exercise such options impact the lease term, which significantly affects the amount of the right-of-use asset has been reduced to zero.

**As a lessor**

The Group and the Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term.

**Previous financial year**

**(a) As lessee**

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

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

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

**(b) As lessor**

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

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

*Notes to the Financial Statements*  
- 31 January 2020

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**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.

**(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

*Notes to the Financial Statements*  
- 31 January 2020

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.22 Income taxes (cont'd)**

**(b) Deferred tax (cont'd)**

- in respect of taxable temporary differences associated with investments in subsidiaries and associate, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

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

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

**2.23 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 33, 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.

*Notes to the Financial Statements*

- 31 January 2020

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**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.

**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 in 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 25.

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

The Group uses simplified approach to calculate ECLs for trade receivables 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 is disclosed in Note 18.

**(c) Impairment on property, plant and equipment and development expenditure**

The Group determines whether its property, plant and equipment and development expenditure are impaired by evaluating the extent to which the recoverable amount of the asset is less than its carrying amount. This evaluation is subject to changes such as market and economic performance. The Group consider the higher of fair value less cost to sell method or value-in-use method to determine the recoverable amount.

In determining recoverable amount, significant judgement is required in the estimation of the present value of future cash flows generated by the assets. The Group requires to make an estimate of the expected future cash flows and also to determine the appropriate discount rate. The carrying amount of property, plant and equipment and development expenditure as at the reporting date are disclosed in Note 13 and Note 15 respectively.

*Notes to the Financial Statements*  
- 31 January 2020

**4. REVENUE**

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
<b>Type of goods or services</b>				
Sales of automotive parts	224,999,375	228,680,442	-	-
Services	-	103,272	-	-
Management fees from subsidiaries	-	-	17,722,393	18,111,700
Total revenue from contract with customers	224,999,375	228,783,714	17,722,393	18,111,700
Dividends form subsidiaries, representing total revenue from other sources	-	-	4,080,000	5,800,000
	224,999,375	228,783,714	21,802,393	23,911,700
<b>Geographical markets</b>				
Malaysia	224,998,372	228,573,093	17,722,393	18,111,700
Outside Malaysia	1,003	210,621	-	-
Total revenue from contract with customers	224,999,375	228,783,714	17,722,393	18,111,700
Total revenue from other sources - Malaysia	-	-	4,080,000	5,800,000
	224,999,375	228,783,714	21,802,393	23,911,700
<b>Timing of revenue recognition</b>				
At a point of time	224,999,375	228,783,714	-	-
Over time	-	-	17,722,393	18,111,700
Total revenue from contract with customers	224,999,375	228,783,714	17,722,393	18,111,700
Total revenue from other sources	-	-	4,080,000	5,800,000
	224,999,375	228,783,714	21,802,393	23,911,700

**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.

There are no unfulfilled performance obligation as at year end.

*Notes to the Financial Statements*  
- 31 January 2020

**5. OTHER INCOME**

Included in other income are:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Rental income	912,436	887,944	1,934,195	1,909,704
Profit from short term investment (Note 20)	422,218	129,062	-	-
Interest income from advances to subsidiaries	-	-	5,000	20,000
Income from sales of scrap	2,067,503	2,181,122	-	-
Gain on disposal of subsidiaries (Note 34)	2,563,309	-	-	-

The Group recognised its scrap sales with local customers at a point in time.

**6. FINANCE COSTS**

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Interests expense on:				
Term loans	1,520,357	1,161,261	-	-
Overdrafts	-	147	-	-
Revolving credit	364,060	452,618	308,291	352,922
Hire purchase	17,057	66,715	16,882	14,252
Bankers' acceptances	613,518	804,552	-	-
Letter of credits	47,725	76,165	-	-
Advances from subsidiaries	-	-	5,408	25,871
Lease liabilities	85,745	-	108,841	-
	2,648,462	2,561,458	439,422	393,045

*Notes to the Financial Statements*  
- 31 January 2020

**7. PROFIT BEFORE TAX**

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

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Employee benefits expense (Note 8)	41,468,163	42,670,720	16,301,814	16,435,347
Non-executive directors' remuneration (Note 9)	359,833	389,000	359,833	389,000
Amortisation of development expenditure (Note 15)	1,525,520	1,330,971	-	-
Auditors' remuneration				
- Statutory audit	169,100	170,800	43,900	43,900
- Other services	6,900	31,900	-	31,900
Depreciation of property, plant and equipment (Note 13)	12,096,939	12,760,077	292,995	338,195
Depreciation of right-of-use assets (Note 13)	4,132,968	-	1,115,845	-
Depreciation of investment property (Note 14)	445,348	231,236	193,706	193,716
Foreign exchange loss				
- Unrealised	236	673	-	-
Development expenditure written off (Note 15)	(90,393)	(138,567)	-	-
Net reversal of provision for slow moving inventories	(164,123)	(310,065)	-	-
Inventories written off	661,111	-	-	-
Property, plant and equipment written off (Note 13)	1,767,197	17,299	3,929	-
Impairment of trade receivables (Note 18(a))	1,104,178	-	-	-
Impairment/(Writeback) on other receivables (Note 18(b))	631,533	(11,548)	796,883	3,168,452
Reversal of provisions (Note 27)	-	(500,041)	-	-
Provisions (Note 27)	126,939	98,358	-	-
Rental expenses of low value and short term leases (Note 24):				
- Premises	-	548,307	-	1,185,251
- Equipments	288,010	72,720	35,627	31,320

Notes to the Financial Statements  
- 31 January 2020

8. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Wages and salaries	29,603,767	31,018,820	10,985,899	11,456,348
Social security contribution	335,962	389,635	79,975	84,264
Contributions to defined contribution plan	2,940,876	3,188,778	1,357,143	1,432,392
Increase in liability for defined benefit plan (Note 21)	643,678	758,307	261,897	269,516
Short term accumulating compensated absences	5,215	34,184	(2,459)	23,815
Other benefits	7,938,665	7,280,996	3,619,359	3,169,012
	41,468,163	42,670,720	16,301,814	16,435,347

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 RM3,672,283 (2019: RM3,440,283) as further disclosed in Note 9.

9. DIRECTORS' REMUNERATION

	Group and Company	
	2020 RM	2019 RM
<b>Directors of the Company</b>		
Executive:		
Salaries and other emoluments	3,458,000	3,238,000
Contributions to defined contribution plan	214,283	202,283
Benefits-in-kind	36,786	18,561
	3,709,069	3,458,844
Non-Executive:		
Fees	315,833	345,000
Other emoluments	44,000	44,000
	359,833	389,000
	4,068,902	3,847,844
Analysis excluding benefits-in-kind:		
Total executive director's remuneration, excluding benefits-in-kind (Note 8)	3,672,283	3,440,283
Total non-executive directors' remuneration, excluding benefits-in-kind (Note 7)	359,833	389,000
Total directors' remuneration excluding benefits-in-kind	4,032,116	3,829,283

*Notes to the Financial Statements*  
- 31 January 2020

**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	
	2020	2019
Executive directors:		
RM2,000,001 - RM2,050,000	1	-
RM1,850,001 - RM1,900,000	-	1
RM1,700,001 - RM1,750,000	1	-
RM1,550,001 - RM1,600,000	-	1
Non-executive directors:		
RM50,001 - RM100,000	4	5
Below RM50,000	1	-

**10. TAXATION**

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Current income tax:				
Malaysia income tax	1,984,946	1,700,748	-	103,008
Overprovision in prior years	(118,769)	(394,042)	-	-
	1,866,177	1,306,706	-	103,008
Deferred tax (Note 25):				
Relating to origination and reversal of temporary differences	46,468	118,888	-	-
Overprovision in prior years	(449,669)	(603,054)	-	-
	(403,201)	(484,166)	-	-
	1,462,976	822,540	-	103,008

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  
- 31 January 2020

10. TAXATION (CONT'D.)

A reconciliation of income tax expenses applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Profit before tax	3,749,444	4,966,613	1,539,385	1,655,888
Tax at Malaysian statutory tax rate of 24%	899,867	1,191,987	369,452	397,413
Income not subject to tax	(617,357)	-	(979,200)	(1,392,000)
Expenses not deductible for tax purposes	885,585	427,541	642,584	462,137
Utilisation of reinvestment allowances	-	(629,222)	-	-
Deferred tax assets not recognised during the year	896,155	1,097,496	-	903,624
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(32,836)	(268,166)	(32,836)	(268,166)
Overprovision of deferred tax expense in prior years	(449,669)	(603,054)	-	-
Overprovision of income tax expense in prior years	(118,769)	(394,042)	-	-
	1,462,976	822,540	-	103,008

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.

