



SAM ENGINEERING & EQUIPMENT (M) BERHAD

(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT FOR QUARTER ENDED 30 SEPTEMBER 2012

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SAM ENGINEERING & EQUIPMENT (M) BERHAD

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2012

(The figures have not been audited)

	As At 30-Sep-12 RM'000	As At 31-Mar-12 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	122,983	112,025
Intangible assets	835	1,239
Goodwill	15,417	-
Current assets		
Trade and other receivables	103,770	141,281
Inventories	124,513	60,039
Current tax assets	1,113	476
Cash and cash equivalents	43,605	22,338
	<u>273,001</u>	<u>224,134</u>
TOTAL ASSETS	<u><u>412,236</u></u>	<u><u>337,398</u></u>
EQUITY AND LIABILITIES		
Share capital	70,881	70,881
Reserves	228,512	114,786
Total equity	<u>299,393</u>	<u>185,667</u>
Non-current liabilities		
Deferred tax liabilities	8,482	3,248
Loans and borrowings	4,529	7,655
ICULS	16,665	-
Current liabilities		
Trade and other payables	52,076	112,501
Loans and borrowings	24,958	27,799
ICULS	5,009	-
Current tax liabilities	1,124	528
	<u>83,167</u>	<u>140,828</u>
TOTAL EQUITY AND LIABILITIES	<u><u>412,236</u></u>	<u><u>337,398</u></u>
Net assets per share (sen)	<u><u>422</u></u>	<u><u>262</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 PERIOD ENDED 30 SEPTEMBER 2012**

(The figures have not been audited)

	Note	Current Quarter 3 months ended		Cumulative Quarter 6 months ended	
		30-Sep-12 RM'000	30-Sep-11 RM'000	30-Sep-12 RM'000	30-Sep-11 RM'000
Revenue		52,177	152,889	171,001	255,770
Cost of support services and goods sold		(47,157)	(144,846)	(153,562)	(240,377)
Gross profit		5,020	8,043	17,439	15,393
Other operating incomes		1,849	1,798	4,834	3,181
Other operating expenses		(1,530)	(1,225)	(2,629)	(1,911)
Distribution and administrative expenses		(3,717)	(3,134)	(7,876)	(6,815)
Finance costs		(128)	(384)	(368)	(683)
Profit before tax		1,494	5,098	11,400	9,165
Income tax expense	21	(611)	(839)	(1,532)	(1,200)
Profit for the period	9	883	4,259	9,868	7,965
Other comprehensive income, net of tax					
Foreign currency translation differences for foreign operations		34	393	(83)	233
Total comprehensive income for the period		917	4,652	9,785	8,198
Profit attributable to:					
Owner of the Company		883	4,259	9,868	7,965
Profit for the period		883	4,259	9,868	7,965
Total comprehensive income attributable to:					
Owner of the Company		917	4,652	9,785	8,198
Total comprehensive income for the period		917	4,652	9,785	8,198
Earnings per share					
Basic earnings per share (sen)	27	1.25	6.01	13.92	11.24
Diluted earnings per share (sen)	27	1.21	N.A	13.72	N.A

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 PERIOD ENDED 30 SEPTEMBER 2012**

(The figures have not been audited)

	Reserves				Total Equity	
	Share Capital	Share Premium	Translation Reserve	Capital Reserve		Retained Earnings
	RM'000	RM'000	RM'000	RM'000	RM'000	
As at 1.4.2011	70,881	6,850	-	-	90,069	167,800
Total comprehensive income for the period	-	-	233	-	7,965	8,198
As at 30.09.2011	70,881	6,850	233	-	98,034	175,998
As at 1.4.2012	70,881	6,850	51	-	107,885	185,667
Total comprehensive income for the period	-	-	(83)	-	9,868	9,785
Issuance of ICULS	-	-	-	107,907	-	107,907
Dividends to owners of the Company	-	-	-	-	(3,966)	(3,966)
As at 30.09.2012	70,881	6,850	(32)	107,907	113,787	299,393

