



Sapura Industrial Berhad (17547-W)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE 2ND QUARTER ENDED 31 JULY 2017

The unaudited financial results of Sapura Industrial Berhad Group
for the period ended 31 July 2017

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SAPURA INDUSTRIAL BERHAD (17547-W)
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 JULY 2017
THE FIGURES HAVE NOT BEEN AUDITED

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	Current Quarter Ended 31.7.2017 RM'000	Comparative Quarter Ended 31.7.2016 RM'000	6 months Cumulative ToDate 31.7.2017 RM'000	6 months Cumulative ToDate 31.7.2016 RM'000
Revenue	43,077	48,779	97,982	94,761
Cost of sales	<u>(38,269)</u>	<u>(39,669)</u>	<u>(85,879)</u>	<u>(78,800)</u>
Gross profit	4,808	9,110	12,103	15,961
Other income	1,127	738	1,747	1,713
Operating expenses	(6,577)	(8,063)	(13,400)	(14,993)
Finance costs	(503)	(586)	(1,031)	(1,138)
(Loss)/Profit before tax	<u>(1,144)</u>	<u>1,199</u>	<u>(580)</u>	<u>1,543</u>
Tax expense	92	(348)	(358)	(596)
(Loss)/Profit for the period	<u>(1,052)</u>	<u>851</u>	<u>(938)</u>	<u>947</u>
Total comprehensive (expense)/income for the period	<u>(1,052)</u>	<u>851</u>	<u>(938)</u>	<u>947</u>
(Loss)/Profit for the period attributable to:				
Owners of the parent	(1,026)	873	(894)	993
Non-controlling interest	(26)	(22)	(44)	(46)
	<u>(1,052)</u>	<u>851</u>	<u>(938)</u>	<u>947</u>
Total comprehensive (expense)/income for the period attributable to:				
Owners of the parent	(1,026)	873	(894)	993
Non-controlling interest	(26)	(22)	(44)	(46)
	<u>(1,052)</u>	<u>851</u>	<u>(938)</u>	<u>947</u>
Earnings per share attributable to owners of the parent (sen):				
Basic, for (loss)/profit from operations	<u>(1.41)</u>	<u>1.20</u>	<u>(1.23)</u>	<u>1.36</u>

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 January 2017 and the accompanying explanatory notes attached to the Interim Financial Statements)

SAPURA INDUSTRIAL BERHAD (17547-W)
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 JULY 2017

	Unaudited 31.7.2017 RM'000	Audited 31.1.2017 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	93,388	86,971
Development expenditure	2,490	2,240
Deferred tax asset	116	116
	<u>95,994</u>	<u>89,327</u>
Current assets		
Inventories	31,882	30,777
Tax recoverable	1,064	1,102
Trade and other receivables	35,226	47,959
Short term investment	204	11,852
Cash and bank balances	15,876	10,442
	<u>84,252</u>	<u>102,132</u>
TOTAL ASSETS	<u>180,246</u>	<u>191,459</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	74,976	74,976
Retained profits	30,189	31,083
	<u>105,165</u>	<u>106,059</u>
Minority interest	(1,985)	(1,941)
Total equity	<u>103,180</u>	<u>104,118</u>
Non-current liabilities		
Retirement benefit obligations	6,601	6,441
Loans and borrowings	10,086	13,378
Deferred tax liabilities	5,678	5,678
	<u>22,365</u>	<u>25,497</u>
Current liabilities		
Retirement benefit obligations	27	28
Trade and other payables	32,993	39,885
Provisions	6,694	6,788
Tax payable	313	534
Loans and borrowings	14,674	14,609
	<u>54,700</u>	<u>61,844</u>
Total liabilities	<u>77,066</u>	<u>87,341</u>
TOTAL EQUITY AND LIABILITIES	<u>180,246</u>	<u>191,459</u>
Net assets per share (RM)	1.45	1.46

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 January 2017 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 PERIOD ENDED 31 JULY 2017