	2020	2019
Profit net of tax attributable to owners of the parent (RM)	2,293,365	4,237,668
Weighted average number of ordinary shares in issue (unit)	72,775,737	72,775,737
Basic/diluted earnings per share (sen)	3.15	5.82

(b) Diluted

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

*Notes to the Financial Statements*  
- 31 January 2020

**12. DIVIDENDS**

	Group and Company	
	2020 RM	2019 RM
Recognised during the year:		
Final single tier dividend for 2019: 3 sen per share	2,183,272	-
Interim single tier dividend for 2019: 2 sen per share	-	1,455,514
Final single tier dividend for 2018: 2 sen per share	-	1,455,515
	2,183,272	2,911,029

At the forthcoming Annual General Meeting, a final single tier dividend in respect of the financial year ended 31 January 2020 of 2 sen per ordinary shares, amounting to a dividend payable of RM1,455,515 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 2021.

13. PROPERTY, PLANT AND EQUIPMENT

	Right-of-Use Asset		Owned Assets					Total RM
	Land & Building RM	Plant, machinery and factory equipment RM	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		
<b>Group</b>								
<b>At 31 January 2020</b>								
<b>Costs</b>								
At 1 February 2019	-	-	8,011,404	20,619,721	256,759,140	11,062,331	296,452,596	
Effect of adoption of MFRS 16	10,678,977	195,884	(8,011,404)	-	-	-	2,863,457	
At 1 February 2019 after adoption of MFRS 16	10,678,977	195,884	-	20,619,721	256,759,140	11,062,331	299,316,053	
Additions	139,459	-	-	-	5,999,332	1,061,541	7,200,332	
Disposal	-	-	-	-	-	(8,026)	(8,026)	
Effect of deconsolidation of a subsidiary (note 34)	(1,628,000)	-	-	(1,480,000)	(40,594,805)	(170,850)	(43,873,655)	
Write offs	-	-	-	-	(11,618,443)	(700,535)	(12,318,978)	
At 31 January 2020	9,190,436	195,884	-	19,139,721	210,545,224	11,244,461	250,315,726	

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

	Right-of-Use Asset		Owned Assets					Total RM
	Land & Building RM	Plant, machinery and factory equipment RM	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		
<b>Group</b>								
<b>At 31 January 2020 (cont'd)</b>								
<b>Accumulated depreciation and impairment</b>								
At 1 February 2019	-	-	1,822,264	11,537,300	203,705,197	9,773,975	226,838,736	-
Effect of adoption of MFRS 16	1,822,264	-	(1,822,264)	-	-	-	-	-
At 1 February 2019 after adoption of MFRS 16	1,822,264	-	-	11,537,300	203,705,197	9,773,975	226,838,736	-
Depreciation charge for the year	4,048,601	84,367	-	175,958	11,273,520	647,461	16,229,907	-
Disposal	-	-	-	-	-	(8,026)	(8,026)	-
Effect of deconsolidation of a subsidiary (note 34)	(222,408)	-	-	(1,480,000)	(40,594,805)	(170,850)	(42,468,063)	-
Write offs	-	-	-	-	(9,865,638)	(686,143)	(10,551,781)	-
At 31 January 2020	5,648,457	84,367	-	10,233,258	164,518,274	9,556,417	190,040,773	-

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

	Right-of-Use Asset		Owned Assets					Total RM
	Land & Building RM	Plant, machinery and factory equipment RM	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		
<b>Group</b>								
<b>At 31 January 2020 (cont'd)</b>								
Analysed as:								
Accumulated depreciation	5,648,457	84,367	-	10,233,258	164,358,437	9,556,417	189,880,936	
Accumulated impairment losses	-	-	-	-	159,837	-	159,837	
	5,648,457	84,367	-	10,233,258	164,518,274	9,556,417	190,040,773	
<b>Net carrying amount</b>	<b>3,541,979</b>	<b>111,517</b>	<b>-</b>	<b>8,906,463</b>	<b>46,026,950</b>	<b>1,688,044</b>	<b>60,274,953</b>	

Notes to the Financial Statements  
- 31 January 2020

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

	Owned Assets				Total RM
	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	
<b>Group</b>					
<b>At 31 January 2019</b>					
<b>Cost</b>					
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)
<b>At 31 January 2019</b>	<b>8,011,404</b>	<b>20,619,721</b>	<b>256,759,140</b>	<b>11,062,331</b>	<b>296,452,597</b>
<b>Accumulated depreciation and impairment</b>					
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)
<b>At 31 January 2019</b>	<b>1,822,264</b>	<b>11,537,300</b>	<b>203,705,197</b>	<b>9,773,975</b>	<b>226,838,736</b>
Analysed as:					
Accumulated depreciation	1,822,264	10,104,167	168,764,648	9,627,116	190,318,195
Accumulated impairment losses	-	1,433,133	34,940,549	146,859	36,520,541
	1,822,264	11,537,300	203,705,197	9,773,975	226,838,736
<b>Net carrying amount</b>	<b>6,189,140</b>	<b>9,082,421</b>	<b>53,053,943</b>	<b>1,288,356</b>	<b>69,613,861</b>

Notes to the Financial Statements  
- 31 January 2020

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

	Right-of-Use Asset	Owned Assets		
	Land & Building RM	Plant, machinery, electrical installation, factory equipment and application tools RM	Furniture, fittings, office equipment, renovation, computers and motor vehicles RM	Total RM
<b>Company</b>				
<b>At 31 January 2020</b>				
<b>Cost</b>				
At 1 February 2019	-	10,423	3,857,562	3,867,985
Effect of adoption of MFRS 16	3,347,535	-	-	3,347,535
At 1 February 2019, after the adoption of MFRS 16	3,347,535	10,423	3,857,562	7,215,520
Additions	-	-	915,683	915,683
Write offs	-	-	(232,733)	(232,733)
At 31 January 2020	3,347,535	10,423	4,540,512	7,898,470
<b>Accumulated depreciation</b>				
At 1 February 2019	-	10,423	3,136,975	3,147,398
Charge for the year	1,115,845	-	292,995	1,408,840
Write offs	-	-	(228,804)	(228,804)
At 31 January 2020	1,115,845	10,423	3,201,166	4,327,434
<b>Net carrying amount</b>	<b>2,231,690</b>	<b>-</b>	<b>1,339,346</b>	<b>3,571,036</b>

Notes to the Financial Statements  
- 31 January 2020

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

	Owned Assets				Total RM
	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	
<b>Company</b>					
<b>At 31 January 2019</b>					
<b>Cost</b>					
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
<b>Accumulated depreciation</b>					
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
<b>Net carrying amount</b>	-	-	-	<b>720,587</b>	<b>720,587</b>

- (a) During the financial year, the Group and the Company acquired property, plant and equipment at aggregate costs of RM7,060,873 (2019: RM6,417,225) and RM915,683 (2019: RM74,302) respectively, of which RM648,000 (2019: RM Nil) 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	
	2020 RM	2019 RM	2020 RM	2019 RM
Motor vehicle	983,543	302,674	983,543	294,114

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

Notes to the Financial Statements  
- 31 January 2020

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

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Plant and machinery	14,342,372	23,688,414	-	-

- (c) Included in the property, plant and equipment of the Group and the Company are fully depreciated assets which are still in use with their carrying costs as follows:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Plant, machinery and equipments	94,068,548	85,120,023	10,423	10,423
Furniture, fittings, office equipments, renovation and computers	5,335,851	3,928,608	2,419,360	1,909,014

- (d) During the year, the Group and the Company has written off certain property, plant and equipment as it is no longer in use and machinery that relates to phased out model amounting to RM1,767,197 (2019: RM17,299) and RM3,929 (2019: RM Nil) respectively.

- (e) Right-of-use assets

The Company have lease contracts that include extension options for its building. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Company's business needs. Management exercises judgement in determining whether these extension options are reasonably certain to be exercised.

The Company is currently negotiating the extension options as at reporting date, hence the potential future lease payments could not be reliably estimated for disclosure purposes.

**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 future aggregate minimum lease receivables under operating leases contracted for as at the reporting date are as follows:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 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

Notes to the Financial Statements  
- 31 January 2020

14. INVESTMENT PROPERTY

	Freehold land RM	Leasehold land RM	Building RM	Total RM
<b>Group</b>				
<b>At 31 January 2020</b>				
<b>Costs</b>				
At 1 February 2019/31 January 2020	16,691,967	16,443,220	3,199,034	36,334,221
<b>Accumulated depreciation</b>				
At 1 February 2019	-	2,874,001	868,057	3,742,058
Depreciation charge for the year	-	206,079	239,269	445,348
At 31 January 2020	-	3,080,080	1,107,326	4,187,406
<b>Net carrying amount</b>	<b>16,691,967</b>	<b>13,363,140</b>	<b>2,091,708</b>	<b>32,146,815</b>
<b>At 31 January 2019</b>				
<b>Costs</b>				
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	16,691,967	16,443,220	3,199,034	36,334,221
<b>Accumulated depreciation</b>				
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
<b>Net carrying amount</b>	<b>16,691,967</b>	<b>13,569,219</b>	<b>2,330,977</b>	<b>32,592,163</b>

Fair value of investment properties as at 31 January 2020 was estimated by the independent valuer to be approximately RM60,300,000 (2019: RM60,360,000).

