



SAM ENGINEERING & EQUIPMENT (M) BERHAD

(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT FOR QUARTER ENDED 30 JUNE 2012

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SAM ENGINEERING & EQUIPMENT (M) BERHAD

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2012

(The figures have not been audited)

	As At 30-Jun-12 RM'000	As At 31-Mar-12 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	111,214	113,985
Intangible assets	1,037	1,239
Current assets		
Trade and other receivables	58,484	141,281
Inventories	47,002	60,039
Current tax assets	470	476
Cash and cash equivalents	56,063	22,338
	<u>162,019</u>	<u>224,134</u>
TOTAL ASSETS	<u><u>274,270</u></u>	<u><u>339,358</u></u>
EQUITY AND LIABILITIES		
Share capital	70,881	70,881
Reserves	125,646	116,746
Total equity	<u>196,527</u>	<u>187,627</u>
Non-current liabilities		
Deferred tax liabilities	3,390	3,248
Loans and borrowings	6,286	7,655
Current liabilities		
Trade and other payables	40,547	112,501
Loans and borrowings	27,037	27,799
Current tax liabilities	483	528
	<u>68,067</u>	<u>140,828</u>
TOTAL EQUITY AND LIABILITIES	<u><u>274,270</u></u>	<u><u>339,358</u></u>
Net assets per share (sen)	<u><u>277</u></u>	<u><u>265</u></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 2012.

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 YEAR ENDED 30 JUNE 2012**

(The figures have not been audited)

	Note	Current Quarter 3 months ended		Cumulative Quarter 3 months ended	
		30-Jun-12 RM'000	30-Jun-11 RM'000	30-Jun-12 RM'000	30-Jun-11 RM'000
Revenue		118,824	102,881	118,824	102,881
Cost of support services and goods sold		(106,373)	(95,546)	(106,373)	(95,546)
Gross profit		12,451	7,335	12,451	7,335
Other operating incomes		2,985	1,383	2,985	1,383
Other operating expenses		(1,099)	(686)	(1,099)	(686)
Distribution and administrative expenses		(4,159)	(3,681)	(4,159)	(3,681)
Finance costs		(240)	(299)	(240)	(299)
Profit before tax		9,938	4,052	9,938	4,052
Income tax expense	21	(921)	(361)	(921)	(361)
Profit for the period	9	9,017	3,691	9,017	3,691
Other comprehensive income, net of tax					
Foreign currency translation differences for foreign operations		(117)	(160)	(117)	(160)
Total comprehensive income for the period		8,900	3,531	8,900	3,531
Profit attributable to:					
Owner of the Company		9,017	3,691	9,017	3,691
Profit for the period		9,017	3,691	9,017	3,691
Total comprehensive income attributable to:					
Owner of the Company		8,900	3,531	8,900	3,531
Total comprehensive income for the period		8,900	3,531	8,900	3,531
Earnings per share					
Basic earnings per share (sen)	27	12.72	5.21	12.72	5.21

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Report for the year ended 31 March 2012.

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 YEAR ENDED 30 JUNE 2012**

(The figures have not been audited)

	← Reserves →				Total Equity
	Share Capital	Share Premium	Translation Reserve	Retained Earnings	
	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1.4.2011	70,881	6,850	-	92,090	169,821
Total comprehensive income for the period	-	-	-	3,531	3,531
As at 30.06.2011	<u>70,881</u>	<u>6,850</u>	<u>-</u>	<u>95,621</u>	<u>173,352</u>
As at 1.4.2012	70,881	6,850	-	109,896	187,627
Total comprehensive income for the period	-	-	(117)	9,017	8,900
As at 30.06.2012	<u>70,881</u>	<u>6,850</u>	<u>(117)</u>	<u>118,913</u>	<u>196,527</u>

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 2012.