	← Attributable to owners of the parent →			Non-controlling interests	Total equity
	← Non-Distributable →				
	Share capital RM'000	Share premium RM'000	Distributable Retained profits RM'000	Total RM'000	RM'000
For The 6 Months Period Ended 31 July 2017					
As at 1 February 2017	74,976	-	31,083	106,059	104,118
Total comprehensive income for the period	-	-	(894)	(894)	(938)
Dividends on ordinary shares				-	-
As at 31 July 2017	<u>74,976</u>	<u>-</u>	<u>30,189</u>	<u>105,165</u>	<u>(1,985)</u>
For The 6 Months Period Ended 31 July 2016					
As at 1 February 2016	72,776	2,200	29,441	104,417	102,808
Total comprehensive income for the period	-	-	993	993	947
Dividends on ordinary shares			(2,183)	(2,183)	(2,183)
As at 31 July 2016	<u>72,776</u>	<u>2,200</u>	<u>28,251</u>	<u>103,227</u>	<u>(1,655)</u>

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 January 2017 and the accompanying explanatory notes attached to the Interim Financial Statements)

SAPURA INDUSTRIAL BERHAD (17547-W)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 JULY 2017

	6 MONTHS ENDED 31.7.2017 RM'000	6 MONTHS ENDED 31.7.2016 RM'000
Operating activities		
Profit before tax	(580)	1,543
Adjustments for:		
Depreciation of property, plant and equipment	5,606	5,276
Amortisation of development expenditure	270	457
Interest income	(156)	(223)
Net unrealised loss on foreign exchange	19	94
Increase in liability for defined benefit plan	320	309
Inventories written off	-	140
Interest expense	1,031	1,138
Operating profit before working capital changes	<u>6,511</u>	<u>8,734</u>
Increase in inventories	(1,105)	(496)
Decrease in trade and other receivables	12,733	12,340
Decrease in trade and other payables	<u>(7,005)</u>	<u>(7,305)</u>
Cash generated from operations	11,133	13,273
Interest paid	(1,031)	(1,138)
Taxes (paid)/recovered	(541)	76
Retirement benefits paid	(161)	(122)
Net cash generated from operating activities	<u>9,400</u>	<u>12,089</u>

SAPURA INDUSTRIAL BERHAD (17547-W)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 JULY 2017

(contd.)

	6 MONTHS ENDED 31.7.2017 RM'000	6 MONTHS ENDED 31.7.2016 RM'000
Investing activities		
Purchase of property, plant and equipment	(12,023)	(3,547)
Withdrawal/(placement) of investment in money market funds	11,648	(5,400)
Interest received	156	223
Development expenditure incurred	(520)	(651)
Net cash generated from/(used in) investing activities	<u>(740)</u>	<u>(9,375)</u>
Financing activities		
Net (repayment)/drawdown of term loans	(3,196)	6,052
Net (repayment)/drawdown of other short term borrowings	(274)	(11,419)
Net drawdown/(repayment) of hire purchase and lease financing	243	(178)
Net cash (used in)/generated from financing activities	<u>(3,227)</u>	<u>(5,545)</u>
Net increase/(decrease) in cash and cash equivalents	5,434	(2,831)
Cash and cash equivalents at beginning of period	<u>10,442</u>	<u>9,044</u>
Cash and cash equivalents at end of period	<u>15,876</u>	<u>6,213</u>
Analysis of cash and cash equivalents:		
Deposits, cash and bank balances	15,876	6,213
Bank overdrafts	-	-
Cash and cash equivalents at end of period	<u>15,876</u>	<u>6,213</u>

**(The Consolidated Statement of Cash Flows should be read in conjunction with the
Financial Statements for the year ended 31 January 2017 and the accompanying
explanatory notes attached to the Interim Financial Statements)**

SAPURA INDUSTRIAL BERHAD (17547-W)

Notes to the Interim Financial Statements - 31 July 2017

Part A - EXPLANATORY NOTES

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 requirements of Malaysian Financial Reporting Standards ("MFRS") 134: Interim Financial Reporting and Chapter 9.22, part K of Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). The interim financial report is in compliance with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board.

The interim financial statements should be read in conjunction with the explanatory notes attached to the interim financial statements which 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.

A2. Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 February 2017, the Company adopted the following new and amended MFRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2017.