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.

Notes to the Financial Statements  
- 31 January 2020

14. INVESTMENT PROPERTY (CONT'D.)

	Leasehold land RM	Building RM	Total RM
<b>Company</b>			
<b>At 31 January 2020</b>			
<b>Cost</b>			
At 1 February 2019/31 January 2020	16,571,044	2,265,637	18,836,681
<b>Accumulated depreciation</b>			
At 1 February 2019	3,081,910	1,619,078	4,700,988
Charge for the year	168,935	24,771	193,706
At 31 January 2020	3,250,845	1,643,849	4,894,694
<b>Net carrying amount</b>	<b>13,320,199</b>	<b>621,788</b>	<b>13,941,987</b>
<b>At 31 January 2019</b>			
<b>Cost</b>			
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
<b>Accumulated depreciation</b>			
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
<b>Net carrying amount</b>	<b>13,489,134</b>	<b>646,559</b>	<b>14,135,693</b>

Fair value of investment properties as at 31 January 2020 was estimated by the independent valuers to be approximately RM42,660,000 (2019: 43,890,000).

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.

Notes to the Financial Statements  
- 31 January 2020

14. INVESTMENT PROPERTY (CONT'D.)

Investment property	Valuation Technique	Significant unobservable Inputs	Inter-relationship between significant unobservable inputs and fair value measurement
<p>Lot 5 &amp; 7, Persiaran Usahawan, Taman IKS, Seksyen 9, 43650 Bandar Baru Bangi, Selangor Darul Ehsan. - Land</p>	<p>Comparison method</p>	<p>a) A parcel of freehold industrial land located at Lot 834 Off Jalan Bangi Lama, Bangi with a land area of approximately 261,256 square feet was transacted on 24 June 2019 for RM15,500,000.</p> <p>b) A parcel of freehold industrial land located at Lot 14513 Off Jalan Bangi Lama, Bangi with a land area of approximately 43,552 square feet was transacted on 19 October 2018 for RM3,615,480.</p> <p>c) A parcel of freehold industrial land located at Lot 12149 Batu 5, Jalan Semenyih-Bangi, Off Jalan Bangi Lama with a land area of approximately 44,995 square feet was transacted on 16 March 2018 for RM2,300,000.</p> <p>d) A parcel of freehold industrial land located at 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>The estimated fair value would increase/(decrease) if: - Transacted Price were higher/(lower)</p>
<p>Plot 98, Mukim of Bukit Katil, District of Melaka Tengah, Melaka Bandaraya Bersejarah. - Land</p>	<p>Comparison method</p>	<p>a) A vacant parcel of leasehold industrial land located at Lot 10082, Jalan TTU, Taman Tasik Utama, Ayer Keroh, Melaka with a land area of approximately 66,640 square feet was transacted on 29 October 2018 for RM2,530,657.</p> <p>b) A vacant parcel of leasehold industrial land located at Lot 10083, Jalan TTU, Taman Tasik Utama, Ayer Keroh, Melaka with a land area of approximately 208,690 square feet was transacted on 29 March 2018 for RM6,678,096.</p> <p>c) A vacant parcel of leasehold industrial land located at Lot 23398, Jalan Bukit Rambai, Perindustrian Bukit Rambai, Melaka with a land area of approximately 88,264 square feet was transacted on 29 March 2019 for RM3,000,000.</p>	<p>The estimated fair value would increase/(decrease) if (cont'd): - Transacted Price were higher/(lower)</p>

Notes to the Financial Statements  
- 31 January 2020

14. INVESTMENT PROPERTY (CONT'D.)

Investment property	Valuation Technique	Significant unobservable Inputs	Inter-relationship between significant unobservable inputs and fair value measurement
<p>No 58, Kawasan Perindustrian Gurun, Jalan Jeniang, 08300 Gurun Kedah Darul Aman - Land and building</p>	<p>Comparison method</p>	<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>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.</p>	<p>The estimated fair value would increase/(decrease) if (cont'd): - Transacted Price were higher/ (lower)</p>

Notes to the Financial Statements  
- 31 January 2020

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	Comparison method	a) A parcel of vacant parcel of freehold industrial land (within Sendayan Tehvalley) located at PT 11659, Bandar Seri Sendayan, District of Seremban, Negeri Sembilan Darul Khusus with a land area of approximately 87,123 square feet was transacted on 11 July 2019 for RM3,920,539.  b) A parcel of vacant parcel of freehold industrial land (within Sendayan Tehvalley) located at PT 11660, Bandar Seri Sendayan, District of Seremban, Negeri Sembilan Darul Khusus with a land area of approximately 65,348 square feet was transacted on 26 April 2019 RM2,940,660.  c) A parcel of vacant parcel of freehold industrial land (within Sendayan Tehvalley) located at PT 6383, Bandar Seri Sendayan, District of Seremban, Negeri Sembilan Darul Khusus with a land area of approximately 159,101 square feet was transacted on 1 June 2018 for RM7,318,663.  d) A parcel of vacant parcel of freehold industrial land (within Sendayan Tehvalley) located at PT 6379, Bandar Seri Sendayan, District of Seremban, Negeri Sembilan Darul Khusus with a land area of approximately 103,829 square feet was transacted on 15 May 2018 for RM4,983,792.	The estimated fair value would increase/(decrease) if (cont'd): - Transacted Price were higher/(lower)

Notes to the Financial Statements  
- 31 January 2020

14. INVESTMENT PROPERTY (CONT'D.)

Investment property	Valuation Technique	Significant unobservable Inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Lot 1 & 3, Jalan P/11, Seksyen 10, Bandar Baru Bangi, Selangor - Land and building	Comparison method	<p>a) Industrial premise located at Lot 5562, Off Jalan Bukit Angkat, Kawasan Perindustrian Bukit Angkat, Kajang with a land &amp; building area of approximately 44,542 square feet was transacted on 31 October 2019 for RM6,600,000.</p> <p>b) Industrial premise located at No. 33, Jalan P4/6, Seksyen 4, Bandar Teknologi, Kajang with a land &amp; building area of approximately 49,705 square feet was transacted on 19 October 2018 for RM8,300,000.</p> <p>c) Industrial premise located at No. 23, Jalan Kesuma 2/1, Bandar Tasik Kesuma, Semenyih with a land &amp; building area of approximately 78,568 square feet was transacted on 19 December 2018 for RM12,000,000.</p> <p>d) Industrial premise located at No. 182, Jalan 4, Kompleks Perabot Olak Lempit, Banting with a land &amp; building area of approximately 43,563 square feet was transacted on 5 December 2018 for RM4,600,000.</p>	The estimated fair value would increase/(decrease) if (cont'd): - 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.

Notes to the Financial Statements  
- 31 January 2020

15. DEVELOPMENT EXPENDITURE

	Group	
	2020 RM	2019 RM
<b>Cost</b>		
At beginning of year	9,766,251	9,432,582
Incurred during the year	253,588	842,800
Write offs	(91,647)	(509,131)
At end of year	9,928,192	9,766,251
<b>Accumulated amortisation and impairment</b>		
At beginning of year	6,782,879	5,822,472
Amortisation during the year (Note 7)	1,525,520	1,330,971
Write offs	(1,254)	(370,564)
At end of year	8,307,145	6,782,879
<b>Net carrying amount</b>	<b>1,621,047</b>	<b>2,983,372</b>

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 RM1,615,913 (2019: RM1,469,538).

16. INVESTMENT IN SUBSIDIARIES

	Company	
	2020 RM	2019 RM
Unquoted shares, at cost	35,298,274	61,713,074
Less: Accumulated impairment losses	(4,840,396)	(32,755,196)
	30,457,878	28,957,878

Movement in accumulated impairment losses:

	2020 RM	2019 RM
At the beginning of the year	32,755,196	32,755,196
Disposal of subsidiary	(27,914,800)	-
At the end of the year	4,840,396	32,755,196

*Notes to the Financial Statements*  
- 31 January 2020

**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	2020 %	2019 %
<b>Held by the Company</b>			
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
Subang Properties Sdn. Bhd. ("SPSB")	Dormant.	51.68	51.68
Sapura Aerospace Technologies Sdn. Bhd. ("SATSB")**	Manufacture and assembly of aerospace sub-assemblies, tooling, jigs and fixtures for the aerospace industry.	60	-
<b>Held by International Autoparts Sdn. Bhd.</b>			
Awaltek Sdn. Bhd.	Manufacture, supply, sale or service of equipment, machinery and related accessories for energy and manufacturing industries.	100	100

\* SSH is under a court order winding up and the Group has lost its control over SSH on 19 February 2019. Disclosure on deconsolidation of SSH is disclosed in Note 34.

