



SAM ENGINEERING & EQUIPMENT (M) BERHAD
(formerly known as LKT INDUSTRIAL BERHAD)

(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT
FOR QUARTER ENDED 30 JUNE 2011

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SAM ENGINEERING & EQUIPMENT (M) BERHAD
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011

(The figures have not been audited)

	As At 30-Jun-11 RM'000	As At 31-Mar-11 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	123,620	124,698
Intangible assets	2,184	2,395
Deferred tax assets	110	-
Current assets		
Trade and other receivables	84,426	59,931
Inventories	109,184	78,068
Assets classified as held for sale	8,356	8,356
Current tax assets	506	465
Cash and cash equivalents	6,871	10,729
	<u>209,343</u>	<u>157,549</u>
TOTAL ASSETS	<u><u>335,257</u></u>	<u><u>284,642</u></u>
EQUITY AND LIABILITIES		
Share capital	70,881	70,881
Reserves	104,188	100,689
Total equity	<u>175,069</u>	<u>171,570</u>
Non-current liabilities		
Deferred tax liabilities	5,780	5,621
Loans and borrowings	12,450	13,628
Current liabilities		
Trade and other payables	105,793	67,321
Loans and borrowings	36,006	26,093
Current tax liabilities	159	409
	<u>141,958</u>	<u>93,823</u>
TOTAL EQUITY AND LIABILITIES	<u><u>335,257</u></u>	<u><u>284,642</u></u>
Net assets per share (sen)	<u>247</u>	<u>242</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Report for the financial year ended 31 March 2011.
 The accompanying notes form an integral part of this interim report.

SAM ENGINEERING & EQUIPMENT (M) BERHAD
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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011

(The figures have not been audited)

	Current Quarter 3 months ended		Cumulative Quarter 3 months ended	
	30-Jun-11	30-Jun-10	30-Jun-11	30-Jun-10
Note	RM'000	RM'000	RM'000	RM'000
Revenue	102,881	44,744	102,881	44,744
Cost of support services and goods sold	(95,578)	(39,241)	(95,578)	(39,241)
Gross profit	7,303	5,503	7,303	5,503
Other operating incomes	1,383	2,812	1,383	2,812
Other operating expenses	(686)	(1,421)	(686)	(1,421)
Distribution and administrative expenses	(3,681)	(2,845)	(3,681)	(2,845)
Finance costs	(299)	(222)	(299)	(222)
Profit before tax	4,020	3,827	4,020	3,827
Income tax expense	(361)	(831)	(361)	(831)
Profit for the year	3,659	2,996	3,659	2,996
Other comprehensive income, net of tax				
Foreign currency translation differences for foreign operations	(160)	(294)	(160)	(294)
Total comprehensive income for the year	3,499	2,702	3,499	2,702
Profit attributable to:				
Owner of the Company	3,659	2,996	3,659	2,996
Profit for the year	3,659	2,996	3,659	2,996
Total comprehensive income attributable to:				
Owner of the Company	3,499	2,702	3,499	2,702
Total comprehensive income for the year	3,499	2,702	3,499	2,702
Earnings per share				
Basic earnings per share (sen)	29 5.16	4.23	5.16	4.23

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Report for the year ended 31 March 2011.
The accompanying notes form an integral part of this interim report.

SAM ENGINEERING & EQUIPMENT (M) BERHAD
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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011**

(The figures have not been audited)

	←	←	←	←	←	←	←	←	←	←	←	←	←
	Share Capital	Share Premium	Non Distributable Assets Revaluation Reserve	Translation Reserve	Distributable Retained Earnings	Total Equity							
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000							
As at 1.4.2010, as previously stated	70,881	6,850	8,238	315	67,337	153,621							
- effect of adopting FRS 139	-	-	-	-	433	433							
As at 1.4.2010, as restated	70,881	6,850	8,238	315	67,770	154,054							
Total comprehensive income for the period	-	-	-	(294)	2,996	2,702							
As at 30.06.2010	70,881	6,850	8,238	21	70,766	156,756							
As at 1.4.2011	70,881	6,850	8,238	(1)	85,602	171,570							
Total comprehensive income for the period	-	-	-	(160)	3,659	3,499							
As at 30.06.2011	70,881	6,850	8,238	(161)	89,261	175,069							

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Report for the financial year ended 31 March 2011.