<u>Description</u>	<u>Effective for annual period beginning on or after</u>
Amendments to MFRS 5: Statement of Cash Flows (Disclosure Initiative)	1 January 2017
Amendments to MFRS 12 : Disclosure of Interests in Other Entities	1 January 2017
Amendments to MFRS 112 : Income Taxes : Recognition of Deferred Tax Assets for Unrecognised Losses	1 January 2017

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

SAPURA INDUSTRIAL BERHAD (17547-W)

Notes to the Interim Financial Statements - 31 July 2017 (contd)

Part A - EXPLANATORY NOTES (CONTD.)

Standards and interpretations issued but not yet effective

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

<u>Description</u>	<u>Effective for annual period beginning on or after</u>
Amendments to MFRS 1 : First-time Adoption of Malaysian Financial Reporting Standards	1 January 2018
c Amendments to MFRS 2 : Classification and Measurement of Share-based Payment Transaction	1 January 2018
Amendments to MFRS 4 : Insurance Contracts: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
Amendments to MFRS 128 : Investment in Associates and Joint Ventures	1 January 2018
Amendments to MFRS 140 : Investment Property: Transfers of Investment Property	1 January 2018
MFRS 9 : Financial Instruments	1 January 2018
MFRS 15 : Revenue from Contracts with Customers	1 January 2018
MFRS 16 : Leases	1 January 2019
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced

The Group 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 Company except as mentioned below:

i. MFRS 15 Revenue from Contracts with Customers

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

ii. MFRS 9 Financial Instruments

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

iii. MFRS 16 Leases

MFRS 16 replaces existing lease guidance in MFRS 117 *Leases*, IC Interpretation 4 *Determining Whether an Arrangement Contains a Lease*, IC Interpretation 115 *Operating Leases - Incentives*, and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The Group is currently assessing the financial impact that may arise from the adoption of MFRS 16.

SAPURA INDUSTRIAL BERHAD (17547-W)

Notes to the Interim Financial Statements - 31 July 2017 (contd)

Part A - EXPLANATORY NOTES (CONTD.)

A3. Seasonal and Cyclical Factors

The Group's results were not materially affected by any major seasonal or cyclical factors.

A4. 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 under review.

A5. Material Changes in Estimates

There were no material changes in estimates reported in the the financial period under review.

A6. Issuance and Repayment of Debt and Equity Securities

There were no issuances, cancellations, share buy-backs, resale of shares bought back and repayment of debt and equity securities by the Company during the financial period under review.

A7. Dividends Paid

No dividends were paid during the financial period under review.

A8. Segmental Information

The Group is divided into three distinct segments as described below:

Investment Holding - mainly provision of corporate & management services for companies within the Group

Manufacturing - comprising business units which can be sub-divided into three core expertise areas: Precision Machining, Chasis & Modular Assembly and Hot & Cold Forming. Products manufactured are mainly to cater for the Original Equipment Manufacturer (OEM) markets.

Others - these consist of trading of automotive components for the Replacement Markets (REM) and provision of technical services for companies within the Group

SAPURA INDUSTRIAL BERHAD (17547-W)

Notes to the Interim Financial Statements - 31 July 2017 (contd)

Part A - EXPLANATORY NOTES (CONTD.)

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

	Individual Quarter 3 months ended 31 July 2017		Individual Quarter 3 months ended 31 July 2016	
	Revenue RM'000	Profit before taxation RM'000	Revenue RM'000	Profit before taxation RM'000
Investment Holding	3,527	(114)	4,687	(287)
Manufacturing	43,275	(532)	49,035	1,361
Others	782	281	1,104	125
	<u>47,584</u>	<u>(365)</u>	<u>54,826</u>	<u>1,199</u>
Eliminations	(4,507)	-	(6,047)	-
	<u>43,077</u>	<u>(365)</u>	<u>48,779</u>	<u>1,199</u>

	Cumulative Quarter 6 months ended 31 July 2017		Cumulative Quarter 6 months ended 31 July 2016	
	Revenue RM'000	Profit before taxation RM'000	Revenue RM'000	Profit before taxation RM'000
Investment Holding	8,462	(12)	9,188	(77)
Manufacturing	99,099	(732)	95,271	1,359
Others	1,221	164	2,368	261
	<u>108,782</u>	<u>(580)</u>	<u>106,827</u>	<u>1,543</u>
Eliminations	(10,800)	-	(12,066)	-
	<u>97,982</u>	<u>(580)</u>	<u>94,761</u>	<u>1,543</u>

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

SAPURA INDUSTRIAL BERHAD (17547-W)

Notes to the Interim Financial Statements - 31 July 2017 (contd)

Part A - EXPLANATORY NOTES (CONTD.)