\*\* SATSB is incorporated on 15 March 2019.

*Notes to the Financial Statements*  
- 31 January 2020

**16. INVESTMENT IN SUBSIDIARIES (CONT'D.)**

**Incorporation of Sapura Aerospace Technologies Sdn. Bhd.**

On 15 March 2019, the Company had incorporated Sapura Aerospace Technologies Sdn. Bhd. (Company No. 1318273-P) ("SATSB"), a private company limited by shares under the Companies Act 2016. SATSB 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. SATSB 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.

Subsequently on 21 June 2019, additional paid-up capital of RM2,499,900 was subscribed by the existing shareholders, of which 1,499,940 ordinary shares is subscribed by the Company, 624,975 ordinary shares subscribed by Wada and 374,985 ordinary shares subscribed by Aero.

**Non-controlling interests ("NCI")**

	SSH* RM	SATSB RM	SPSB RM	Total RM
<b>2020</b>	25%	40%	48.32%	
<b>NCI percentage of ownership interest and voting interest</b>				
Carrying amount of NCI	-	1,003,577	486,126	1,489,703
(Loss)/profit allocated to NCI	(7,112)	3,576	(3,361)	(6,897)
	SSH RM	SATSB RM	SPSB RM	Total RM
<b>2019</b>	25%	40%	48.32%	
<b>NCI percentage of ownership interest and voting interest</b>				
Carrying amount of NCI	(2,582,193)	-	489,487	(2,092,706)
Loss allocated to NCI	(90,173)	-	(3,423)	(93,596)

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

	SSH* RM	SATSB RM	SPSB RM	Total RM
<b>Summarised statement of profit loss for 2020:</b>				
Revenue	-	-	-	-
Profit/(loss) for the year, representing total comprehensive loss	(28,448)	8,941	(6,956)	(26,463)

\* Up to date of control ceased

Notes to the Financial Statements  
- 31 January 2020

16. INVESTMENT IN SUBSIDIARIES (CONT'D.)

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

	SSH RM	SATSB RM	SPSB RM	Total RM
	25%	40%	48.32%	
<b>Summarised statement of profit or loss for 2019:</b>				
Revenue	-	-	-	-
Loss for the year, representing total comprehensive loss	(360,691)	-	(7,084)	(367,775)
<b>Summarised statement of financial position as at 31 January 2020:</b>				
Current assets	-	2,546,292	1,011,555	3,557,847
Current liabilities	-	37,351	5,500	42,851
Net assets	-	2,508,941	1,006,055	3,514,996
<b>Summarised statement of financial position as at 31 January 2019:</b>				
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)
<b>Summarised statement of cash flows for 2020:</b>				
Cash flows from operating activities representing net increase in cash and cash equivalents	-	31,291	(45)	31,246
Dividend paid to NCI	-	-	-	-
<b>Summarised statement of cash flows for 2019:</b>				
Cash flows from operating activities representing net decrease in cash and cash equivalents	(16,861)	-	(48)	(16,909)
Dividend paid to NCI	-	-	-	-

Notes to the Financial Statements  
- 31 January 2020

17. INVENTORIES

	Group	
	2020 RM	2019 RM
<b>At cost:</b>		
Materials and component parts	14,840,375	17,999,726
Work-in-progress	3,260,268	2,810,622
Finished goods	4,624,457	4,394,454
Spares and tools	1,732,156	1,526,394
Consumables	1,427,429	1,668,927
	25,884,685	28,400,123

During the year, the amount of inventories recognised as an expense in cost of sales of the Group was RM72,702,171 (2019: RM81,180,157).

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
<b>Current:</b>				
<b>Trade receivables</b>				
Third parties	30,575,324	50,750,399	-	-
Less: Allowance for impairment third parties	(1,104,178)	-	-	-
Trade receivables, net	29,471,146	50,750,399	-	-
<b>Other receivables</b>				
Amounts due from subsidiaries	-	-	34,276,415	71,967,016
Amounts due from related companies	1,035,090	701,045	996,891	662,846
Amounts due from an affiliate company	12,000	5,828,770	-	-
Refundable deposits	903,850	524,731	269,494	294,649
Other receivables	37,985,131	1,396,760	30,561,305	181,440
	39,936,071	8,451,306	66,104,105	73,105,951

Notes to the Financial Statements  
- 31 January 2020

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

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
<b>Non-current:</b>				
Amounts due from subsidiaries	-	-	17,625,826	10,519,273
Less: Allowance for				
Amounts due from subsidiaries	-	-	(20,404,400)	(50,043,643)
Amounts due from related companies	(38,199)	(38,199)	-	-
Amounts due from an affiliate company	(12,000)	(5,828,770)	-	-
Refundable deposits	(7,090)	(7,090)	-	-
Other receivables	(36,918,091)	(572,801)	(30,436,126)	-
	(36,975,380)	(6,446,860)	(50,840,526)	(50,043,643)
Other receivables, net	2,960,691	2,004,446	32,889,405	33,581,581
Total trade and other receivables	32,431,837	52,754,845	32,889,405	33,581,581
Less: Refundable deposits net of impairment	(897,026)	(517,641)	(269,494)	(294,649)
Add: Cash and bank balances	12,439,364	13,495,777	989,393	2,637,558
Total financial assets carried at amortised costs	43,974,175	65,732,981	33,609,304	35,924,490
Classification of trade and other receivables:				
Current	32,431,837	52,754,845	15,263,579	23,062,308
Non-current	-	-	17,625,826	10,519,273
	32,431,837	52,754,845	32,889,405	33,581,581

*Notes to the Financial Statements*  
- 31 January 2020

**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 (2019: 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	
	2020 RM	2019 RM
Neither past due nor impaired	24,800,570	37,504,020
1 to 30 days past due not impaired	3,515,897	6,416,210
31 to 60 days past due not impaired	1,031,159	5,992,957
61 to 120 days past due not impaired	123,520	837,212
	4,670,576	13,246,379
Impaired	1,104,178	-
	30,575,324	50,750,399

**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	
	2020 RM	2019 RM
Trade receivables:		
Nominal value	1,104,178	-
Less: Allowance for impairment:		
- individually impaired	(1,104,178)	-
	-	-

Movement in allowance accounts:

	Group	
	2020 RM	2019 RM
At 1 February	-	1,014,963
Charge for the year (Note 7)	1,104,178	-
Written off during the year	-	(1,014,963)
At 31 January	1,104,178	-

Notes to the Financial Statements  
- 31 January 2020

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

**(a) Trade receivables (cont'd)**

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	
	2020 RM	2019 RM	2020 RM	2019 RM
Other receivables:				
Nominal value	36,975,380	6,446,860	50,840,526	50,043,643
Less: Allowance for impairment	(36,975,380)	(6,446,860)	(50,840,526)	(50,043,643)
	-	-	-	-
Movement in allowance accounts:				
At the beginning of year	6,446,860	6,458,408	50,043,643	46,875,191
Charge for the year (Note 7)	631,533	-	796,883	3,168,452
Impairment write back (Note 7)	-	(11,548)	-	-
Effect of deconsolidation of a subsidiary (Note 34)	29,896,987	-	-	-
At the end of year	36,975,380	6,446,860	50,840,526	50,043,643

**Other receivables that are impaired**

At the reporting date, the Group and the Company have provided an allowance of RM36,975,380 (2019: RM6,446,860) and RM50,840,526 (2019: RM50,043,643) respectively. These mainly relate to balances due from related parties which have been significantly long outstanding.

**(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 RM Nil (2019: RM500,000) is unsecured, interest rate of Nil (2019: 4.00%) per annum.

**(d) Amount due from related companies**

Related companies refer to companies in the Sapura Holdings Sdn. Bhd. group of companies. The amounts due from related companies 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 (2019: 2) groups of debtors representing 77% (2019: 70%) of the total net trade receivables.

