



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

INTERIM FINANCIAL REPORT FOR THE 2ND QUARTER ENDED 31 JULY 2019

The unaudited financial results of Sapura Industrial Berhad Group
for the period 31 July 2019

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SAPURA INDUSTRIAL BERHAD (17547-W)
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 JULY 2019
THE FIGURES HAVE NOT BEEN AUDITED

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	<u>Current Quarter Ended 31.7.2019 RM'000</u>	<u>Comparative Quarter Ended 31.7.2018 RM'000</u>	<u>6 months Cumulative Totdate 31.7.2019 RM'000</u>	<u>6 months Cumulative Totdate 31.7.2018 RM'000</u>
Revenue	57,632	57,514	122,201	108,121
Cost of sales	<u>(50,203)</u>	<u>(48,455)</u>	<u>(105,534)</u>	<u>(91,999)</u>
Gross profit	7,429	9,059	16,667	16,122
Other income	1,280	929	2,260	1,841
Operating expenses	(7,600)	(7,854)	(15,370)	(15,026)
Finance costs	(763)	(519)	(1,465)	(1,178)
Profit before tax	<u>346</u>	<u>1,615</u>	<u>2,092</u>	<u>1,759</u>
Tax expense	(92)	(584)	(649)	(673)
Profit for the period	<u>254</u>	<u>1,031</u>	<u>1,443</u>	<u>1,086</u>
Total comprehensive income for the period	<u>254</u>	<u>1,031</u>	<u>1,443</u>	<u>1,086</u>
Profit for the period attributable to:				
Owners of the parent	341	1,054	1,550	1,129
Non-controlling interest	<u>(87)</u>	<u>(23)</u>	<u>(107)</u>	<u>(43)</u>
	<u>254</u>	<u>1,031</u>	<u>1,443</u>	<u>1,086</u>
Total comprehensive income for the period attributable to:				
Owners of the parent	341	1,054	1,550	1,129
Non-controlling interest	<u>(87)</u>	<u>(23)</u>	<u>(107)</u>	<u>(43)</u>
	<u>254</u>	<u>1,031</u>	<u>1,443</u>	<u>1,086</u>
Earnings per share attributable to owners of the parent (sen):				
Basic, for profit from operations	<u>0.47</u>	<u>1.45</u>	<u>2.13</u>	<u>1.55</u>

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 January 2019 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 2019

	Unaudited 31.7.2019 RM'000	Audited 31.1.2019 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	64,821	69,614
Investment properties	32,369	32,592
Development expenditure	2,661	2,983
ROU Asset	1,138	-
	<u>100,989</u>	<u>105,189</u>
Current assets		
Inventories	23,317	28,400
Tax recoverable	1,125	1,276
Trade and other receivables	44,353	54,436
Short term investment	16,533	2,097
Cash and bank balances	11,550	13,496
	<u>96,878</u>	<u>99,705</u>
TOTAL ASSETS	<u>197,867</u>	<u>204,894</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	74,976	74,976
Retained profits	33,398	31,848
	<u>108,374</u>	<u>106,824</u>
Minority interest	(1,200)	(2,093)
Total equity	<u>107,174</u>	<u>104,731</u>
Non-current liabilities		
Retirement benefit obligations	7,462	7,566
Loans and borrowings	24,065	25,710
Lease liability	764	-
Deferred tax liabilities	3,409	3,409
	<u>35,700</u>	<u>36,685</u>
Current liabilities		
Retirement benefit obligations	90	63
Trade and other payables	36,065	42,125
Tax payable	1,076	716
Loans and borrowings	17,381	20,574
Lease Liability	381	-
	<u>54,993</u>	<u>63,478</u>
Total liabilities	<u>90,693</u>	<u>100,163</u>
TOTAL EQUITY AND LIABILITIES	<u>197,867</u>	<u>204,894</u>
Net assets per share (RM)	1.47	1.44

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 January 2019 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 2019**

