



Sapura Industrial Berhad (Company No: 17547-W)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE 3RD QUARTER ENDED 31 OCTOBER 2009

The unaudited financial results of Sapura Industrial Berhad Group
for the 3rd quarter ended 31 October 2009

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SAPURA INDUSTRIAL BERHAD (17547-W)
CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE NINE-MONTH PERIOD ENDED 31 OCTOBER 2009

	Note	3 months ended		9 months ended	
		31.10.2009 RM'000	31.10.2008 RM'000	31.10.2009 RM'000	31.10.2008 RM'000
Revenue	A10	52,500	65,201	156,309	178,514
Cost of sales		<u>(43,696)</u>	<u>(54,708)</u>	<u>(132,091)</u>	<u>(148,662)</u>
Gross profit		8,804	10,493	24,218	29,852
Other income		(119)	628	704	1,972
Operating expenses		(5,341)	(7,349)	(17,769)	(18,482)
Finance costs		(1,097)	(1,212)	(3,087)	(3,670)
Profit before tax	A10	<u>2,247</u>	<u>2,561</u>	<u>4,066</u>	<u>9,672</u>
Income tax expense	B5	(489)	(1,280)	(1,204)	(2,732)
Profit for the period		<u>1,758</u>	<u>1,281</u>	<u>2,862</u>	<u>6,941</u>
Attributable to:					
Equity holders of the Company		1,758	1,281	2,862	6,941
Minority interest		-	-	-	-
		<u>1,758</u>	<u>1,281</u>	<u>2,862</u>	<u>6,941</u>
Earnings per share attributable to equity holders of the Company:(sen)					
Basic, for profit from operations	B13	<u>2.42</u>	<u>1.76</u>	<u>3.93</u>	<u>9.54</u>

(The Condensed Consolidated Income Statement should be read in conjunction with the Audited Financial Statements for the year ended 31 January 2009 and the accompanying explanatory notes attached to the interim financial statements)

**SAPURA INDUSTRIAL BERHAD (17547-W)
CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 31 OCTOBER 2009**

		Unaudited 31.10.2009	Audited 31.01.2009
	NOTE	RM'000	RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	A11	73,957	70,583
Prepaid leasehold land		21,706	21,894
Development expenditure		5,018	5,060
		<u>100,681</u>	<u>97,537</u>
Current assets			
Inventories		17,735	31,271
Trade and other receivables		42,972	52,626
Tax recoverable		791	390
Due from related companies		44	36
Cash and bank balances		13,034	23,529
		<u>74,576</u>	<u>107,852</u>
TOTAL ASSETS		<u>175,257</u>	<u>205,389</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	A7	72,776	72,776
Share premium		2,200	2,200
Accumulated Losses		(10,016)	(10,695)
		<u>64,960</u>	<u>64,281</u>
Minority interest		<u>520</u>	<u>520</u>
Total equity		<u>65,480</u>	<u>64,801</u>
Non-current liabilities			
Term loans	B9	27,346	26,118
Retirement Benefit Obligations		2,043	1,892
Hire purchase payables		2,212	1,980
Deferred taxation		7,040	7,045
		<u>38,641</u>	<u>37,035</u>
Current liabilities			
Borrowings	B9	37,876	52,402
Trade and other payables		27,755	42,152
Hire purchase payables		779	802
Due to ultimate holding company		1,607	2,606
Due to related companies		2,550	5,050
Provision for taxation		569	541
		<u>71,136</u>	<u>103,553</u>
Total liabilities		<u>109,777</u>	<u>140,588</u>
TOTAL EQUITY AND LIABILITIES		<u>175,257</u>	<u>205,389</u>
Net assets per share (RM)		0.90	0.89

(The Condensed Consolidated Balance Sheet should be read in conjunction with the Audited Financial Statements for the year ended 31 January 2009 and the accompanying explanatory notes attached to the interim financial statements)

SAPURA INDUSTRIAL BERHAD (17547-W)
CONDENSED CONSOLIDATED STATEMENT OF CHANGES
IN EQUITY FOR THE NINE-MONTH PERIOD ENDED 31 OCTOBER 2009

	← Attributable to Equity Holders of the Company →					
	← Non-Distributable →					
	Share Capital RM'000	Share Premium RM'000	Accumulated Losses RM'000	Total RM'000	Minority Interest RM'000	Total Equity RM'000
For The 9 Month Period Ended 31 October 2009						
As at 1 February 2009	72,776	2,200	(10,695)	64,281	520	64,801
Profit for the period	-	-	2,862	2,862	-	2,862
Dividends						
Final Dividends for the financial year ended 31 January 2009 paid on 17 September 2009	-	-	(2,183)	(2,183)	-	(2,183)
As at 31 October 2009	72,776	2,200	(10,016)	64,960	520	65,480
For The 9 Month Period Ended 31 October 2008						
As at 1 February 2008	72,776	2,200	(15,484)	59,492	524	60,016
Profit for the period	-	-	6,941	6,941	-	6,941
Dividends						
Final Dividends for the financial year ended 31 January 2008 paid on 28 August 2008	-	-	(2,183)	(2,183)	-	(2,183)
As at 31 October 2008	72,776	2,200	(10,726)	64,250	524	64,774