*Notes to the Financial Statements*  
- 31 January 2020

**19. OTHER CURRENT ASSETS**

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Prepayments	2,389,770	1,680,865	208,447	108,942

**20. SHORT TERM INVESTMENT**

	Group	
	2020 RM	2019 RM
Held for trading investments	2,096,998	5,264,169
Investments/(Withdrawal)	7,429,947	(3,296,233)
Profit received during the year (Note 5)	422,218	129,062
Investment in money market funds, representing total financial assets at fair value through profit or loss	9,949,163	2,096,998

**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 2020. 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	
	2020 RM	2019 RM	2020 RM	2019 RM
Present value of unfunded defined benefit obligations, representing net liabilities	8,450,311	7,628,522	3,298,387	2,712,384
Analysed as:				
Current	26,934	62,937	10,804	10,728
Non-current	8,423,377	7,565,585	3,287,583	2,701,656
	8,450,311	7,628,522	3,298,387	2,712,384

Notes to the Financial Statements  
- 31 January 2020

21. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

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

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
<b>Profit before tax</b>				
Current service costs	237,412	532,997	114,974	140,660
Interest cost	406,266	225,310	146,923	128,856
Total, included in employee benefits expense (Note 8)	643,678	758,307	261,897	269,516
<b>Other comprehensive income</b>				
Actuarial loss on retirement benefit net of tax	825,583	-	510,372	-

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

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
At beginning of year	7,628,522	6,968,015	2,712,384	2,442,868
Recognised in profit or loss	643,678	758,307	261,897	269,516
Benefits paid	(647,472)	(97,800)	(186,266)	-
Actuarial loss, represents total included in other comprehensive income	825,583	-	510,372	-
At end of year	8,450,311	7,628,522	3,298,387	2,712,384

Principal actuarial assumptions used:

	2020 %	2019 %
Discount rate	4.0	5.2
Expected rate of salary increases		
- Executives	3.8	5.0
- Non executives	4.0	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.

Notes to the Financial Statements  
- 31 January 2020

22. LOANS AND BORROWINGS

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
<b>Current</b>				
<b>Secured:</b>				
Term loans	4,654,149	5,090,911	-	-
Hire purchase (Note 23)	195,843	96,361	195,843	86,328
Lease liabilities (Note 24)	1,111,843	-	1,114,960	-
	5,961,835	5,187,272	1,310,803	86,328
<b>Unsecured:</b>				
Bankers' acceptances	3,078,614	7,386,428	-	-
Revolving credits	-	8,000,000	-	7,000,000
	3,078,614	15,386,428	-	7,000,000
	9,040,449	20,573,700	1,310,803	7,086,328
<b>Non-current</b>				
<b>Secured:</b>				
Term loans	24,251,360	25,535,345	-	-
Hire purchase (Note 23)	597,900	175,023	597,900	175,022
Lease liabilities (Note 24)	794,020	-	1,170,708	-
	25,643,280	25,710,368	1,768,608	175,022
<b>Total</b>				
Revolving credits	-	8,000,000	-	7,000,000
Bankers' acceptances	3,078,614	7,386,428	-	-
Term loans	28,905,509	30,626,256	-	-
Hire purchase (Note 23)	793,743	271,384	793,743	261,350
Lease liabilities (Note 24)	1,905,863	-	2,285,668	-
	34,683,729	46,284,068	3,079,411	7,261,350

*Notes to the Financial Statements*  
- 31 January 2020

**22. LOANS AND BORROWINGS (CONT'D)**

The remaining maturities of the loans and borrowings as at 31 January 2020 are as follows:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Within 1 year	9,040,449	20,573,700	1,310,803	7,086,328
More than 1 year and less than 2 years	4,130,794	4,552,270	1,505,984	75,604
More than 2 years and less than 5 years	21,512,486	21,158,098	262,624	99,419
	34,683,729	46,284,068	3,079,411	7,261,351

The weighted average effective interest rates per annum at the reporting date for the borrowings, excluding hire purchase and lease liabilities, were as follows:

	Group		Company	
	2020 %	2019 %	2020 %	2019 %
Revolving credits	4.88	5.06	4.88	5.06
Bankers' acceptances	3.74	3.92	-	-
Term loans	4.71	4.60	-	-

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 RM133,327,000 (2019: RM133,327,000) as at the reporting date to banks and financial institutions for banking facilities granted to certain subsidiaries.

Notes to the Financial Statements  
- 31 January 2020

22. LOANS AND BORROWINGS (CONT'D.)

Change in liabilities arising from financing activities

2020:	At 1 February 2019 RM	Non-cash movement on lease liabilities RM	Net drawdown/ (repayment) RM	At 31 January 2020 RM
<b>Group</b>				
Revolving credits	8,000,000	-	(8,000,000)	-
Bankers' acceptances	7,386,428	-	(4,307,814)	3,078,614
Term loans	30,626,256	-	(1,720,747)	28,905,509
Hire purchase (Note 23)	271,384	-	522,359	793,743
Lease Liabilities (Note 24)	-	3,088,661	(1,182,798)	1,905,863
	46,284,068	3,088,661	(14,689,000)	34,683,729
<b>Company</b>				
Revolving credits	7,000,000	-	(7,000,000)	-
Hire purchase (Note 23)	261,350	-	532,393	793,743
Lease Liabilities (Note 24)	-	3,456,376	(1,170,708)	2,285,668
	7,261,350	3,456,376	(7,638,315)	3,079,411

2019:	At 1 February 2018 RM	Net drawdown/ (repayment) RM	At 31 January 2019 RM
<b>Group</b>			
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
Hire purchase (Note 23)	373,075	(101,691)	271,384
	40,552,610	5,731,458	46,284,068
<b>Company</b>			
Revolving credits	7,000,000	-	7,000,000
Hire purchase (Note 23)	346,506	(85,156)	261,350
	7,346,506	(85,156)	7,261,350

Notes to the Financial Statements  
- 31 January 2020

23. HIRE PURCHASE

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
<b>Minimum lease payments:</b>				
Not later than 1 year	225,960	106,708	225,960	96,500
Later than 1 year and not later than 2 years	369,888	82,032	369,888	82,032
Later than 2 years and not later than 5 years	272,289	102,484	272,289	102,483
	868,137	291,224	868,137	281,015
Less: Finance charges	(74,394)	(19,840)	(74,394)	(19,665)
	793,743	271,384	793,743	261,350
<b>Analysis of present value of finance lease liabilities:</b>				
Not later than 1 year	195,843	96,361	195,843	86,328
Later than 1 year and not later than 2 years	335,276	75,604	335,276	75,604
Later than 2 years and not later than 5 years	262,624	99,419	262,624	99,418
	793,743	271,384	793,743	261,350
Less: Amount due within 12 months (Note 22)	(195,843)	(96,361)	(195,843)	(86,328)
Amount due after 12 months (Note 22)	597,900	175,023	597,900	175,022

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 4.20% to 4.57% (2019: 4.57% to 5.38%) and 4.20% to 4.57% (2019: 4.57% to 5.38%) per annum respectively.

*Notes to the Financial Statements*  
- 31 January 2020

**24. LEASE LIABILITIES**

The carrying amounts of lease liabilities recognised and the movements during the year are as follows:

	<b>Group</b>	<b>Company</b>
	<b>2020 RM</b>	<b>2020 RM</b>
At 1 February 2019	2,863,457	3,347,535
Additions	139,459	-
Accretion of interest	85,745	108,841
Payments	(1,182,798)	(1,170,708)
At 31 January 2020	1,905,863	2,285,668
Current	1,111,843	1,114,960
Non-current	794,020	1,170,708
	1,905,863	2,285,668

The remaining maturities of the lease liabilities as at 31 January 2020 are as follows:

	<b>Group</b>	<b>Company</b>
	<b>2020 RM</b>	<b>2020 RM</b>
On demand or within 1 year	1,111,843	1,114,960
More than 1 year and less than 2 years	794,020	1,170,708
	1,905,863	2,285,668

The followings are the amounts recognised in profit or loss:

	<b>Group</b>	<b>Company</b>
	<b>2020 RM</b>	<b>2020 RM</b>
Depreciation on right-of-use assets (Note 13)	4,132,968	1,115,845
Interest expense on lease liabilities (Note 6)	85,745	108,841
Expense relating to short-term leases (Note 7)	158,712	35,627
Expense relating to leases of low-value assets (Note 7)	129,298	-
Total amount recognised in profit or loss	4,506,723	1,260,313

Total cash outflows for leases comprising of payment of lease liabilities short-term lease and low value leases for Group and Company amounting to RM1,470,808 and RM1,206,335 respectively.