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 YEAR ENDED 30 JUNE 2012**

(The figures have not been audited)

	3 months ended	
	30-Jun-12 RM'000	30-Jun-11 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from customers	185,542	72,553
Payments to suppliers, contractors and employees	(150,554)	(82,982)
Tax paid	(971)	(549)
Tax refund	152	-
Other receipts	2,255	741
Net cash from/(used in) operating activities	<u>36,424</u>	<u>(10,237)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(538)	(1,867)
Purchase of intangible assets	-	(47)
Acquisition of subsidiary, net of cash and cash equivalent acquired	-	(112)
Disposal of property, plant and equipment	115	-
Interest received	34	15
Net cash used in investing activities	<u>(389)</u>	<u>(2,011)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from bank borrowings	40,894	47,366
Repayment of bank borrowings	(43,024)	(38,631)
Interest paid	(240)	(299)
Net cash (used in)/from financing activities	<u>(2,370)</u>	<u>8,436</u>
Net change in cash and cash equivalents	33,665	(3,812)
Effect of foreign exchange fluctuations	60	(46)
Cash and cash equivalents brought forward	<u>22,338</u>	<u>10,729</u>
Cash and cash equivalents carried forward	<u>56,063</u>	<u>6,871</u>
Cash and cash equivalents at the end of the financial period comprise the following:		
Cash and bank balances	33,394	6,316
Deposits with licensed banks	22,669	555
	<u>56,063</u>	<u>6,871</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Report for the year ended 31 March 2012.

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 MFRS 134, Interim Financial Reporting Standards in Malaysia and IAS 34, 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 2012. 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 2012.

First-Time Adoption of Malaysian Financial Reporting Standards (“MFRS”)

The Group’s financial statements for the year ended 31 March 2012 were prepared in accordance with the Financial Reporting Standards (FRS). However, with effect from 1 April 2012, the Group has adopted the MFRS framework issued by MASB. This MFRS framework was introduced by MASB in order to fully converge the existing FRS framework in Malaysia with the International Financial Reporting Standards (“IFRS”) framework issued by the International Accounting Standards Board.

The adoption of MFRS has no significant impact on the financial statements except for the following:-

a) Property, plant and equipment

Under MFRS 116, *Property, Plant and Equipment*, the Group elected to state assets at cost less accumulated depreciation and impairment, if any. As permitted by MFRS 1, the Group has at the transition date of 1 April 2011 availed to the option to regard a building at cost and the revalued amounts of leasehold land and certain buildings as deemed cost. The revaluation reserves at 1 April 2011 and 1 April 2012 were transferred to retained earnings.

b) Translation Reserve

Under MFRS 121 *The Effects of Changes in Foreign Exchange Rates*, the Group recognises translation differences in other comprehensive income and accumulated them in a separate component of equity. As permitted by MFRS 1, the Group has availed to the option to deem the cumulative translation differences to be zero at the transition date of 1 April 2011. The translation reserves at 1 April 2011 and 1 April 2012 were transferred to retained earnings.

c) The impact arising from the above changes are summarized as follows :-

	FRS as at	Reclassifications/ Adjustments	MFRS as at
	1 April 2011		1 April 2011
	RM’000	RM’000	RM’000
Asset revaluation reserve	(8,238)	8,238	-
Translation reserve	1	(1)	-
Retained earnings	(85,602)	(6,488)	(92,090)
Property, plant and equipment	124,698	(2,938)	121,760
Deferred tax liabilities	(5,621)	1,189	(4,432)

	FRS as at 30 June 2011 RM'000	Reclassifications/ Adjustments RM'000	MFRS as at 30 June 2011 RM'000
Revaluation reserve	(8,238)	8,238	-
Translation reserve	161	(161)	-
Retained earnings	(89,261)	(6,360)	(95,621)
Property, plant and equipment	123,620	(2,906)	120,714
Deferred tax liabilities	(5,780)	1,189	(4,591)

	FRS as at 31 March 2012 RM'000	Reclassifications/ Adjustments RM'000	MFRS as at 31 March 2012 RM'000
Revaluation reserve	(6,111)	6,111	-
Translation reserve	(50)	50	-
Retained earnings	(105,355)	(4,541)	(109,896)
Property, plant and equipment	116,794	(2,809)	113,985
Deferred tax liabilities	(4,437)	1,189	(3,248)

2. Significant accounting policies

The following MFRSs, IC Interpretation and Amendments to MFRSs applicable to the Group have been adopted with effect from 1 April 2012.