A9. Property, Plant and Equipment

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

A10. Material Events Subsequent to the End of the Period

There were no material events subsequent to the end of the financial period under review.

A11. Changes in Composition of the Group

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

A12. Contingent Liabilities

There was no contingent liability for the Group during the financial period under review.

A13. Capital Commitments

	As at 31 July 2017 RM'000	As at 31 January 2017 RM'000
Capital expenditure		
Property, plant and equipment:		
Approved and contracted for	1,692	3,442
Approved but not contracted for	<u>5,197</u>	<u>18,455</u>

SAPURA INDUSTRIAL BERHAD (17547-W)

Notes to the Interim Financial Statements - 31 July 2017 (contd)

B. ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS

B1. Overall Review of Group's Financial Performance

Quarter 2 FY2018 vs Quarter 2 FY2017

The Group achieved revenue of RM43.1 million for the current quarter, lower than the previous year's corresponding quarter of RM48.8 million, mainly due to lower demand from OEMs. This is in line with the declining trend in Total Industry Production (TIP) by 12% in the second quarter 2017 (April-June 2017) at 117,303 units from 133,372 in the same period last year (April-June 2016), arising from cautious stance taken by OEMs amidst soft market conditions (Source: Malaysian Automotive Association).

Net loss of RM1.1 million was recorded for the current quarter as compared to RM0.9 million net profit in the previous year corresponding quarter, due to lower revenue and higher operating costs, mainly cost of imported materials, as well as labour and production related expenses in preparation for new parts to be launched in the third quarter.

Year-to-Date July 2017 vs Year-to-Date July 2016

For the first half of FY2018, the Group achieved a higher revenue RM98.0 million as compared to RM94.8 million in the same period last year, mainly due to higher revenue achieved in the first quarter of the year following mass production of new parts from an OEM. A net loss of RM0.9 million was recorded for the six months period of FY2018 compared to a net profit of RM0.9 million last year, mainly due to lower revenue from the current quarter and reasons stated above.

B2. Segmental Analysis

Investment Holding

Revenue for the Investment Holding segment declined to RM3.5 million in the current quarter from RM4.7 million in the previous year's corresponding quarter, mainly due to reduced management fee charged for centralised support services by holding company to its subsidiaries.

For the first half of FY2018, revenue achieved for this segment at RM8.5 million is also lower than the previous year corresponding period at RM9.2 million, due to same reasons mentioned above. Consequently, profit before tax was in line with revenue movements above.

Manufacturing

The manufacturing segment achieved a lower revenue of RM43.3 million in the current quarter as compared to RM49.0 million in the previous year corresponding quarter. However, the segment's revenue for the first half of FY2018 at RM99.1 million was higher than FY2017's first half of RM95.3 million.

Correspondingly, the segment recorded a loss of RM0.5 million in the current quarter compared to profit of RM1.4 million in the previous year's corresponding quarter. For the first half of FY2018, the segment recorded a loss of RM0.7 million compared to a profit before tax of RM1.4 million in the first half of FY2017.

Reasons for movements in revenue and profit for this segment is as explained in the overall group performance (Section B1) as the manufacturing segment is the main contributor to the Group's results.

SAPURA INDUSTRIAL BERHAD (17547-W)

Notes to the Interim Financial Statements - 31 July 2017 (contd)

B. ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS (CONTD.)

B3. Group's Prospect

Total industry volume is projected to grow by 1.7% from 580,124 motor vehicles in 2016 to 590,000 in 2017 (Source: Malaysian Automotive Association). The outlook for the second half of the year will continue to be challenging for the automotive sector. As such, the Group has intensified its efforts to further strengthen operational efficiency.

B4. Profit Forecast or Profit Guarantee

The Group has not provided any profit forecast or profit guarantee.