Notes to the Financial Statements  
- 31 January 2020

25. DEFERRED TAX

Recognised deferred tax (assets)/liabilities

	Assets		Liabilities		Net	
	2020 RM	2019 RM	2020 RM	2019 RM	2020 RM	2019 RM
<b>Group</b>						
Accelerated capital allowances	-	-	8,529,988	10,118,824	8,529,988	10,118,824
Development expenditure capitalised	-	-	379,246	708,963	379,246	708,963
Provisions, lease liabilities, accruals and other payables	(2,761,489)	(2,983,442)	-	-	(2,761,489)	(2,983,442)
Unused tax losses	(257,952)	(382,970)	-	-	(257,952)	(382,970)
Unabsorbed capital allowances	(1,171,542)	(1,283,451)	-	-	(1,171,542)	(1,283,451)
Unutilised reinvestment and investment tax allowance	(1,807,715)	(2,768,957)	-	-	(1,807,715)	(2,768,957)
Tax (asset)/liabilities	(5,998,698)	(7,418,820)	8,909,234	10,827,787	2,910,536	3,408,967
Set off tax	5,998,698	7,418,820	(5,998,698)	(7,418,820)	-	-
Net tax (asset)/liabilities	-	-	2,910,536	3,408,967	2,910,536	3,408,967
<b>Company</b>						
Accelerated capital allowances	-	-	839,237	823,234	839,237	823,234
Provisions, lease liabilities, accruals and other payables	(839,237)	(823,234)	-	-	(839,237)	(823,234)
Tax (asset)/liabilities	(839,237)	(823,234)	839,237	823,234	-	-
Set off tax	839,237	823,234	(839,237)	(823,234)	-	-
Net tax (asset)/liabilities	-	-	-	-	-	-

Unrecognised deferred tax assets

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Unused tax losses	24,452,974	20,568,265	14,180,378	11,860,821
Unabsorbed capital allowances	540,854	440,654	-	-
Unabsorbed reinvestment and investment tax allowance	106,886	106,886	-	-
Other temporary differences	3,563,275	3,951,021	256,013	2,712,384
	28,663,989	25,066,826	14,436,391	14,573,205

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.

Notes to the Financial Statements  
- 31 January 2020

25. 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:

Group	As at 1.2.2019 RM	Charged/ (credited) to profit or loss RM	Credited to OCI RM	As at 31.1.2020 RM
<b>Deferred tax liabilities</b>				
Accelerated, capital allowances	10,118,824	(1,588,836)	-	8,529,988
Development expenditure capitalised	708,963	(329,717)	-	379,246
	10,827,787	(1,918,553)	-	8,909,234
<b>Deferred tax assets</b>				
Provisions, lease liabilities, accruals and other payables	(2,983,442)	317,183	(95,230)	(2,761,489)
Unused tax losses	(382,970)	125,018	-	(257,952)
Unabsorbed capital allowances	(1,283,451)	111,909	-	(1,171,542)
Unutilised reinvestment and investment tax allowances	(2,768,957)	961,242	-	(1,807,715)
	(7,418,820)	1,515,352	(95,230)	(5,998,698)

Group	As at 1.2.2018 RM	Charged/ (credited) to profit or loss RM	As at 31.1.2019 RM
<b>Deferred tax liabilities</b>			
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
<b>Deferred tax assets</b>			
Provisions, accruals and other payables	(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)

Notes to the Financial Statements  
- 31 January 2020

25 . DEFERRED TAX (CONT'D.)

Company	As at 1.2.2019 RM	Charged/ (credited) to profit or loss RM	As at 31.1.2020 RM
<b>Deferred tax liabilities</b>			
Accelerated capital allowances	823,234	16,003	839,237
<b>Deferred tax assets</b>			
Provisions, lease liabilities, accruals, other payables and unabsorbed capital allowances	(823,234)	(16,003)	(839,237)

Company	As at 1.2.2018 RM	Charged/ (credited) to profit or loss RM	As at 31.1.2019 RM
<b>Deferred tax liabilities</b>			
Accelerated capital allowances	927,192	(103,958)	823,234
<b>Deferred tax assets</b>			
Provisions, accruals and other payables	(927,192)	103,958	(823,234)

*Notes to the Financial Statements*  
- 31 January 2020

**26. TRADE AND OTHER PAYABLES**

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
<b>Trade payables - third parties</b>	12,757,711	20,186,054	-	-
<b>Other payables</b>				
Accruals and other payables	10,406,415	16,026,126	2,625,126	3,417,503
Amount due to subsidiaries	-	-	1,100,936	1,016,773
Amount due to related companies	570	10,471	570	2,897
	10,406,985	16,036,597	3,726,632	4,437,173
<b>Total trade and other payables</b>	23,164,696	36,222,651	3,726,632	4,437,173
Add: Loans and borrowings (Note 22)	34,683,729	46,284,068	3,079,411	7,261,350
<b>Total financial liabilities carried at amortised cost</b>	57,848,425	82,506,719	6,806,043	11,698,523

**(a) Trade payables**

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 60 (2019: 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 (2019: 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.

Notes to the Financial Statements  
- 31 January 2020

27. PROVISIONS

	Provision for arbitration claim (a) RM	Provision for warranty (b) RM	Total RM
<b>Group</b>			
At 1 February 2019	5,813,475	89,148	5,902,623
Effect of deconsolidation of a subsidiary (Note 34)	(5,813,475 )	-	(5,813,475)
Provision utilised	-	(94,149)	(94,149)
Current year provision (Note 7)	-	126,939	126,939
At 31 January 2020	-	121,938	121,938
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

(a) Provision for arbitration claim

A subsidiary of the Group had previously 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. Movement on provision for arbitration claim in current year was due to effect of deconsolidation of a subsidiary as disclosed in Note 34.

(b) 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.

*Notes to the Financial Statements*  
- 31 January 2020

**28. SHARE CAPITAL**

	No. of shares		Group/Company Amount	
	2020 Unit	2019 Unit	2020 RM	2019 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.

**29. CAPITAL COMMITMENT**

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
<b>Capital expenditures</b>				
Property, plant and equipment:				
Approved and contracted for	1,586,128	18,071,995	-	-
Approved but not contracted for	5,085,476	1,550,339	-	-

Notes to the Financial Statements  
- 31 January 2020

30. 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	
	2020 RM	2019 RM	2020 RM	2019 RM
<b>Subsidiaries</b>				
Interest expense	-	-	5,408	25,871
Accretion of interest on lease	-	-	108,841	-
Depreciation of right-of-use assets	-	-	1,115,845	1,170,708
Interest income	-	-	(5,000)	(20,000)
Management fees	-	-	(17,722,393)	(18,111,700)
Dividend income	-	-	(4,080,000)	(5,800,000)
Rental income	-	-	(1,440,106)	(1,440,106)
<b>Directors' related companies</b>				
Sapura Holdings Sdn Bhd				
Communication expenses	14,975	-	14,975	-
Sapura Resources Berhad and its subsidiaries				
Rental expenses	16,180	13,543	16,180	13,543
	31,155	13,543	31,155	13,543

Information regarding outstanding balance arising from related party transactions as at 31 January 2020 are disclosed in Notes 18 and 26.

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

*Notes to the Financial Statements*  
- 31 January 2020

**30. 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	
	2020 RM	2019 RM
Wages and salaries	7,234,505	5,504,466
Contributions to defined contribution plan	676,474	478,876
Benefits-in-kind	100,817	70,572
	8,011,796	6,053,914

**31. 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 2020. 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.

*Notes to the Financial Statements*  
- 31 January 2020

**31. 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	
	2020 RM	2019 RM	2020 RM	2019 RM
<b>Fixed rate instruments</b>				
Financial assets	-	-	-	500,000
Financial liabilities	(32,777,866)	(38,284,068)	(793,743)	(261,350)
<b>Floating rate instruments</b>				
Financial liabilities	-	(8,000,000)	-	(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 RM19,719 (2019: RM29,234) 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 RM9,228 (2019: 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"), 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.

*Notes to the Financial Statements*  
- 31 January 2020

**31. 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, 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	
		2020 RM	2019 RM
USD/RM	- strengthened 10% (2019: 10%)	(217,241)	(255,385)
	- weakened 10% (2019: 10%)	217,241	255,385
JPY/RM	- strengthened 10% (2019: 10%)	(95,936)	(59,582)
	- weakened 10% (2019: 10%)	95,936	59,582
IDR/RM	- strengthened 10% (2019: 10%)	(77,537)	(70,282)
	- weakened 10% (2019: 10%)	77,537	70,282
THB/RM	- strengthened 10% (2019: 10%)	(25,382)	(49,954)
	- weakened 10% (2019: 10%)	25,382	49,954
Euro/RM	- strengthened 10% (2019: 10%)	-	(132,614)
	- weakened 10% (2019: 10%)	-	132,614

**(d) Liquidity risk**

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

Notes to the Financial Statements  
- 31 January 2020

31. 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.