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 PERIOD ENDED 30 SEPTEMBER 2012**

(The figures have not been audited)

	6 months ended	
	30-Sep-12 RM'000	30-Sep-11 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from customers	242,137	198,826
Payments to suppliers, contractors and employees	(188,091)	(226,247)
Tax paid	(1,524)	(679)
Tax refund	152	155
Other receipts	2,763	1,709
Net cash from/(used in) operating activities	55,437	(26,236)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(950)	(3,956)
Purchase of intangible assets	-	(47)
Acquisition of subsidiary, net of cash and cash equivalent acquired	(39,645)	(112)
Disposal of property, plant and equipment	147	-
Interest received	95	28
Net cash used in investing activities	(40,353)	(4,087)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from bank borrowings	40,894	144,495
Repayment of bank borrowings	(64,093)	(111,364)
Proceeds from issuance of ICULS	33,750	-
Dividend paid	(3,966)	-
Interest paid	(368)	(683)
Net cash from financing activities	6,217	32,448
Net change in cash and cash equivalents	21,301	2,125
Effect of foreign exchange fluctuations	(34)	11
Cash and cash equivalents brought forward	22,338	10,729
Cash and cash equivalents carried forward	43,605	12,865
Cash and cash equivalents at the end of the financial period comprise the following:		
Cash and bank balances	30,562	10,200
Deposits with licensed banks	13,043	2,665
	43,605	12,865

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)	(4,467)	(90,069)
Property, plant and equipment	124,698	(4,959)	119,739
Deferred tax liabilities	(5,621)	1,189	(4,432)

	FRS as at 30 Sep 2011 RM'000	Reclassifications/ Adjustments RM'000	MFRS as at 30 Sep 2011 RM'000
Revaluation reserve	(8,238)	8,238	-
Translation reserve	(232)	(1)	(233)
Retained earnings	(93,474)	(4,560)	(98,034)
Property, plant and equipment	122,565	(4,866)	117,699
Deferred tax liabilities	(5,854)	1,189	(4,665)

	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)	(1)	(51)
Retained earnings	(105,355)	(2,530)	(107,885)
Property, plant and equipment	116,794	(4,769)	112,025
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 MFRSs, 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 MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 101	Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 116	Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 132	Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 134	Interim Reporting (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 10	Consolidated Financial Statements \: Transition Guidance
Amendments to MFRS 12	Disclosure of Interests in Other Entities: Transition Guidance

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 except for the:

- i) Issuance of ICULS (Note 7) and
- ii) Acquisition of Avitron Private Limited (Note 13)

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 2012 except for the issue of RM135 million nominal value of 5-year 4% irredeemable convertible unsecured loan stocks ("ICULS") pursuant to corporate proposals in Note 22 below.

8. Dividends paid

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 paid 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 had been 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		6 months ended	
	30-Sep-12	30-Sep-11	30-Sep-12	30-Sep-11
	RM'000	RM'000	RM'000	RM'000
Interest income	(61)	(12)	(95)	(27)
Other income including investment income	(1,375)	(809)	(1,964)	(1,328)
Interest expense	128	384	368	683
Depreciation and amortization	2,869	2,934	6,173	6,217
Provision for and write off of receivables	(60)	5	(43)	68
Provison for and write off of inventories	1,295	1,133	2,358	1,080
Foreign exchange gain or loss	1,911	(1,054)	331	(1,393)
Gain or loss on derivatives	(892)	1,311	(671)	1,486

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	132,579	38,422	-	171,001
Inter segment sales	8,143	9,130	(17,273)	-
	<u>140,722</u>	<u>47,552</u>	<u>(17,273)</u>	<u>171,001</u>
Results				
Segment result (external)	6,901	4,834	(62)	11,673
Interest income				95
Finance costs				(368)
Profit before taxation				<u>11,400</u>
Tax expense				(1,532)
Profit for the period				<u><u>9,868</u></u>

11. Property, plant and equipment

Property, plant and equipment amounting to RM0.95 million were acquired during the current period-to-date (6 months ended 30 Sep 2012: RM3.96 million).