	← Attributable to owners of the parent →			Non-controlling interests RM'000	Total equity RM'000
	← Non-Distributable →	Distributable	Total		
	Share capital RM'000	Retained profits RM'000	RM'000		
For Quarter Ended 31 July 2019					
As at 1 February 2019	74,976	31,848	106,824	(1,093)	105,731
Total comprehensive income for the year	-	1,550	1,550	(107)	1,443
As at 31 July 2019	<u>74,976</u>	<u>33,398</u>	<u>108,374</u>	<u>(1,200)</u>	<u>107,174</u>
For Quarter Ended 31 July 2018					
As at 1 February 2018	74,976	30,521	105,497	(1,999)	103,498
Total comprehensive income for the year	-	1,129	1,129	(43)	1,086
Dividends on ordinary shares	-	(1,456)	(1,456)	-	(1,456)
As at 31 July 2018	<u>74,976</u>	<u>30,194</u>	<u>105,170</u>	<u>(2,042)</u>	<u>103,128</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 2019 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 2019

	6 MONTHS ENDED 31.7.2019 RM'000	6 MONTHS ENDED 31.7.2018 RM'000
Operating activities		
Profit before tax	2,092	1,759
Adjustments for:		
Depreciation of property, plant and equipment	5,960	6,448
Depreciation of investment properties	223	62
Depreciation of ROU asset	388	-
Property, plant and equipment written off	6	-
Amortisation of development expenditure	409	708
Short term accumulating compensated absences	21	-
Profit from short term investment	(136)	(147)
Realised loss in foreign exchange	332	-
Provision for doubtful debt	17	-
Provision slow moving inventories	119	-
Reversal of provision for stock obsolescence	(133)	-
Unrealised loss on foreign exchange	1	(53)
Increase in liability for defined benefit plan	317	300
Interest expense	1,465	1,178
Development expenditure written off	36	-
Operating profit before working capital changes	<u>11,117</u>	<u>10,255</u>
Decrease in inventories	5,097	4,454
Decrease in trade and other receivables	10,065	2,427
Decrease in trade and other payables	<u>(6,414)</u>	<u>(5,484)</u>
Cash generated from operations	19,865	11,652
Interest paid	(1,465)	(1,178)
Taxes paid	(138)	(628)
Retirement benefits paid	<u>(394)</u>	<u>(24)</u>
Net cash generated from operating activities	<u>17,868</u>	<u>9,822</u>

SAPURA INDUSTRIAL BERHAD (17547-W)
CONSOLIDATED STATEMENT OF CASH FLOWS (contd.)
FOR THE PERIOD ENDED 31 JULY 2019

	6 MONTHS ENDED 31.7.2019 RM'000	6 MONTHS ENDED 31.7.2018 RM'000
Investing activities		
Purchase of property, plant and equipment	(1,173)	(1,420)
(Investment)/ Withdrawal of investment in money market funds	(14,300)	(5,196)
Development expenditure incurred	(122)	(330)
Acquisition of a subsidiary, net of cash acquired	1,000	-
Net cash used in from investing activities	<u>(14,595)</u>	<u>(6,946)</u>
Financing activities		
Repayment of term loans	(1,610)	(2,516)
Repayment of other short term borrowings	(3,175)	(1,839)
Repayment of hire purchase and lease financing	(53)	(50)
Repayment of lease liabilities	(381)	-
Dividends on ordinary shares	-	(1,456)
Net cash generated from financing activities	<u>(5,219)</u>	<u>(5,861)</u>
Net decrease in cash and cash equivalents	(1,946)	(2,985)
Cash and cash equivalents at beginning of period	13,496	12,630
Cash and cash equivalents at end of period	<u>11,550</u>	<u>9,645</u>
Analysis of cash and cash equivalents:		
Deposits, cash and bank balances	11,550	9,645
Cash and cash equivalents at end of period	<u>11,550</u>	<u>9,645</u>

**(The Consolidated Statement of Cash Flows should be read in conjunction with the
Financial Statements for the year ended 31 January 2019 and the accompanying
explanatory notes attached to the Interim Financial Statements)**

SAPURA INDUSTRIAL BERHAD (17547-W)

Notes to the Interim Financial Statements - 31 July 2019

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 2019, the Company adopted the following new and amended MFRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2019.

