



# **SAM ENGINEERING & EQUIPMENT (M) BERHAD**

(Incorporated in Malaysia)

## **UNAUDITED INTERIM FINANCIAL REPORT FOR QUARTER ENDED 31 DECEMBER 2011**

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**SAM ENGINEERING & EQUIPMENT (M) BERHAD**

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**AS AT 31 DECEMBER 2011**

(The figures have not been audited)

	As At 31-Dec-11 RM'000	As At 31-Mar-11 RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	120,102	124,698
Intangible assets	1,668	2,395
<b>Current assets</b>		
Trade and other receivables	83,094	59,931
Inventories	66,451	78,068
Assets classified as held for sale	8,356	8,356
Current tax assets	400	465
Cash and cash equivalents	17,014	10,729
	<u>175,315</u>	<u>157,549</u>
<b>TOTAL ASSETS</b>	<u><u>297,085</u></u>	<u><u>284,642</u></u>
<b>EQUITY AND LIABILITIES</b>		
Share capital	70,881	70,881
Reserves	110,479	100,689
<b>Total equity</b>	<u>181,360</u>	<u>171,570</u>
<b>Non-current liabilities</b>		
Deferred tax liabilities	5,321	5,621
Loans and borrowings	9,504	13,628
<b>Current liabilities</b>		
Trade and other payables	56,169	67,321
Loans and borrowings	43,212	26,093
Current tax liabilities	1,519	409
	<u>100,900</u>	<u>93,823</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>297,085</u></u>	<u><u>284,642</u></u>
Net assets per share (sen)	<u>256</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**

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 31 DECEMBER 2011**

(The figures have not been audited)

	Note	Current Quarter 3 months ended		Cumulative Quarter 9 months ended	
		31-Dec-11	31-Dec-10	31-Dec-11	31-Dec-10
		RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>		<b>108,609</b>	<b>73,135</b>	<b>364,379</b>	<b>223,068</b>
Cost of support services and goods sold		(100,740)	(70,795)	(341,210)	(198,816)
<b>Gross profit</b>		<b>7,869</b>	<b>2,340</b>	<b>23,169</b>	<b>24,252</b>
Other operating incomes		4,534	1,097	7,715	4,518
Other operating expenses		(3,795)	(504)	(5,706)	(2,171)
Distribution and administrative expenses		(6,252)	(2,251)	(13,067)	(8,487)
Finance costs		(333)	(261)	(1,016)	(706)
<b>Profit before tax</b>		<b>2,023</b>	<b>421</b>	<b>11,095</b>	<b>17,406</b>
Income tax expense	21	(309)	(386)	(1,509)	(2,195)
<b>Profit for the period</b>	9	<b>1,714</b>	<b>35</b>	<b>9,586</b>	<b>15,211</b>
<b>Other comprehensive income, net of tax</b>					
Foreign currency translation differences for foreign operations		(29)	225	204	96
<b>Total comprehensive income for the period</b>		<b>1,685</b>	<b>260</b>	<b>9,790</b>	<b>15,307</b>
<b>Profit attributable to:</b>					
Owner of the Company		1,714	35	9,586	15,211
<b>Profit for the period</b>		<b>1,714</b>	<b>35</b>	<b>9,586</b>	<b>15,211</b>
<b>Total comprehensive income attributable to:</b>					
Owner of the Company		1,685	260	9,790	15,307
<b>Total comprehensive income for the period</b>		<b>1,685</b>	<b>260</b>	<b>9,790</b>	<b>15,307</b>
<b>Earnings per share</b>					
Basic earnings per share (sen)	27	2.42	0.05	13.52	21.46

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**

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 31 DECEMBER 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
<b>As at 1.4.2010, as previously stated</b>	70,881	6,850	8,238	315	67,337	153,621
- effect of adopting FRS 139	-	-	-	-	433	433
<b>As at 1.4.2010, as restated</b>	70,881	6,850	8,238	315	67,770	154,054
Total comprehensive income for the period	-	-	-	96	15,211	15,307
<b>As at 30.12.2010</b>	70,881	6,850	8,238	411	82,981	169,361
<b>As at 1.4.2011</b>	70,881	6,850	8,238	(1)	85,602	171,570
Total comprehensive income for the period	-	-	-	204	9,586	9,790
<b>As at 30.12.2011</b>	70,881	6,850	8,238	203	95,188	181,360

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**

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
 FOR THE PERIOD ENDED 31 DECEMBER 2011**

(The figures have not been audited)