B5. Tax Expense

	Current Quarter RM'000	Year to date RM'000
Current income tax (credit)/expense	<u>(92)</u>	<u>358</u>
Effective tax rate	8.0%	61.8%

The disproportionate tax rate for the Group's year to date tax is due to losses from certain subsidiaries.

B6. Status of Corporate Proposals

There were no corporate proposals announced but not completed as the date of issue of this report.

SAPURA INDUSTRIAL BERHAD (17547-W)

Notes to the Interim Financial Statements - 31 July 2017 (contd)

B. ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS (CONTD.)

B7. Borrowings

The Group borrowings are as follows:

	As at 31 July 2017 RM'000	As at 31 January 2017 RM'000
Current		
Secured		
Term Loans	5,449	5,434
Obligations under finance leases	486	162
	<u>5,935</u>	<u>5,596</u>
Unsecured		
Bankers' Acceptances	7,739	9,013
Revolving Credits	1,000	-
	<u>8,739</u>	<u>9,013</u>
Total current	<u>14,674</u>	<u>14,609</u>
Non - Current		
Secured		
Term Loans	10,003	13,214
Obligations under finance leases	83	164
	<u>10,086</u>	<u>13,378</u>
Unsecured		
Term Loans	-	-
	<u>-</u>	<u>-</u>
Total non- current	<u>10,086</u>	<u>13,378</u>
Total		
Revolving Credits	1,000	-
Bankers' Acceptances	7,739	9,013
Term Loans	15,452	18,648
Obligations under finance leases	569	326
	<u>24,760</u>	<u>27,987</u>

The Group borrowings are denominated in the following currencies:

	As at 31 July 2017 RM'000	As at 31 January 2017 RM'000
Ringgit Malaysia	24,516	22,713
United States Dollar	244	5,274
	<u>24,760</u>	<u>27,987</u>

SAPURA INDUSTRIAL BERHAD (17547-W)

Notes to the Interim Financial Statements - 31 July 2017 (contd)

B. ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS (CONTD.)

B8. Dividend Declared

No dividend has been proposed or declared for the current financial period ended 31 July 2017.

B9. Earnings Per Share

	Current Quarter 31.7.2017	Year To Date 31.7.2017
Net loss from operations attributable to owners of the parent (RM'000)	<u>(1,026)</u>	<u>(894)</u>
a) Basic		
Weighted average no. of shares (000)	72,776	72,776
Basic earnings per share for: -		
Loss for the period (sen)	(1.41)	(1.23)
b) Diluted		
Weighted average no. of shares (000)	72,776	72,776
Adjusted weighted average no. of shares (000)	<u>72,776</u>	<u>72,776</u>
Loss for the period (sen)	<u>(1.41)</u>	<u>(1.23)</u>

B10. Auditors' Report on Preceding Annual Financial Statements

The auditors' report of the Group's preceding annual financial statements was not qualified.

B11. Additional Information

The following items are included in the statement of comprehensive income:-

	Current Quarter 31.7.2017 RM'000	Year To Date 31.7.2017 RM'000
Profit before taxation is stated after (crediting)/charging:-		
- Interest income	(58)	(156)
- Interest expense	503	1,031
- Depreciation of property, plant and equipment	2,800	5,606
- Amortisation of development expenditure	137	270
- Unrealised foreign exchange (gain)/loss	244	19
- Realised foreign exchange loss	321	361

SAPURA INDUSTRIAL BERHAD (17547-W)

Notes to the Interim Financial Statements - 31 July 2017 (contd)

B. ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS (CONTD.)

B12. Breakdown of retained profits/(accumulated losses) into realised and unrealised

	As at 31.7.2017 RM'000	As at 31.1.2017 RM'000
Total retained profits/(accumulated losses) of the Company and its subsidiaries		
- Realised	(70,883)	(68,464)
- Unrealised	<u>(5,698)</u>	<u>(6,171)</u>
	<u>(76,581)</u>	<u>(74,635)</u>
Less: Consolidation adjustments	106,770	105,718
Retained profits as per financial statements	<u>30,189</u>	<u>31,083</u>

B13. 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 20 September 2017.