The accompanying notes form an integral part of this interim report.

SAM ENGINEERING & EQUIPMENT (M) BERHAD
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2011

(The figures have not been audited)

	3 months ended	
	30-Jun-11 RM'000	30-Jun-10 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	4,020	4,260
Adjustments for:-		
Non-cash items	3,194	2,960
Non-operating items	284	205
Operating profit before working capital changes	7,498	7,425
Net change in current assets	(55,704)	(40,779)
Net change in current liabilities	38,518	20,780
Cash used in operations	(9,688)	(12,574)
Tax paid	(549)	(264)
Net cash used in operating activities	(10,237)	(12,838)
CASH FLOW FROM INVESTING ACTIVITIES		
Other investments	(2,011)	(4,371)
Net cash used in investing activities	(2,011)	(4,371)
CASH FLOW FROM FINANCING ACTIVITIES		
Bank borrowings, net of repayment	8,735	150
Interest paid	(299)	(222)
Net cash generated from financing activities	8,436	(72)
Net change in cash and cash equivalents	(3,812)	(17,281)
Effect of foreign exchange fluctuations	(46)	(115)
Cash and cash equivalents brought forward	10,729	31,580
Cash and cash equivalents carried forward	6,871	14,184
Cash and cash equivalents at the end of the financial period comprise the following:		
Cash and bank balances	6,316	12,326
Deposits with licensed banks	555	1,858
	6,871	14,184

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Report for the year ended 31 March 2011.

The accompanying notes form an integral part of this interim report.

SAM ENGINEERING & EQUIPMENT (M) BERHAD
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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT
(The figures have not been audited)

1. Basis of preparation

The condensed consolidated interim financial report is unaudited and has been prepared in accordance with FRS 134, Interim Financial Reporting and applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 March 2011. These explanatory notes attached to the condensed consolidated interim financial report provide an explanation of the events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 31 March 2011.

2. Significant accounting policies

Except as described below, the accounting policies applied by the Group in these condensed consolidated interim financial report are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 March 2011.

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2010

FRS 1	First-time Adoption of Financial Reporting Standards (revised)	
FRS 3	Business Combinations (revised)	
FRS 127	Consolidated and Separate Financial Statements (revised)	
Amendments to FRS 2	Share-based Payment	#
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations	
Amendments to FRS 138	Intangible Assets	
IC Interpretation 12	Service Concession Arrangements	#
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation	#
IC Interpretation 17	Distributions of Non-cash Assets to Owners	#
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives	

FRS, Interpretations and amendments effective for annual periods beginning on or after 1 January 2011

Amendments to FRS 1	Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters	
	Additional Exemptions for First-time Adopters	
Amendments to FRS 2	Group Cash-settled Share-based Payment Transactions	#
Amendments to FRS 7	Improving Disclosures about Financial Instruments	
Improvements to FRSs (2010)		
IC Interpretation 4	Determining whether an Arrangement contains a Lease	
IC Interpretation 18	Transfers of Assets from Customers	
Technical Release 3	Guidance on Disclosures of Transition to IFRSs	

Except for those marked “#” which are not applicable to the Group, the application of the above FRSs, Amendments to FRSs and Interpretations did not result in any significant changes in the accounting policies and presentation of the financial results of the Group.

The Group has not applied the following accounting standards (including its consequential amendments) and Interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective:

		Effective Date
FRS 124	Related Party Disclosures	1 January 2012
IC Interpretation 15	Agreements for the Construction of Real Estate	1 January 2012
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
Amendments to IC Interpretation 14	Prepayments of a Minimum Funding Requirement	1 July 2011

IC Interpretation 15 is not applicable to the Group.

The initial application of the other FRSs, Amendments to FRSs and Interpretations is not expected to have any material impact on the financial statements of the Group.

3. Audit opinion

The audit report for the audited financial statements of the Group for the financial year ended 31 March 2011 was not subject to any qualification.

4. Seasonality or cyclical of interim operations

The Group’s operation is dependent on the cyclical trend of the electronics and semiconductors industries.

