



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

(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT
FOR QUARTER ENDED 30 SEPTEMBER 2011

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

(The figures have not been audited)

	As At 30-Sep-11 RM'000	As At 31-Mar-11 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	122,565	124,698
Intangible assets	1,926	2,395
Current assets		
Trade and other receivables	103,848	59,931
Inventories	103,630	78,068
Assets classified as held for sale	8,356	8,356
Current tax assets	379	465
Cash and cash equivalents	12,865	10,729
	<u>229,078</u>	<u>157,549</u>
TOTAL ASSETS	<u><u>353,569</u></u>	<u><u>284,642</u></u>
EQUITY AND LIABILITIES		
Share capital	70,881	70,881
Reserves	108,794	100,689
Total equity	<u>179,675</u>	<u>171,570</u>
Non-current liabilities		
Deferred tax liabilities	5,854	5,621
Loans and borrowings	11,041	13,628
Current liabilities		
Trade and other payables	94,475	67,321
Loans and borrowings	61,811	26,093
Current tax liabilities	713	409
	<u>156,999</u>	<u>93,823</u>
TOTAL EQUITY AND LIABILITIES	<u><u>353,569</u></u>	<u><u>284,642</u></u>
Net assets per share (sen)	<u>253</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 SEPTEMBER 2011

(The figures have not been audited)

	Current Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	30-Sep-11	30-Sep-10	30-Sep-11	30-Sep-10
Note	RM000	RM000	RM000	RM000
Revenue	152,889	105,189	255,770	149,933
Cost of support services and goods sold	(144,892)	(88,780)	(240,470)	(128,021)
Gross profit	7,997	16,409	15,300	21,912
Other operating incomes	1,798	609	3,181	3,421
Other operating expenses	(1,225)	(246)	(1,911)	(1,667)
Distribution and administrative expenses	(3,134)	(3,391)	(6,815)	(6,236)
Finance costs	(384)	(223)	(683)	(445)
Profit before tax	5,052	13,158	9,072	16,985
Income tax expense	(839)	(978)	(1,200)	(1,809)
Profit for the period	4,213	12,180	7,872	15,176
Other comprehensive income, net of tax				
Foreign currency translation differences for foreign operations	393	165	233	(129)
Total comprehensive income for the period	4,606	12,345	8,105	15,047
Profit attributable to:				
Owner of the Company	4,213	12,180	7,872	15,176
Profit for the period	4,213	12,180	7,872	15,176
Total comprehensive income attributable to:				
Owner of the Company	4,606	12,345	8,105	15,047
Total comprehensive income for the period	4,606	12,345	8,105	15,047
Earnings per share				
Basic earnings per share (sen)	29	5.94	17.18	21.41

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 SEPTEMBER 2011
(The figures have not been audited)

	Reserves					Total Equity
	Share Capital	Share Premium	Non Distributable		Distributable	
Assets Revaluation Reserve			Translation Reserve	Retained Earnings		
	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	-	-	-	(129)	15,176	15,047
As at 30.09.2010	70,881	6,850	8,238	186	82,946	169,101
As at 1.4.2011	70,881	6,850	8,238	(1)	85,602	171,570
Total comprehensive income for the period	-	-	-	233	7,872	8,105
As at 30.09.2011	70,881	6,850	8,238	232	93,474	179,675

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 SEPTEMBER 2011

(The figures have not been audited)

	6 months ended	
	30-Sep-11 RM'000	30-Sep-10 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	9,072	16,985
Adjustments for:-		
Non-cash items	8,571	6,255
Non-operating items	655	413
Operating profit before working capital changes	18,298	23,653
Net change in current assets	(69,053)	(110,031)
Net change in current liabilities	25,043	58,310
Cash used in operations	(25,712)	(28,068)
Tax paid	(679)	(610)
Tax refund	155	477
Net cash used in operating activities	(26,236)	(28,201)
CASH FLOW FROM INVESTING ACTIVITIES		
Other investments	(4,087)	(5,368)
Net cash used in investing activities	(4,087)	(5,368)
CASH FLOW FROM FINANCING ACTIVITIES		
Bank borrowings, net of repayment	33,131	12,858
Interest paid	(683)	(445)
Net cash generated from financing activities	32,448	12,413
Net change in cash and cash equivalents	2,125	(21,156)
Effect of foreign exchange fluctuations	11	(72)
Cash and cash equivalents brought forward	10,729	31,580
Cash and cash equivalents carried forward	12,865	10,352
Cash and cash equivalents at the end of the financial period comprise the following:		
Cash and bank balances	10,200	9,529
Deposits with licensed banks	2,665	823
	12,865	10,352

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.