MFRS and Amendments effective annual periods beginning on or after 1 January 2012

MFRS 124	Related Party Disclosures (revised)
Amendments to MFRS 7	Disclosures – Transfers of Financial Assets
Amendments to MFRS 112	Deferred tax: Recovery of Underlying Assets

The adoption of the above MFRSs and Amendments to MFRSs, did not result in any significant changes in the accounting policies and presentation of the financial results of the Group.

The following revised MFRSs, new IC Interpretations and Amendments to MFRSs applicable to the Group have been issued by the MASB and are not yet effective for adoption by the Group.

Amendments effective annual periods beginning on or after 1 July 2012

Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income
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MFRSs and Amendments effective annual periods beginning on or after 1 January 2013

MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities

MFRS 13	Fair Value Measurement
MFRS 119	Employee Benefits (2011)
MFRS 127	Separate Financial Statements (2011)
MFRS 128	Investment in Associates and Joint Ventures (2011)
Amendments to MFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities

Amendments to MFRSs contained in the document entitled “Annual Improvements 2009-2011 Cycle”

Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to MFRS 10, MFRS 11 and MFRS 12)

MFRS 3 Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)

MFRS 127 Consolidated and Separate Financial Statements (IAS 27 Consolidated and Separate Financial Statements revised by IASB in December Amendments to FRSs contained in the document entitled “Improvements to FRSs (2012)”

Amendments effective annual periods beginning on or after 1 January 2014

Amendments to MFRS 132	Presentation – Offsetting Financial Assets and Financial Liabilities
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MFRSs and Amendments effective annual periods beginning on or after 1 January 2015

MFRS 9	Financial Instruments (2009)
MFRS 9	Financial Instruments (2010)
Amendments to MFRS 7	Disclosures – Mandatory Date of MFRS 9 and Transition Disclosures

3. Audit opinion

The audit report for the audited financial statements of the Group for the financial year ended 31 March 2012 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 2012.

8. Dividends paid

No dividend was paid since the end of the previous financial year.

9. Profit for the period

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

	Current Quarter		Cumulative Quarter	
	3 months ended		3 months ended	
	30-Jun-12	30-Jun-11	30-Jun-12	30-Jun-11
	RM'000	RM'000	RM'000	RM'000
Interest income	(34)	(15)	(34)	(15)
Other income including investment income	(589)	(519)	(589)	(519)
Interest expense	240	299	240	299
Depreciation and amortization	3,304	3,330	3,304	3,330
Provision for and write off of receivables	19	63	19	63
Provison for and write off of inventories	53	(27)	53	(27)
Foreign exchange gain or loss	(1,580)	(339)	(1,580)	(339)
Gain or loss on derivatives	221	175	221	175

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
Revenue				
External sales	99,629	19,195	-	118,824
Inter segment sales	4,548	5,319	(9,867)	-
	<u>104,177</u>	<u>24,514</u>	<u>(9,867)</u>	<u>118,824</u>
Results				
Segment result (external)	7,300	2,818	26	10,144
Interest income				34
Finance costs				(240)
Profit before taxation				<u>9,938</u>
Tax expense				(921)
Profit for the period				<u>9,017</u>

11. Property, plant and equipment

Property, plant and equipment amounting to RM0.54 million were acquired during the current period-to-date (3 months ended 30 June 2011: RM1.87 million).

There was no significant disposal of property, plant and equipment during the current period-to-date (3 months ended 30 June 2011: 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

During the quarter, the Group incorporated a wholly-owned subsidiary, Esmo Automation (M) Sdn Bhd (“ESMO”). The authorised, issued and paid-up share capital of ESMO is RM500,000 comprising 500,000 ordinary shares of RM1 each.

The principal activity of ESMO is design and manufacture of engineering equipment and automation solution ranging from process test handlers, material handling systems, vision inspection systems and factory automation.

14. Contingent liabilities

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

15. Capital commitments

	30 June 2012 RM'000	30 June 2011 RM'000
Contracted but not provided for	794	1,956

16. Significant related party transaction

Significant transactions with related parties are as follows:

	3 months ended 30 June 2012 RM'000
Singapore Aerospace Manufacturing Pte Ltd (“SAM”), the Penultimate Holding Company	
- Sales of aerospace parts	RM 7,529

17. Review of performance

The Group revenue for the current quarter was lower at RM118.8 million as compared to RM166.8 million in the preceding quarter. Nevertheless, profit before tax of RM9.9 million for the current quarter was higher compared to RM7.9 million in the preceding quarter.