5. Unusual items due to their nature, size or incidence

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the current quarter and financial period-to-date.

6. Changes in estimates

There were no changes in estimates that have material effect in the current quarter and financial period-to-date.

7. Debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayment of debt and equity securities for the financial period ended 30 June 2011.

8. Dividends paid

No dividend is paid during the current financial period.

9. Operating segments

Segment information is presented in respect of the Group's business segments, which is based on the Company's management and internal reporting structure. Inter-segment pricing is determined based on negotiated terms.

	Equipment Manufacturing RM'000	Precision Engineering RM'000	Eliminations RM'000	Consolidated RM'000
Revenue				
External sales	85,508	17,373	-	102,881
Inter segment sales	1,544	2,041	(3,585)	-
	<u>87,052</u>	<u>19,414</u>	<u>(3,585)</u>	<u>102,881</u>
Results				
Segment result (external)	3,506	541	257	4,304
Interest income				15
Finance costs				<u>(299)</u>
Profit before taxation				4,020
Tax expense				<u>(361)</u>
Profit for the year				<u>3,659</u>

10. Property, plant and equipment

The valuations of the property, plant and equipment have been brought forward without any amendments from the previous audited financial statements.

Property, plant and equipment amounting to RM1.9 million were acquired during the current period-to-date (three months ended 30 June 2010: RM4.4 million).

There was no significant disposal of property, plant and equipment during the current period-to-date (three months ended 30 June 2010: RM Nil).

11. Subsequent events

The Company proposed to acquire the engine casing manufacturing division from Singapore Aerospace Manufacturing Pte Ltd ("SAM Singapore") for an initial purchase consideration of RM135 million subject to adjustment, to be satisfied via the issuance of 101.25 million irredeemable convertible unsecured loan stock ("ICULS") at an issue price of RM1.00 each to SAM Singapore and the remaining RM33.75 million in cash which is to be funded via a proposed restricted issue of 33.75 million ICULS at an issue price of RM1.00 each to the minority shareholders of the Company.

12. Changes in the composition of the Group

There were no changes in the composition of the Group during the current quarter except for:

1. The Group had on 29 April 2011 acquired the entire issued and paid-up share capital of SAM Meerkat Suzhou Co., Ltd., a wholly-owned subsidiary of SAM Singapore for a total cash consideration of USD230,717.63.
2. The Group had on 9 June 2011 and 27 June 2011 received notifications from the Registrar of Companies on the striking off of LKT Corporation Berhad and Meerkat Corporation Sdn Bhd respectively from the register pursuant to Section 308(4) of the Companies Act, 1965.

13. Contingent liabilities

There is no contingent liability since the last annual balance sheet date.

14. Capital commitments

	30 June 2011 RM'000	30 June 2010 RM'000
Contracted but not provided for	1,956	1,241

15. Significant related party transaction

Significant transaction with related parties is as follows:

	3 months ended 30 June 2011 RM'000
Singapore Aerospace Manufacturing Pte Ltd ("SAM"), the Penultimate Holding Company	
- Sales of aerospace parts	6,955
- Sale of modular or complete machine and equipment	860
	=====

16. Review of performance

The Group's revenue for the quarter was RM102.9 million compared to RM85.2 million in the preceding quarter with a profit before tax of RM4.0 million for the quarter compared to RM3.6 million in the preceding quarter. The increase in Group's profit was due to the increase in Group's revenue.

17. Variation of results against immediate preceding year's corresponding quarter

The Group's revenue for the quarter was RM102.9 million, compared to RM44.7 million in the corresponding quarter of the previous year. The Group's profit before tax for the quarter was RM4 million (3.9%) compared to RM3.8 million (8.6%) in the corresponding quarter of the previous year. The higher profit margin in the corresponding quarter of the previous year was due to the inclusion of a one off credits of RM2.4 million. Excluding this one off credits, the profit margin for the quarter is comparable to the corresponding quarter of the previous year.

18. Current year prospects

Based on the information currently known, the Board of Directors expects the Group's performance to be satisfactory for the current financial year.

19. Profit forecast and profit guarantee

No profit forecast or profit guarantee has been issued by the Group.