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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 "X" 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 September 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	218,527	37,243	-	255,770
Inter segment sales	4,453	4,228	(8,681)	-
	<u>222,980</u>	<u>41,471</u>	<u>(8,681)</u>	<u>255,770</u>
Results				
Segment result (external)	8,451	1,134	143	9,728
Interest income				27
Finance costs				<u>(683)</u>
Profit before taxation				9,072
Tax expense				<u>(1,200)</u>
Profit for the period				<u>7,872</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 RM3.96 million were acquired during the current period-to-date (6 months ended 30 September 2010: RM5.4 million).

There was no significant disposal of property, plant and equipment during the current period-to-date (6 months ended 30 September 2010: RM Nil).

11. Subsequent events

There were no material events subsequent to the end of the current quarter.

12. Changes in the composition of the Group

There were no changes in the composition of the Group during the current quarter except for the striking off of LKT Support Services Sdn Bhd 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 September 2011 RMø000	30 September 2010 RMø000
Contracted but not provided for	1,503	6,178

15. Significant related party transaction

Significant transaction with related parties is as follows:

	6 months ended 30 September 2011 RMø000
Singapore Aerospace Manufacturing Pte Ltd (øSAMø), the Penultimate Holding Company	
- Sales of aerospace parts	15,010
- Sale of modular or complete machine and equipment	2,600
	=====

16. Review of performance

The Group revenue for the current quarter was RM152.9 million compared to RM102.9 million in the preceding quarter. Profit before tax of RM5.1 million for the current quarter was higher compared to RM4.0 million in the preceding quarter. However, the gross margin ratio for the current quarter was lower than the previous quarter. This was mainly due to the weaker USD in the current quarter as compared to the previous quarter.

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

The Group's revenue for the quarter was RM152.9 million, compared to RM105.2 million in the corresponding quarter of the previous year. The Group's profit before tax for the quarter was RM5.1 million compared to RM13.2 million in the corresponding quarter of the previous year. The higher profit before tax in the corresponding quarter of the preceding year was due to the stronger USD as well as exceptional profit margin for a major product in that quarter.

18. Current year prospects

The Board expects the remaining quarters to be challenging in view of the ongoing uncertainty in the global economic conditions and limited visibility beyond the end of the calendar 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 September		6 months ended 30 September	
	2011 RM€000	2010 RM€000	2011 RM€000	2010 RM€000
Current period				
- provision for taxation	711	678	913	1,199
- deferred taxation	128	(408)	287	(49)
	<hr/> 839	<hr/> 270	<hr/> 1,200	<hr/> 1,150
Prior period				
- under provision for taxation	-	708	-	659
- deferred taxation	-	-	-	-
	<hr/> 839	<hr/> 978	<hr/> 1,200	<hr/> 1,809

The effective tax rate is lower than the statutory tax rate mainly due to 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 9 March 2010, the Company received a notification of approval from Bursa Securities on the Company's Withdrawal Application for the withdrawal of its listing from the Bursa Securities pursuant to Paragraph 16.06 of the Listing Requirements.

On 31 March 2011, the Company received a letter of proposal from Singapore Precision Engineering Limited (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.

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.

On 30 June 2011, RHB Investment Bank Berhad announced 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.

On 2 August 2011, RHB Investment Bank Berhad announced that the Securities Commission had granted its approval for the proposed issuance of RM135.00 million ICULS in relation to the above Acquisition Proposals.

Subsequently, on 6 September 2011, the Securities Commission had also granted a waiver to despatch the notice pursuant to Section 32 of the Capital Markets and Services Act, 2007 which entails the sending of a notice to the shareholders of the Company who had not accepted the offer made under the Proposed Rectification Plan.

24. Borrowings and debt securities

	As At 30 September 2011 RMø000	As At 31 March 2011 RMø000
Short term borrowings		
Secured	6,681	7,145
Unsecured	55,130	18,948
Long term borrowings		
Secured	11,041	13,628
TOTAL	72,852	39,721

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

	USDø000	RMø000 Equivalent
Short term borrowings		
Secured	1,941	6,112
Unsecured	11,321	35,655
Long term borrowings		
Secured	3,505	11,040
	16,767	52,807

25. Financial instruments

	Contracted Amount RMø000	Fair Value RMø000
Forward foreign exchange contracts (within 1 year)	27,535	28,848

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 September 2011 RMø000	As at 30 September 2010 RMø000
Retained earnings		
- Realised	102,009	92,880
- Unrealised	(7,383)	(8,898)
	94,626	83,982
Add: Consolidation adjustments	(1,152)	(1,036)
Total retained earnings	93,474	82,946

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 RM7.9 million for the 6 months ended 30 September 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 11 October 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
11 October 2011