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 January 2009 and the accompanying explanatory notes attached to the interim financial statements)

**SAPURA INDUSTRIAL BERHAD (17547-W)
CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE NINE MONTH PERIOD ENDED 31 OCTOBER 2009**

	Period ended	
	31.10.2009 RM'000	31.10.2008 RM'000
Net cash generated from operating activities	17,901	7,288
Net cash used in investing activities	(11,836)	(3,347)
Net cash (used in)/generated from financing activities	<u>(15,379)</u>	<u>653</u>
Net (decrease)/increase in cash and cash equivalents	(9,314)	4,594
Cash and cash equivalents at beginning of period	<u>19,794</u>	<u>14,673</u>
Cash and cash equivalents at end of period	<u><u>10,480</u></u>	<u><u>19,267</u></u>
Cash and cash equivalents comprise:		
Cash and bank balances	13,034	23,783
Bank Overdraft	<u>(2,554)</u>	<u>(4,515)</u>
	<u><u>10,480</u></u>	<u><u>19,267</u></u>

(The Condensed Consolidated Cashflow Statement should be read in conjunction with the Audited Financial Statements for the year ended 31 January 2009 and the accompanying explanatory notes attached to the interim financial statements)

SAPURA INDUSTRIAL BERHAD (17547-W)

Notes on the quarterly report – 31 October 2009

Part A - EXPLANATORY NOTES PURSUANT TO FRS NO. 134

A1. Basis of Preparation

The interim financial statements have been prepared under the historical cost convention.

The interim financial statements are unaudited and have been prepared in accordance with the requirement of FRS 134: Interim Financial Reporting and Paragraph 9.22 of Bursa Malaysia Securities Berhad's Listing Requirements.

The interim financial statement should be read in conjunction with the audited financial statements for the year ended 31 January 2009. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 January 2009.

A2. Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 January 2009 as follows:-

FRS 2	Share-based Payment
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 3	Business Combination
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 112	Income Tax
FRS 116	Property, Plant and Equipment
FRS 117	Leases
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 124	Related Party Disclosures
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earning Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

SAPURA INDUSTRIAL BERHAD (17547-W)

Standards and interpretations issued but not yet effective

At the date of authorization of these financial statements, the following new FRS and interpretations were issued but not yet effective and have not been applied by the Group:

		Effective for Financial periods beginning on or after
FRSs, Amendments to FRS and Interpretations		
FRS 4	Insurance Contracts	1 January 2010
FRS 7	Financial Instruments: Disclosures	1 January 2010
FRS 8	Operating Segments	1 July 2009
FRS 139	Financial Instruments: Recognitions and Measurements	1 January 2010
IC Interpretation 9	Reassessment of embedded Derivatives	1 January 2010
IC Interpretation 10	Interim Financial Reporting and Impairment	1 January 2010

The Group is exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 139.

The other new FRS and Interpretations above are expected to have no significant impact on the financial statements of the Group upon their initial application except for the changes in disclosures arising from the adoption of FRS 7 and FRS 8.

A3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report of the Group's most recent annual audited financial statements for the year ended 31 January 2009 was not qualified.

A4. Comments about Seasonal or Cyclical Factors

The Group's operations are generally affected by the major festive seasons.

SAPURA INDUSTRIAL BERHAD (17547-W)

Notes on the quarterly report – 31 October 2009 (contd)

A5. Unusual items due to their Nature, Size or Incidence

There were no material unusual items affecting assets, liabilities, equity, net income, or cash flows during the financial period ended 31 January 2009.

A6. Changes in Estimates

The revised FRS 116: Property, Plant and Equipment require the review of the residual value and remaining useful life of item of property, plant and equipment at least at each year-end. There were no material changes in estimates reported in the current quarter under review.

A7. Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayment of debt and equity securities in the current period to date under review.

A8. Dividends Paid

The Boards of Directors did not recommend any dividend payment for the current quarter.

A final tax exempt dividend in respect of the financial year ended 31 January 2009, of 3% on 72,775,737 ordinary shares, amounting to RM2,183,272 was paid on 17 September 2009.