20. Taxation

	3 months ended	
	30 June	
	2011	2010
	RM'000	RM'000
Current period		
- provision for taxation	202	521
- deferred taxation	159	359
	<u>361</u>	<u>880</u>
Prior period		
- (over)/under provision for taxation	-	(49)
- deferred taxation	-	-
	<u>361</u>	<u>831</u>

The lower effective tax rate than the statutory tax rate was mainly due to the tax incentives enjoyed by certain subsidiaries under the Promotion of Investment Act, 1986 (as amended) and Section 127 of the Income Tax Act, 1967.

21. Unquoted investments and properties

There were no sales of unquoted investments and/or properties for the current quarter and current financial period-to-date.

22. Quoted investments

There were no purchases or disposal of quoted securities for the current quarter and current financial period-to-date.

23. Corporate proposal

On 22 August 2008, CIMB Investment Bank Berhad ("CIMB") announced on behalf of the Company the following proposed restructuring to comply with the public shareholding spread requirement, involving the:

- Proposed bonus issue of 53,161,017 new ordinary shares of RM1.00 each in SAM Engineering & Equipment (M) Berhad (“SAM-Malaysia Shares”), to be credited as fully paid-up, on the basis of three (3) new SAM-Malaysia Shares for every four (4) existing SAM-Malaysia Shares held on an entitlement date to be determined and announced later (“Proposed Bonus Issue”);
- Proposed selective capital repayment exercise under Section 64 of the Companies Act, 1965 for 64,042,374 SAM-Malaysia Shares held by Singapore Precision Engineering Limited (“SPE”) after the Proposed Bonus Issue (“Proposed SCR”);
- Proposed issuance to SPE of 64,042,374 irredeemable convertible preference shares of RM1.00 each in SAM-Malaysia at an issue price of RM1.00 each, to be credited as fully paid-up by applying the credit arising from the Proposed SCR (“Proposed ICPS Issuance”);
- Proposed amendments to the Memorandum and Articles of Association of SAM-Malaysia; and
- Proposed increase in the authorised share capital of SAM-Malaysia.

(Collectively, the “Former Proposals”)

However, on 14 November 2008, the Company announced that the Former Proposals have been deferred due to the prevailing adverse market conditions.

On 4 March 2010, Bursa granted the Company a further extension of time of up to the date of the delisting of SAM-Malaysia from the Official List of Bursa Securities, to resolve the non-compliance with the public shareholding spread requirement under Paragraph 8.02(1) of the Listing Requirements (“LR”). On the same day, trading in SAM-Malaysia shares has been suspended with effect from 9.00 a.m., Thursday, 4 March 2010 pursuant to Paragraph 16.02(3) of the Main Market LR.

On 9 March 2010, the Company received a notification of approval from Bursa Securities pursuant to the Company’s Withdrawal Application. The de-listing of the Company will take place after Bursa Securities’ receipt of the following documents: -

1. Confirmation from the Company that all conditions, including conditions imposed by the relevant authorities which are required to be met prior to the de-listing have been met;
2. Confirmation from the Company that there are no circumstances or facts which have the effect of preventing or prohibiting the de-listing including any order, injunction or any other directive issued by any court of law; and
3. Confirmation from the Company that the exit offer in conjunction with SAM-Malaysia’s voluntary Withdrawal Application including the settlement of the consideration of the exit offer to the accepting holders has been completed.

On 31 March 2011, the Company received a letter of proposal from SPE, its major shareholder, indicating its intention to undertake the following:-

- Change of intention in relation to the Withdrawal Application, that is to continue with the listing status of the Company.
- Proposed restricted offer to sell its shares in the Company previously purchased from the minority shareholders (“Proposed ROS”); and
- Proposed sell down of its shares in the Company to comply with the public shareholding spread

(Collectively known as the “Proposed Rectification Plan”)

The Proposed ROS, which forms a crucial part of the Proposed Rectification Plan, will provide an opportunity, but not an obligation for the minority shareholders to repurchase a portion or all of its shares in the Company sold to SPE. Barring unforeseen circumstances, the Proposed ROS is expected to be completed by the 3rd quarter of 2011.