The drop in Group revenue during the current quarter was mainly attributable to the decreased sales from the Equipment Manufacturing segment, which saw a drop in revenue by 31.8% as a result of lower sales of

the hard disk drive (HDD) test equipment. Conversely, the Precision Engineering segment also registered a decrease of 7.6% in revenue. The drop in revenue in both segments was mainly due to the normalisation in the HDD industries following the recovery from the flood disaster in Thailand.

Although the revenues were lower as compared to the preceding quarter, profit before tax during the current quarter was higher. This was mainly due the stronger USD, favourable sales mix in both segments and lower costs incurred in the start up projects.

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

The Group revenue for the quarter was RM118.8 million, compared to RM102.9 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 segmental revenue was higher by RM 14.1 million in the current quarter and this was mainly contributed by the strong demand for its HDD test equipment. Similarly, the Precision Engineering segment also achieved higher revenue by RM1.8 million during the quarter.

The Group profit before tax for the quarter was RM9.9 million compared to RM4.0 million in the corresponding quarter of the previous year. This was contributed by the higher Group revenue and also a higher foreign exchange gain of RM1.6million during the current quarter as against RM0.3 million the corresponding quarter of the preceding year.

19. Current year prospects

The Board of Directors expects the remaining quarter to be challenging in view of the prevailing financial and economic conditions which prevents sufficient visibility on the growth of our Group in the near to immediate future. In the event short-term demand for both the semiconductor and HDD industries experiences a slowdown, capital expenditure budgets by both semiconductor and HDD manufacturers may be deferred until demand picks up again.

However, notwithstanding the short-term uncertainty, the Board of Directors anticipates that the longer term future demand for both industries spending by industry manufacturers is still intact as both industries will continue to grow, driven by increasing global demand for high-end electrical and computing requirements.

20. Profit forecast and profit guarantee

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

21. Taxation

	30 June	
	2012 RM'000	2011 RM'000
Current period		
- provision for taxation	778	202
- deferred taxation	143	159
	<u>921</u>	<u>361</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 the 31 March 2011, RHB Investment Bank Berhad announced, on behalf of the Board of Directors of the Company (“Board”), that the Company proposed to undertake 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 Acquisition was approved by the shareholders in an Extraordinary General Meeting on 23 May 2012.

Barring any unforeseen circumstances, the Acquisition Proposals are expected to be completed by the 3rd quarter of 2012.

23. Borrowings and debt securities

	As At 30 June 2012 RM'000	As At 31 March 2012 RM'000
Short term borrowings		
Secured	6,492	6,205
Unsecured	20,545	21,594
Long term borrowings		
Secured	6,286	7,655
TOTAL	33,323	35,454

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

	USD'000	RM'000 Equivalent
Short term borrowings		
Secured	2,048	6,492
Unsecured	5,752	18,231
Long term borrowings		
Secured	1,984	6,287
	9,784	31,010

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 30 June 2012 RM'000	As at 30 June 2011 RM'000
Retained earnings		
- Realised	124,956	98,668
- Unrealised	(5,355)	(2,066)
	<hr/> 119,601	<hr/> 96,602
Add: Consolidation adjustments	(688)	(981)
Total retained earnings	<hr/> <hr/> 118,913	<hr/> <hr/> 95,621

26. Proposed dividend

A first and final dividend of 7.46 sen per ordinary share less 25% tax in respect of the financial year ended 31 March 2012 was approved at the Annual General Meeting dated 7 August 2012. The dividend is payable on 18 Sep 2012 to depositors registered in the record of depositors at the close of business on 28 Aug 2012. Apart from the above, no dividend has been proposed for the current quarter.

27. Earnings per share

Basic earnings per share

The basic earnings per share for the financial period has been calculated based on the Group's net profit attributable to shareholders of RM9.0 million for the 3 months ended 30 June 2012 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 30 August 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
30 August 2012