	9 months ended	
	31-Dec-11 RM'000	31-Dec-10 RM'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Receipts from customers	324,504	165,081
Payments to suppliers, contractors and employees	(326,976)	(195,984)
Tax paid	(819)	(2,226)
Tax refund	238	477
Other receipts	2,417	2,926
Net cash used in operating activities	<u>(636)</u>	<u>(29,726)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(4,734)	(7,079)
Purchase of intangible assets	(47)	(532)
Acquisition of subsidiary, net of cash and cash equivalent acquired	(112)	-
Disposal of property, plant and equipment	2	24
Interest received	44	47
Net cash used in investing activities	<u>(4,847)</u>	<u>(7,540)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from bank borrowings	205,818	70,495
Repayment of bank borrowings	(192,823)	(49,451)
Interest paid	(1,016)	(706)
Net cash generated from financing activities	<u>11,979</u>	<u>20,338</u>
Net change in cash and cash equivalents	6,496	(16,928)
Effect of foreign exchange fluctuations	(211)	34
Cash and cash equivalents brought forward	<u>10,729</u>	<u>31,580</u>
Cash and cash equivalents carried forward	<u><u>17,014</u></u>	<u><u>14,686</u></u>
Cash and cash equivalents at the end of the financial period comprise the following:		
Cash and bank balances	11,214	12,666
Deposits with licensed banks	5,800	2,020
	<u>17,014</u>	<u>14,686</u>

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**

(Incorporated in Malaysia)

### **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:

		<b>Effective Date</b>
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 31 December 2011.

## 8. Dividends paid

No dividend is paid during the current financial period.

## 9. Profit for the period

Profit for the period is arrived at after charging/ (crediting):

	Current Quarter 3 months ended		Cumulative Quarter 9 months ended	
	31-Dec-11 RM'000	31-Dec-10 RM'000	31-Dec-11 RM'000	31-Dec-10 RM'000
Interest income	(17)	(15)	(44)	(47)
Other income including investment income	(659)	(319)	(1,996)	(2,539)
Interest expense	333	261	1,016	706
Depreciation and amortization	3,492	3,114	10,318	9,270
Provision for and write off of receivables	66	-	147	(219)
Provison for and write off of inventories	982	43	1,292	595
Foreign exchange gain or loss	917	(711)	(476)	(185)
Gain or loss on derivatives	(917)	452	569	444

## 10. 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
<b>Revenue</b>				
External sales	312,036	52,343	-	364,379
Inter segment sales	7,935	8,146	(16,081)	-
	<u>319,971</u>	<u>60,489</u>	<u>(16,081)</u>	<u>364,379</u>
<b>Results</b>				
Segment result (external)	8,882	2,794	391	12,067
Interest income				44
Finance costs				<u>(1,016)</u>
Profit before taxation				11,095
Tax expense				<u>(1,509)</u>
Profit for the period				<u>9,586</u>



### 11. 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 RM4.73 million were acquired during the current period-to-date (9 months ended 31 December 2010: RM7.1 million).

There was no significant disposal of property, plant and equipment during the current period-to-date (9 months ended 31 December 2010: RM Nil).

### 12. Subsequent events

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

### 13. Changes in the composition of the Group

There were no changes in the composition of the Group during the current quarter.

### 14. Contingent liabilities

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

### 15. Capital commitments

	31 December 2011 RM'000	31 December 2010 RM'000
Contracted but not provided for	1,052	6,193

### 16. Significant related party transaction

Significant transactions with related parties are as follows:

	9 months ended 31 December 2011 '000
Singapore Aerospace Manufacturing Pte Ltd ("SAM"), the Penultimate Holding Company	
- Sales of aerospace parts	RM 21,177
- Sale of modular or complete machine and equipment	RM 3,822
- Training and engineering support expense	RM 430
- Purchase of an used milling machine and accessories @	USD 250
- Purchase of an used turning center and accessories @	USD 60
	=====

@ per Announcement to Bursa on 23 November 2010

## **17. Review of performance**

The Group revenue for the current quarter was RM108.6 million as compared to RM152.9 million in the preceding quarter. Profit before tax of RM2.0 million for the current quarter was lower compared to RM5.1 million in the preceding quarter.

The decline in Group revenue during the current quarter was mainly attributed by the decline in the Equipment Manufacturing revenue which saw a drop by 28.6% as a result of lower sales for the hard disk drive (HDD) test equipment. Similarly, the Precision Engineering segment also registered a drop by 13.8% in its revenue. This was due to the prolonged flood situation in Thailand which had affected our production in Thailand and also the demand from our customers.

The decline in both segmental revenues had consequently led to the decline in the Group profit before tax during the current quarter. At the same time, the Group results continue to be affected by start-up costs in new markets and for new customers.

Nevertheless, market condition during the current quarter for both Equipment Manufacturing and Precision Engineering segments remain favourable as new orders for HDD test equipment continue to be buoyant.