<u>Description</u>	<u>Effective for annual period beginning on or after</u>
Amendments to MFRS 9 - Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 3 - Annual Improvements to MFRS Standards 2015-2017 Cycle	1 January 2019
Amendments to MFRS 11 - Annual Improvements to MFRS Standards 2015-2017 Cycle	1 January 2019
MFRS 16 - Leases	1 January 2019
Amendments to MFRS 112 - Annual Improvements to MFRS Standards 2015-2017 Cycle	1 January 2019
Amendments to MFRS 119 - Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 123 - Annual Improvements to MFRS Standards 2015-2017 Cycle	1 January 2019
Amendments to MFRS 128 - Long-term interests in Associates and Joint Ventures	1 January 2019
IC Interpretation 23 - Uncertainty over Income Tax Treatments	1 January 2019

Adoption of the above standards and interpretations did not have any significant impact on the financial performance or position of the Group, except as mentioned below:

i. 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.

At the commencement date of a lease, a lessee recognised a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Leases are required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

SAPURA INDUSTRIAL BERHAD (17547-W)

Notes to the Interim Financial Statements - 31 July 2019 (contd.)

Part A - EXPLANATORY NOTES (CONTD.)

MFRS 16 Leases (cont'd.)

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors continued to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases

The standard affected primarily the accounting for the Group's non-cancellable operating leases. The Group recognised right-of-use assets and corresponding liabilities by applying the modified retrospective approach and not restate comparative amounts for the year prior to initial adoption. Right-of-use assets is measured at an amount equal to the lease liability amount on the date of transition.

In summary, upon the adoption of MFRS 16, the Group recognized the following balances as at 1 February 2019.

	Assets/ (Liabilities) As at 1 February RM'000
Rights-of-use assets	1,526
Lease liabilities	1,526

In the statement of profit and loss, expenses which were previously recognised as lease expenses in the cost of sales are now replaced by interest expense on lease liabilities (included within the finance costs line) and depreciation of right-of-use assets. In the statement of cash flow, lease payments for the principal portion are now classified under financing activities compared to operating activities in the past.

SAPURA INDUSTRIAL BERHAD (17547-W)

Notes to the Interim Financial Statements - 31 July 2019 (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 3 Business Combination (Definition of Business)	1 January 2020
Amendments to MFRS 101 - Presentation of Financial Statements (Definition of Material)	1 January 2020
Amendments to MFRS 108 - Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
MFRS 17 - Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS128 - Sale or Contribution of Assets between an Investor and its Associate or Joint-Venture	Deferred

There are no standards issued but not yet effective that would be expected to have a material impact on the Group in the current or future reporting periods.

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.

SAPURA INDUSTRIAL BERHAD (17547-W)

Notes to the Interim Financial Statements - 31 July 2019 (contd.)

Part A - EXPLANATORY NOTES (CONTD.)

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, Chassis & 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

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

	6 months ended 31 July 2019		6 months ended 31 July 2018	
	Revenue RM'000	Profit before taxation RM'000	Revenue RM'000	Profit before taxation RM'000
Investment Holding	5,139	592	4,616	(275)
Manufacturing	57,991	162	57,777	2,346
Others	521	(476)	567	(456)
	<u>63,651</u>	<u>278</u>	<u>62,960</u>	<u>1,615</u>
Eliminations	<u>(6,019)</u>	<u>68</u>	<u>(5,446)</u>	<u>-</u>
	<u>57,632</u>	<u>346</u>	<u>57,514</u>	<u>1,615</u>

	Cumulative Quarter 6 months ended 31 July 2019		Cumulative Quarter 6 months ended 31 July 2018	
	Revenue RM'000	Profit before taxation RM'000	Revenue RM'000	Profit before taxation RM'000
Investment Holding	9,997	369	9,076	(418)
Manufacturing	123,356	2,797	108,923	3,068
Others	812	(1,142)	1,087	(891)
	<u>134,165</u>	<u>2,024</u>	<u>119,086</u>	<u>1,759</u>
Eliminations	<u>(11,964)</u>	<u>68</u>	<u>(10,965)</u>	<u>-</u>
	<u>122,201</u>	<u>2,092</u>	<u>108,121</u>	<u>1,759</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 2019 (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 2019 RM'000	As at 31 January 2019 RM'000
Capital expenditure		
Property, plant and equipment:		
Approved and contracted for	741	1,316
Approved but not contracted for	<u>1,736</u>	<u>1,550</u>

SAPURA INDUSTRIAL BERHAD (17547-W)

Notes to the Interim Financial Statements - 31 July 2019 (contd.)