	2020			Total RM
	On demand or within one year RM	One to five years RM	More than five years RM	
<b>Group</b>				
<b>Financial liabilities:</b>				
Trade and other payables	23,164,696	-	-	23,164,696
Loans and borrowings	9,569,493	15,126,204	19,424,287	44,119,984
<b>Total undiscounted financial liabilities</b>	<b>32,734,189</b>	<b>15,126,204</b>	<b>19,424,287</b>	<b>67,284,680</b>
<b>Company</b>				
<b>Financial liabilities:</b>				
Trade and other payables	3,726,632	-	-	3,726,632
Loans and borrowings	225,960	642,177	-	868,137
<b>Total undiscounted financial liabilities</b>	<b>3,952,592</b>	<b>642,177</b>	<b>-</b>	<b>4,594,769</b>

	2019			Total RM
	On demand or within one year RM	One to five years RM	More than five year RM	
<b>Group</b>				
<b>Financial liabilities:</b>				
Trade and other payables	36,222,651	-	-	36,222,651
Loans and borrowings	22,307,555	17,231,483	20,498,441	60,037,479
<b>Total undiscounted financial liabilities</b>	<b>58,530,206</b>	<b>17,231,483</b>	<b>20,498,441</b>	<b>96,260,130</b>

	2019		Total RM
	On demand or within one year RM	One to five years RM	
<b>Company</b>			
<b>Financial liabilities:</b>			
Trade and other payables	4,437,173	-	4,437,173
Loans and borrowings	7,433,200	184,515	7,617,715
<b>Total undiscounted financial liabilities</b>	<b>11,870,373</b>	<b>184,515</b>	<b>12,054,888</b>

*Notes to the Financial Statements*  
- 31 January 2020

**31. 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 2020, 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 RM9,949,163 (2019: RM2,096,998). An increase or decrease of 10% on market index of investment in unit funds could have an impact of approximately RM994,916 (2019: RM209,700) 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 2020

31. 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
<b>Financial liabilities</b>				
<b>At 31 January 2020:</b>				
Hire purchase (non-current)	597,900	598,934	597,900	598,934
Term loans (non-current)	24,251,360	30,911,295	-	-
Lease liability (non-current)	794,020	732,441	1,170,708	1,114,960
<b>At 31 January 2019:</b>				
Hire purchase (non-current)	175,023	171,815	175,023	171,815
Term loans (non-current)	25,535,345	22,632,497	-	-

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 RM9,949,163 (2019: RM2,096,998) 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.

32. 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 2020 and 2019.

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 2020

**32. CAPITAL MANAGEMENT (CONT'D.)**

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Loans and borrowings	34,683,729	46,284,068	3,079,411	7,261,350
Trade and other payables	23,164,696	36,222,651	3,726,632	4,437,173
Less: Cash and bank balances	(12,439,364)	(13,495,777)	(989,393)	(2,637,558)
<b>Net debt</b>	<b>45,409,061</b>	<b>69,010,942</b>	<b>5,816,650</b>	<b>9,060,965</b>
Equity attributable to the owners of the parent, representing total capital	106,203,402	106,823,662	76,075,336	77,229,595
<b>Capital and net debt</b>	<b>151,612,463</b>	<b>175,834,604</b>	<b>81,891,986</b>	<b>86,290,560</b>
<b>Gearing ratio</b>	<b>30%</b>	<b>39%</b>	<b>7%</b>	<b>11%</b>

**33. 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 RM45,344,230 (2019: RM67,108,295) and RM118,957,564 (2019: RM109,128,624) each respectively of revenue in the current financial year.

Notes to the Financial Statements  
- 31 January 2020

33. SEGMENT INFORMATION (CONT'D.)

Business segments

	Manufacturing RM	Investment Holding RM	Others RM	Eliminations RM	Notes	Consolidated RM
<b>31 January 2020</b>						
<b>Revenue</b>						
External	223,894,579	-	1,104,796	-		224,999,375
Inter-segment	2,590,607	21,802,393	329,051	(24,722,051)	A	-
<b>Total revenue</b>	<b>226,485,186</b>	<b>21,802,393</b>	<b>1,433,847</b>	<b>(24,722,051)</b>		<b>224,999,375</b>
<b>Results</b>						
Segment results, representing profit/(loss) from operations	8,077,880	1,978,807	(3,418,041)	(240,740)		6,397,906
Finance costs						(2,648,462)
Taxation						(1,462,976)
Profit net of tax						2,286,468
<b>Assets</b>						
Consolidated segment assets	173,168,542	85,963,220	7,696,600	(89,216,855)		177,611,507
<b>Liabilities</b>						
Consolidated segment liabilities	145,643,248	13,967,884	24,115,775	(113,808,505)		69,918,402
<b>Other information</b>						
Capital expenditure	12,030,430	915,683	84,834	(5,577,027)	B	7,453,920
Depreciation	17,599,199	1,602,547	299,165	(2,825,656)		16,675,255
Amortisation	1,525,520	-	-	-		1,525,520
Non-cash expenses other than depreciation and amortisation	3,556,353	(1,766,426)	661,111	(796,883)	C	1,654,155

Notes to the Financial Statements  
- 31 January 2020

33. SEGMENT INFORMATION (CONT'D.)

Business segments

	Manufacturing RM	Investment Holding RM	Others RM	Eliminations RM	Notes	Consolidated RM
<b>31 January 2019</b>						
<b>Revenue</b>						
External	226,389,911	-	2,393,803	-		228,783,714
Inter-segment	4,058,267	23,911,700	-	(27,969,967)	<b>A</b>	-
<b>Total revenue</b>	<b>230,448,178</b>	<b>23,911,700</b>	<b>2,393,803</b>	<b>(27,969,967)</b>		<b>228,783,714</b>
<b>Results</b>						
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						<u>4,144,073</u>
<b>Assets</b>						
Consolidated segment assets	191,507,450	90,988,310	4,782,252	(82,384,360)		204,893,652
<b>Liabilities</b>						
Consolidated segment liabilities	166,215,191	14,458,715	23,427,940	(103,939,150)		100,162,696
<b>Other information</b>						
Capital expenditure	23,364,539	74,302	820,659	(307,508)	<b>B</b>	23,951,992
Depreciation	12,680,305	193,716	117,292	-		12,991,313
Amortisation	1,151,474	-	179,497	-		1,330,971
Non-cash expenses other than depreciation and amortisation	(798,034)	3,168,452	231,277	(3,168,452)	<b>C</b>	(566,757)

*Notes to the Financial Statements*  
- 31 January 2020

**33. 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:

	2020 RM	2019 RM
Property, plant and equipment	7,200,332	6,417,225
Investment property	-	16,691,967
Development expenditure	253,588	842,800
	7,453,920	23,951,992

C Other material non-cash expenses/(income) consists of the following items as presented in the respective notes to the financial statements:

	Note	2020 RM	2019 RM
Unrealised foreign exchange loss	7	236	673
Development expenditure written off	7	90,393	138,567
Net reversal of slow moving inventories	7	(164,123)	(310,065)
Impairment of trade receivables	7	1,104,178	-
Impairment/(writeback) on other receivables	7	631,533	(11,548)
Net movement of provision	7	126,939	(401,683)
Property, plant and equipment written off	7	1,767,197	17,299
Inventory written off	7	661,111	-
Gain of disposal of a subsidiary	5	(2,563,309)	-
		1,654,155	(566,757)

*Notes to the Financial Statements*  
- 31 January 2020

**34. DECONSOLIDATION OF A SUBSIDIARY**

The High Court of Malaysia has issued a court order for the winding up of Sapura Schulz Hydroforming Sdn Bhd (“SSH”) on 21 February 2019. Subsequently, the High Court has appointed a liquidator for the winding up of SSH. The Group and the Company is deemed to have no power to govern the financial and operating policies of SSH. Accordingly, the Group and the Company have derecognised assets, liabilities and non-controlling interests related to SSH.

The Group and Company did not receive any consideration in the deconsolidation of SSH. The winding up process of SSH is currently ongoing.

(a) Consideration received

The Group and the Company did not receive any consideration in the deconsolidation of SSHSB

(b) Analysis of assets and liabilities over which the Group and the Company lost control

	2020 RM
Non-current assets	
Plant, property & equipment (Note 13)	1,405,592
Current assets	
Cash	5,793
Other receivables*	-
Current liabilities	
provisions (Note 27)	(5,813,475)
Other Payables	(750,525)
<b>Net liabilities deconsolidated</b>	<b>(5,152,615)</b>

\* Consists of reclassification of amount due from an affiliated company of RM5,816,770 and amount due from related party amounting to RM29,896,987 which was fully impaired previously.