A9. Segmental Information

Analysis of the Group's revenue and results by business are as follows:-

	Individual Quarter 3 months ended 31 October 2009		Cumulative 9 months ended 31 October 2009	
	Revenue RM'000	Profit/(loss) Before Taxation RM'000	Revenue RM'000	Profit/(loss) before taxation RM'000
Investment Holding	2,687	(1,199)	8,446	(3,009)
Manufacturing	54,383	3,745	162,096	7,612
Others	892	(299)	2,806	(537)
	<u>57,962</u>	<u>2,247</u>	<u>173,348</u>	<u>4,066</u>
Eliminations	<u>(5,462)</u>	<u>-</u>	<u>(17,039)</u>	<u>-</u>
	<u>52,500</u>	<u>2,247</u>	<u>156,309</u>	<u>4,066</u>

No geographical segment is presented as the Group's activities are carried out in Malaysia.

A10. Property, Plant and Equipment

The carrying amounts of property, plant and equipment have been brought forward without amendment from the previous audited financial statements.

SAPURA INDUSTRIAL BERHAD (17547-W)

Notes on the quarterly report – 31 October 2009 (contd)

A11. Capital Commitments

Outstanding commitments in respect of capital expenditure are:

	As at 31 October 2009 RM'000	As at 31 January 2009 RM'000
Property, plant and equipment		
Approved and contracted for	6,528	7,177
Approved and not contracted for	<u>795</u>	<u>3,244</u>

A12. Significant Post Balance Sheet Events

As at the date of this report, there were no material events subsequent to the balance sheet date.

A13. Changes in Composition of the Group

There were no changes in Group's composition during the period under review.

A14. Changes in Contingent Liabilities

There were no changes in contingent liabilities since the last annual balance sheet as at 31 January 2009.

SAPURA INDUSTRIAL BERHAD (17547-W)

Notes on the quarterly report – 31 October 2009 (contd)

B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD.

B1. Review of Performance for the Current Quarter and Current Year to Date

The Group recorded revenue of RM52.5 million for the current quarter against RM65.2 million in the previous year corresponding quarter. The Group recorded lower pre-tax profit of RM2.2 million compared to RM2.6 million in the previous year corresponding quarter.

For the current period ended 31 October 2009, the Group recorded revenue of RM156.3 million compared to RM178.5 million for the corresponding period in 2008. Pre-tax profit showed a decline from RM9.7 million to RM4.1 million for the respective period, mainly due to lower volume achieved.

B2. Comparison Between Current Quarter Results and The Immediate Preceding Quarter

The Group's revenue of RM52.5 million for the current quarter was slightly higher compared to the immediate preceding quarter of RM51.5 million. Pre-tax profit showed an improvement at RM2.2 million as compared to RM1.3 million for the immediate preceding quarter mainly due to improved volume.

B3. Prospects

The Board is cautious that market conditions will continue to be challenging despite the improvement in volume forecasted for the remaining year. In bracing the challenges ahead, the Group has intensified its efforts to further strengthen operational efficiency.

B4. Profit Forecast or Profit Guarantee

There was no profit forecast or profit guarantee made during the financial period under review.

B5. Income Tax Expense

	Current Quarter RM'000	Year to date RM'000
Current year taxation	489	1,204
	<hr/>	<hr/>
	489	1,204
Effective tax rate	21.76%	29.61%

The disproportionate income tax rate and tax charge for the current quarter is due to reversal of temporary differences, which the Group has not recognised deferred tax asset previously. The overall year to date effective tax rate is higher than the statutory income tax rate due to losses incurred and tax incentives fully utilised by certain subsidiaries.

SAPURA INDUSTRIAL BERHAD (17547-W)

Notes on the quarterly report – 31 October 2009 (contd)

B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (Contd)

B6. Sale of Unquoted Investments and/or Properties

There were no sale of unquoted investments and properties for the current quarter and financial year to date.

B7. Quoted Securities

There were no purchase or disposal of quoted securities for the current quarter and financial year to date.

B8. Status of Corporate Proposals Announced

There were no corporate proposals announced which has not been completed.

B9. Borrowings

The Group borrowings as at the end of the reporting period are:

	Total RM'000	Secured RM'000	Unsecured RM'000
Overdraft	2,554	1,578	976
Revolving Credit	20,450	3,250	17,200
Bankers Acceptance	7,799	-	7,799
Term Loans	34,419	27,372	7,047
	<u>65,222</u>	<u>32,200</u>	<u>33,022</u>
Amount due within the next 12 months	37,876		
Amount due after the next 12 months	27,346		
	<u>65,222</u>		

B10. Off Balance Sheet Financial Instruments

The Group does not have any financial instrument with off balance sheet risk as at the date of this quarterly report.