On the same day, RHB Investment Bank Berhad announced on behalf of the Board of Directors of the Company (“Board”), that the Company proposed to undertake the Proposed Rectification Plan in conjunction with the following:

- Proposed acquisition of the engine casing manufacturing division from Singapore Aerospace Manufacturing Pte Ltd (“SAM Singapore”), for an initial purchase consideration of RM135.0 million subject to adjustment, to be satisfied via the issuance of 101.25 million irredeemable convertible unsecured loan stock (“ICULS”) at an issue price of RM1.00 each to SAM Singapore and the remaining RM33.75 million in cash (“Proposed Acquisition”); and
- Proposed restricted issue of 33.75 million ICULS to minority shareholders of the Company (“Proposed Restricted Issue”)

(Collectively referred to as “Acquisition Proposals”)

The Proposed Acquisition will allow the Group to further increase its range of products and move up the value chain of its manufacturing segment as well as value-add to the engine casing manufacturing business. The Proposed Restricted Issue is undertaken for the purpose of funding the cash portion of the purchase consideration for the Proposed Acquisition and to enable minority shareholders to subscribe for the ICULS and maintain their equity participation of the Company upon conversion of the ICULS into new shares of the Company and benefit from the future growth of the Company. Barring any unforeseen circumstances, the Acquisition Proposals are expected to be completed by the 4th quarter of 2011.

On 15 June 2011, the Company reaffirmed its current plans to rectify its Public Shareholding Spread Requirement via the Proposed Rectification Plan as set out in the Company announcements dated 31 March 2011 and 20 April 2011. Hence, the Former Proposal, which had been deferred, would have been superseded. Accordingly, the Company announced that the Directors had resolved that the Former Proposal be aborted with immediate effect.

On 30 June 2011, RHB Investment Bank Berhad, that the application for the Proposals had been submitted to the Securities Commission.

On 22 July 2011, RHB Investment Bank Berhad also announced on behalf of the Board that the Company proposed to undertake:

- (i) An increase in authorised share capital from RM100,000,000 comprising 100,000,000 ordinary shares of RM1 each to RM200,000,000 comprising 200,000,000 ordinary shares of RM1 each; and
- (ii) Amendments to the Memorandum and Articles of Association to facilitate the proposed increase in authorised share capital, Proposed Acquisition and Proposed Restricted Issue

24. Borrowings and debt securities

	As At 30 June 2011 RM'000	As At 31 March 2011 RM'000
Short term borrowings		
Secured	6,384	7,145
Unsecured	29,622	18,948
Long term borrowings		
Secured	12,450	13,628
TOTAL	48,456	39,721

Included in the above are the following borrowings denominated in foreign currency:

	USD'000	RM'000 Equivalent
Short term borrowings		
Secured	1,743	5,282
Unsecured	5,135	15,561
Long term borrowings		
Secured	4,108	12,450
	10,986	33,293

25. Financial instruments

	Contracted Amount RM'000	Fair Value RM'000
Forward foreign exchange contracts (within 1 year)	18,509	18,511

26. Material litigation

There were no pending material litigation as at the date of this report.

27. Disclosure of realised and unrealised profits or losses of the Group

	As at 30 June 2011 RM'000	As at 30 June 2010 RM'000
Retained earnings		
- Realised	96,979	80,451
- Unrealised	(6,737)	(8,894)
	<hr/> 90,242	<hr/> 71,557
Add: Consolidation adjustments	(981)	(791)
Total retained earnings	<hr/> <hr/> 89,261	<hr/> <hr/> 70,766

28. Proposed dividend

No dividend has been recommended for the current quarter.

29. Earnings per share

Basic earning per share

The basic earning per share for the financial period has been calculated based on the Group's net profit attributable to shareholders of RM3.7 million for the 3 months ended 30 June 2011 over the number of ordinary shares in issue during the period of 70,881,357.

30. Authorisation for issue

The Board of Directors authorised the issue of this unaudited interim financial report on 28 July 2011.

By Order of the Board
SAM Engineering & Equipment (M) Berhad
(formerly known as LKT Industrial Berhad)
(298188 A)

Lam Voon Kean (MIA 4793)
Company Secretary

Penang
28 July 2011