(c) Gain on deconsolidation of subsidiary

	2020 RM
Proceeds	-
Non-controlling interests (25% of net total liabilities)	(2,589,306)
Net liabilities deconsolidated	5,152,615
<b>Gain on deconsolidation of subsidiary</b>	<b>2,563,309</b>

Gain on deconsolidation of subsidiary was included in other income for the year ended 31 January 2020.

*Notes to the Financial Statements*

- 31 January 2020

**34. DECONSOLIDATION OF A SUBSIDIARY (CONT'D)**

(d) Net cash outflow arising from deconsolidation of the subsidiary

	2020 RM
The balance of cash and cash equivalent deconsolidated	5,793

**35. SUBSEQUENT EVENT**

The COVID-19 pandemic has significantly disrupted many business operations globally. For the Group, the impact on business operations has been a result of the measures taken by the Government of Malaysia to contain it, particularly the Movement Control Order (MCO) which has restricted the Group's business. The Group and the Company concluded that the COVID-19 outbreak did not provide evidence of conditions that existed on or before 31 January 2020 and have accordingly assessed it as a non-adjusting event.

Up to the date of these financial statements, the Group has seen a significant impact of COVID-19 outbreak on the Group's revenue, earnings, and cash flow for the immediate short-term period during the various stages of the MCO period. At this juncture, it is not possible to estimate the full impact of the outbreak's short-term and longer-term effects or the Government's varying efforts to combat the outbreak and support businesses.

This being the case, the Group does not foresee any increase in its expected credit losses as disclosed in Note 3.2(b) and Note 18 since major customers are expected to be able to meet current credit terms within the next financial year.

However, the Group noted that the revenue for the 3-month period ended 30 April 2020 has decreased materially due to reductions in production (or temporary closure of business), workplace disruption and disruptions in supply chains. These conditions indicate potential impairment of Group's property, plant and equipment subsequent to 31 January 2020. The Group will continue to monitor the development of these events and have implemented measures to mitigate the impact of COVID-19 to the Group's business.

## 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 : 3,989

### DISTRIBUTION OF ORDINARY SHARES

Based on Record of Depositors as at 12 June 2020

Size of Holdings	No. of Holders	% Over Total Shareholders	No. of Shares	% Over Total Shares
Less than 100	430	10.78	6,379	0.01
100 to 1,000	611	15.32	297,520	0.41
1,001 to 10,000	2,542	63.73	7,992,288	10.98
10,001 to 100,000	372	9.32	10,310,061	14.17
100,001 to less than 5% of issued shares	31	0.78	14,897,350	20.47
5% and above of issued shares	3	0.07	39,272,139	53.96
<b>Total</b>	<b>3,989</b>	<b>100</b>	<b>72,775,737</b>	<b>100</b>

### DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S SHAREHOLDINGS

Based on Record of Depositors as at 12 June 2020

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
Dato' Shahrizan bin Shamsuddin	663,175	0.91	-	-
Dato' Azlan bin Hashim	-	-	-	-
Datuk Kisai bin Rahmat	-	-	-	-
Md. Shah bin Hussin	-	-	-	-
Wan Ahamad Sabri bin Wan Daud	-	-	-	-

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 12 June 2020

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 12 June 2020

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)	2,809,700	3.86
6	Tan Sri Dato' Seri Shahril bin Shamsuddin	1,426,875	1.96
7	Yeoh Phek Leng	987,000	1.36
8	RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged Securities Accounts for Su Ming Yaw	697,100	0.96
9	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB for Dato' Shahril bin Shamsuddin (PB)	663,175	0.91
10	RHB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Accounts for Chia Siew Fung	604,700	0.83
11	Lee Siew Hoon	508,000	0.70
12	Lim Kien Hua	335,700	0.46
13	Tan Yee Seng	280,000	0.38
14	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Tian Sang @ Tan Tian Song (E-PPG)	279,500	0.38
15	Kwan Chee Tong	274,900	0.38
16	TA Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Phua Lee Ping	265,500	0.36
17	Tan Yee Kong	245,000	0.34
18	Goh Sook Kee	243,000	0.33
19	Ng Ah Geok	222,000	0.31
20	Yew Peng Chai	193,100	0.27
21	Lim Kian Huat	163,400	0.22
22	Chong Toke Chong	151,000	0.21
23	Lam Pun Ying	150,000	0.21
24	Wong Lay Heong	150,000	0.21
25	Lee Kim Seng	145,000	0.20
26	Tan Kai Li	139,000	0.19
27	Ananda Krishna A/L Sithamberam Pillay	133,500	0.18
28	Lim Kee	130,000	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
<b>Total</b>		<b>53,720,789</b>	<b>73.82</b>

## PARTICULARS OF PROPERTIES

Location	Description/ Existing Use	Land Area	Tenure/Year of Expiring	Approximate Age of Building (years)	Net Book Value as at 31.01.2020 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	29	<b>6,485</b> 31.01.2020
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 <sup>2</sup> & 7,241m <sup>2</sup>	99-year lease expiring 19.08.2098	25	<b>4,401</b> 31.01.2020
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 <sup>2</sup>	99-year lease expiring 18.07.2103	Nil	<b>4,879</b> 31.01.2020
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 <sup>2</sup>	99-year lease expiring 18.07.2103	Nil	<b>4,779</b> 31.01.2020

*PARTICULARS OF PROPERTIES*

Location	Description/ Existing Use	Land Area	Tenure/Year of Expiring	Approximate Age of Building (years)	Net Book Value as at 31.01.2020 RM'000/ Date of Last Revaluation
HS (D) 60852, 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 <sup>2</sup>	99-year lease expiring 06.02.2104	15	<b>3,075</b> 31.01.2020
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	<b>2,377</b> 31.01.2020
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 <sup>2</sup> & 1,833m <sup>2</sup>	99-year lease expiring 19.08.2098	24	<b>1,907</b> 31.01.2020
HS (D) 207937, PT 6409 Bandar Sri Sendayan District of Seremban Negeri Sembilan	Vacant industrial land	35,332 m <sup>2</sup>	Freehold	Nil	<b>16,692</b> 31.01.2020
<b>TOTAL</b>					<b>44,595</b>

This page is intentionally left blank

# PROXY FORM



Sapura Industrial Berhad  
Registration No: 197401000510 (17547-W)

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

I/We \_\_\_\_\_ 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 44<sup>th</sup> Annual General Meeting to be conducted on a fully virtual basis through live streaming from the broadcast venue at Tricor Business Centre, Manuka 2 & 3 Meeting Room, Unit 29-01, Level 29, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia ("Broadcast Venue") on Wednesday, 29 July 2020 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 Tan Sri Dato' Seri Ir. Shamsuddin bin Abdul Kadir		
Ordinary Resolution 3	Re-election of Dato' Azlan bin Hashim		
Ordinary Resolution 4	Reappointment of Messrs. Ernst & Young PLT 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	Authority for Directors to Issue Shares Pursuant to Sections 75 and 76 of the Companies Act, 2016		
Ordinary Resolution 8	Reappointment of Datuk Kisai bin Rahmat as Independent Non-Executive Director		
Ordinary Resolution 9	Retention of Encik Wan Ahamad Sabri bin Wan Daud as Independent Non-Executive Director		
Special Resolution 10	Proposed Adoption of a new Constitution of the Company		

Signature/Common Seal of Shareholder

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2020

## NOTES:

### 1. Important Notice

In light of the current Covid-19 pandemic and considering the well-being and safety of our Shareholders, the 44<sup>th</sup> Annual General Meeting ("AGM") will be conducted on a fully virtual basis through live streaming. Shareholders are to participate and vote remotely at the 44<sup>th</sup> AGM via the Remote Participation and Voting facilities ("RPV") provided by Tricor Investor & Issuing House Services Sdn. Bhd. ("Tricor") via its **TIIH Online** website at <https://tiih.online>. Please follow the procedures in the **Administrative Guide on 44<sup>th</sup> Annual General Meeting** and take note of **Note (2)** below in order to participate remotely via RPV.

Shareholders/Proxies **WILL NOT BE ALLOWED** to attend the 44<sup>th</sup> AGM in person at the Broadcast Venue on the day of the meeting.

### 2. Proxy Forms

A member whose name appears in the Record of Depositors of the Company as at 22 July 2020 shall be entitled to participate and vote at this Meeting.

A member of the Company who is entitled to participate and vote at this Meeting is entitled to appoint not more than two (2) proxies to participate 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 participate 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.

1st fold here

---

Then fold here

---

**Sapura Industrial Berhad**  
Registration No.: 197401000510 (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



[www.sapuraindustrial.com.my](http://www.sapuraindustrial.com.my)

**SAPURA INDUSTRIAL BERHAD**

Registration No.: 197401000510 (17547-W)

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

Tel: +603 8925 6011 Fax: +603 8925 8292