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

B1. Overall Review of Group's Financial Performance

Quarter 2 FY2020 vs Quarter 2 FY2019

The Group achieved revenue of RM57.6 million for the current quarter against RM57.5 million in the previous year's corresponding quarter. Following this, profit before tax of RM0.3 million was recorded for the current quarter compared to RM1.6 million in the previous corresponding quarter mainly due to higher operation cost.

Year-to-Date July 2019 vs Year-to-Date July 2018

For the first half of FY 2020, the Group generated a higher revenue of RM 122.2 million as compared to RM108.1 million in the same period last year, mainly due to overall improved volume for existing and new models introduced. The net profit achieved is higher at RM 1.4 million for first half of FY2020 as compared to RM 1.0 million for corresponding period in FY 2019 in line with revenue achieved.

B2. Segmental Analysis

Investment Holding

Revenue for the Investment Holding segment for current quarter and first half of FY2020 was higher than previous year's corresponding periods, mainly due to higher management fee income from subsidiaries.

Manufacturing

Reasons for movements in revenue and profit for this segment is as explained in the overall group performance

B3. Group's Prospect

Total industry volume is projected to grow by 0.2% from 598,714 motor vehicles in 2018 to 600,000 in 2019 (Source: Malaysian Automotive Association). The outlook for 2019 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 expense	92	649
Overprovision in prior year	-	
Deferred tax	-	
	<u>92</u>	<u>649</u>
Effective tax rate	27%	31%

The higher Group effective tax rate as compared to the statutory tax rate for the current quarter and year to date is due to losses from certain subsidiaries

SAPURA INDUSTRIAL BERHAD (17547-W)

Notes to the Interim Financial Statements - 31 July 2019 (contd.)

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

B6. Status of Corporate Proposals

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.

B7. Borrowings

The Group borrowings are as follows:

	As at 31 July 2019 RM'000	As at 31 January 2019 RM'000
Current		
Secured		
Term Loans	5,133	5,091
Obligations under finance leases	36	96
	<u>5,169</u>	<u>5,187</u>
Unsecured		
Bankers' Acceptances	3,712	7,387
Revolving Credits	8,500	8,000
Lease liability	381	-
	<u>12,593</u>	<u>15,387</u>
Total current	<u>17,762</u>	<u>20,574</u>
Non - Current		
Secured		
Term Loans	23,883	25,535
Obligations under finance leases	182	175
	<u>24,065</u>	<u>25,710</u>
Unsecured		
Lease liability	764	-
Total non- current	<u>24,829</u>	<u>25,710</u>
Total		
Revolving Credits	8,500	8,000
Bankers' Acceptances	3,712	7,387
Term Loans	29,016	30,626
Obligations under finance leases	218	271
Lease liability	1,145	-
	<u>42,591</u>	<u>46,284</u>

SAPURA INDUSTRIAL BERHAD (17547-W)

Notes to the Interim Financial Statements - 31 July 2019 (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 quarter ended 31 July 2019

B9. Earnings Per Share

	Current Quarter 31.7.2019	Year To Date 31.7.2019
Net profit from operations attributable to owners of the parent (RM'000)	<u>341</u>	<u>1,550</u>
a) Basic		
Weighted average no. of shares (000)	72,776	72,776
Basic earnings per share for: -		
Profit for the period (sen)	0.47	2.13
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>
Profit for the period (sen)	<u>0.47</u>	<u>2.13</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 31.7.2019 RM'000	Year To Date 31.7.2019 RM'000
Profit before taxation is stated after (crediting)/charging:-		
- Profit from short term investment	(113)	(136)
- Interest expense	763	1,465
- Depreciation of property, plant and equipment	3,023	5,960
- Depreciation of investment properties	112	223
- Depreciation of ROU asset	194	388
- Amortisation of development expenditure	147	409
- Provision for doubtful debt	17	17
- Unrealised foreign exchange gain	0	1
- Realised foreign exchange loss	198	332
- Provision for stock obsolescence	119	119
- Reversal of provision for stock obsolescence	(21)	(133)
- Property, plant and equipment written off	4	6
- Development expenditure written off	36	36

B12. 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 18 September 2019.