SAPURA INDUSTRIAL BERHAD (17547-W)

Notes on the quarterly report – 31 October 2009 (contd)

B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTD)

B11. Changes in Material Litigation

Details of material litigation pending as at the date of announcement:

- (a) On 20 November 2007, Schulz Export GmbH ("Schulz Export"), a fellow subsidiary of Sophisticated Pipe Industry Production Sdn. Bhd. (formerly known as Schulz (Manufacturing) Sdn. Bhd.) ("SPIP"), a corporate shareholder of Sapura-Schulz Hydroforming Sdn. Bhd. ("Sapura-Schulz"), through Schulz Export's solicitors filed a Statement of Claim (which was amended on 13 January 2009 and re-amended on 6 February 2009) against Sapura-Schulz, a 75% subsidiary of Sapura Industrial Berhad ("the Company" or "SIB") for breach of a Business Operations Agreement ("BOA") dated 3 April 2004 and a Licence Agreement dated 3 April 2004 ("LA") entered into between Sapura-Schulz and Schulz Export, for inter alia:
 - (a) EUR500,377 for loss of profits; and
 - (b) EUR424,168 and USD43,109 for rectification works
 - (c) Anti-dumping cost amounting to USD140,000.00

- (b) On 20 November 2007, SPIP, a 25% shareholder in Sapura-Schulz, through SPIP's solicitors filed a Statement of Claim against SIB for breach of a Shareholders Agreement ("SA") dated 3 April 2004 entered into between SIB and SPIP, for inter alia:
 - (i) RM26,000,000; and
 - (ii) damages for breach of fiduciary duties.

The SA, BOA and LA were executed along with an Asset Sale Agreement dated 13 October 2003 (together with two supplemental agreements dated 14 November 2003 and 3 April 2004 respectively) ("ASA") between Sapura-Schulz and SPIP and an Assignment Agreement dated 23 June 2005 between Wilh Schulz, Schulz Export GmbH, SPIP and Sapura-Schulz ("AA") (collectively referred to "the Agreements") which all stem from a Heads of Agreement ("HOA") dated 3 July 2003 entered into between SIB and Wilh Schulz setting out the understanding between the parties with regard to the joint venture between Wilh Schulz and Sapura-Schulz.

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

These two arbitration proceedings are by consent heard together by one arbitrator and various directions were given by the arbitrator on 1 October 2007 whereupon these matters were fixed for hearing from 12 January 2009 to 23 January 2009.

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

- (i) Sapura-Schulz counterclaimed against Schulz Export for breach of contract for RM5,838,956 and general damages of RM97,034,078; and

SAPURA INDUSTRIAL BERHAD (17547-W)

Notes on the quarterly report – 31 October 2009 (contd)

B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTD)

- (ii) SIB counterclaimed against SPIP for breach of contract for RM24,000,000 and general damages of RM91,988,862.

On 12 January 2009, the Claimant's solicitors submitted their request to amend Schulz Export GmbH's ("SEGH") previous claim against SSHSB for rectification works from USD40,771.17 to USD43,108.69 and to include an additional claim by SEGH against SSHSB for anti-dumping cost amounting to USD140,000.00. SIB's solicitors objected to the inclusion of the additional claim. The Arbitrator allowed the amendments after hearing submissions by both counsels and SSHSB is given liberty to amend its Defence and Counterclaim on such claims by SEGH.

This matter was heard from 12 January 2009 to 15 January 2009 and continued from 22 to 24 July 2009. The hearing dates on 16 to 23 January 2009, 20, 21, 27 and 28 July were vacated by the Arbitrator.

Following the conclusion of the hearing, SIB filed their Written Submissions dated 30 October 2009 and the Written Submissions In Reply dated 20 November 2009. The Claimants also served their Written Submissions dated 2 November 2009 and Written Submissions In Reply dated 20 November 2009.

These arbitration matters were fixed for hearing of oral submissions on 25 and 26 November 2009 and the hearing was concluded.

SIB now awaits the arbitrator's award on the decision of these arbitration.

B12. Dividend Payable

No dividend has been proposed or declared for the current quarter ended 31 October 2009.

B13. Earnings Per Share

	Current Quarter 31.10.2009	Year To Date 31.10.2009
Net profit from operations attributable to shareholders (RM'000)	1,758	2,862
a) Basic		
Weighted average no. of shares (000)	72,776	72,776
Basic earnings per share for: - Profit for the period (sen)	2.42	3.93
b) Diluted		
Weighted average no. of shares (000)	72,776	72,776
Effect of dilution: Share options #	-	-
Adjusted weighted average no. of shares (000)	72,776	72,776
Profit for the period (sen)	2.42	3.93

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

B14. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 15 December 2009.