## **18. Variation of results against immediate preceding year's corresponding quarter**

The Group revenue for the quarter was RM108.6 million, compared to RM73.1 million in the corresponding quarter of the preceding year. During the current quarter under review, both segments achieved higher revenue as compared to the corresponding quarter of the preceding year. The Equipment Manufacturing segment revenue was higher by RM 39.0 million in the current quarter and this was mainly attributed to the strong demand for its hard disk drive (HDD) test equipment. Similarly, the Precision Engineering segment also achieved a higher revenue by RM1.2 million during the quarter.

The Group profit before tax for the quarter was RM2.0 million compared to RM0.4 million in the corresponding quarter of the previous year. This was attributed to the higher Group revenue during the quarter as compared to the corresponding quarter of the preceding year. Nonetheless, the Group results in both quarters were affected by start-up costs mentioned above.

## **19. Current year prospects**

Despite expecting the remaining quarter to be challenging in view of the ongoing uncertainty in the global economic conditions, nevertheless, the Board expects both segments to have strong orders from the hard disk drive (HDD) markets. The Equipment Manufacturing segment will strive for its HDD test equipment whereas the Precision Engineering segment will benefit from the surge in HDD demand due to the current shortage in HDD supply.

## **20. Profit forecast and profit guarantee**

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

## 21. Taxation

	3 months ended 31 December		9 months ended 31 December	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Current period				
- provision for taxation	776	728	1,689	1,927
- deferred taxation	(420)	1,049	(133)	1,000
	<u>356</u>	<u>1,777</u>	<u>1,556</u>	<u>2,927</u>
Prior period				
- provision for taxation	66	(1,135)	66	(476)
- deferred taxation	(113)	(256)	(113)	(256)
	<u>309</u>	<u>386</u>	<u>1,509</u>	<u>2,195</u>

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.

## 22. 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 official list of Bursa Malaysia Securities Berhad ("Bursa Securities") pursuant to Paragraph 16.06 of the Main Market Listing Requirements ("MMLR").

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 1st quarter of 2012.

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

- 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
- Amendments to the Memorandum and Articles of Association to facilitate the proposed increase in authorised share capital, Proposed Acquisition and Proposed Restricted Issue.

The approvals as obtained from Bursa Securities and the Securities Commission (“SC”) are tabulated below:

Dates of Approvals	Authority	Details of approvals obtained:
2 August 2011	SC	Proposed issuance of RM135.00 million ICULS in relation to the Acquisition Proposals
6 September 2011	SC	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
16 November 2011	SC	Proposed ROS subject to the restricted offer for sale made to the entitled minority shareholders at the offer price of RM2.10 per share
21 December 2011	Bursa Securities	Admission to the Official List and the listing and quotation of RM135.00 million nominal value of ICULS to be issued in relation to the Acquisition Proposals
21 December 2011	Bursa Securities	Listing of 64,285,714 new shares in the Company to be issued pursuant to the conversions of the ICULS
6 January 2012	Bursa Securities	Further extension of time of 6 months from the date of lifting the suspension of listing status of the Company to comply with the public shareholding spread requirements pursuant to para 8.02(1) of the MMLR

At the close of acceptance and payment of the shares pursuant to the Proposed ROS (“ROS Shares”) on 4 January 2012, 367,576 ROS Shares (equivalent to 5.30% of the total ROS Shares available for acceptance) had been accepted by the entitled minority shareholders.

The ROS was completed on 13 January 2012 following the dispatch of the notices of transfer to these entitled minority shareholders who had accepted the entitlement under the ROS.

### 23. Borrowings and debt securities

	As At 31 December 2011 RM'000	As At 31 March 2011 RM'000
<b>Short term borrowings</b>		
Secured	6,433	7,145
Unsecured	36,779	18,948
<b>Long term borrowings</b>		
Secured	9,504	13,628
<b>TOTAL</b>	52,716	39,721

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

	USD'000	RM'000 Equivalent
<b>Short term borrowings</b>		
Secured	2,016	6,404
Unsecured	7,849	24,935
<b>Long term borrowings</b>		
Secured	2,992	9,505
	12,857	40,844

### 24. Material litigation

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

### 25. Disclosure of realised and unrealised profits or losses of the Group

	As at 31 December 2011 RM'000	As at 31 December 2010 RM'000
Retained earnings		
- Realised	104,595	89,890
- Unrealised	(8,600)	(6,108)
	95,995	83,782
Add: Consolidation adjustments	(807)	(801)
Total retained earnings	95,188	82,981

## **26. Proposed dividend**

No dividend has been recommended for the current quarter.

## **27. 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 RM9.6 million for the 9 months ended 31 December 2011 over the number of ordinary shares in issue during the period of 70,881,357.

## **28. Authorisation for issue**

The Board of Directors authorised the issue of this unaudited interim financial report on 9 February 2012.

By Order of the Board  
**SAM Engineering & Equipment (M) Berhad**  
**(298188 A)**

Ong Tze-En (MAICSA 7026537)  
Chin Lee Phing (MAICSA 7057836)  
Company Secretaries

Penang  
9 February 2012