There was no significant disposal of property, plant and equipment during the current period-to-date (6 months ended 30 Sep 2012: 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

With the completion of the Proposed Acquisition on 27 Sep 2012 as disclosed in Note 22 below, Avitron Private Limited has become a wholly-owned subsidiary of the Company with effect from the end of the quarter.

The acquisition had the following effect on the Group's assets and liabilities on 27 Sep 2012:

	RM'000
<u>Identifiable assets acquired and liabilities assumed</u>	
Plant and equipment	16,424
Inventories	83,212
Trade and other receivables	69,395
Cash and bank balances	5,104
Trade and other payables	(26,322)
Bank borrowings	<u>(17,231)</u>
	130,582
Purchase consideration	<u>145,999</u>
Goodwill	15,417
	=====

The results of operations of the new subsidiary will be included in the consolidated statement of comprehensive income commencing from next quarter.

14. Contingent liabilities

There is no contingent liability since the date of the last annual statement of financial position.

15. Capital commitments

	30 September 2012	30 September 2011
	RM'000	RM'000
Contracted but not provided for	740	1,503

16. Significant related party transaction

Significant transactions with related parties are as follows:

	6 months ended 30 Sep 2012 RM'000
Sales of aerospace parts	
- Singapore Aerospace Manufacturing Pte Ltd ("SAM")	RM13,247
- Avitron Private Limited (Prior to acquisition)	RM 3,185

17. Review of performance

The Group revenue for the current quarter was lower at RM52.2 million as compared to RM118.8 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 66.9% as a result of lower sales of the hard disk drive (HDD) test equipment. Similarly, the Precision Engineering segment also registered a decrease of 7.6% in revenue and this was mainly due to lower demand for its products.

The Group profit before tax of RM1.5 million for the current quarter was lower compared to RM9.9 million in the preceding quarter. The lower profit before tax during the current quarter was mainly due to the drop in revenue as explained above.

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

The Group revenue for the quarter was RM52.2 million, compared to RM152.9 million in the corresponding quarter of the preceding year. During the current quarter under review, both segments achieved lower revenue as compared to the corresponding quarter of the preceding year. The Equipment Manufacturing segmental revenue was lower by RM100.1 million in the current quarter and this was mainly contributed by the low demand for its HDD test equipment. Similarly, the Precision Engineering segment also achieved lower revenue by RM0.6 million during the quarter.

The Group profit before tax for the quarter was RM1.5 million compared to RM5.1 million in the corresponding quarter of the previous year. This was contributed by the lower Group revenue.

19. Current year prospects

The Board of Directors expects the remaining quarters to be challenging in view of the prevailing global financial and economic conditions which does not allow sufficient visibility on the growth of our Group in the near to immediate future. As both the semiconductor and HDD industries are experiencing a slowdown, capital expenditure budgets by both semiconductor and HDD manufacturers are 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.

The Group is currently highly dependent on the semiconductor and HDD industries which are generally cyclical in nature. The further expansion in the aerospace business through the acquisition of Avitron Private Limited (Notes 13 and 22) which produces engine casings, will provide a more stable revenue and

income stream and therefore smoothen the fluctuations in our financial performance. The Board envisages the continued demand for aerospace engines in the long-term.

20. Profit forecast and profit guarantee

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

21. Taxation

	3 months ended		6 months ended	
	30 September		30 September	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Current period				
- provision for taxation	938	711	1,716	913
- deferred taxation	(327)	128	(184)	287
	<u>611</u>	<u>839</u>	<u>1,532</u>	<u>1,200</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 Acquisition Proposals were completed on 27 Sep 2012.

23. Borrowings and debt securities

	As At 30 Sep 2012 RM'000	As At 31 Mar 2012 RM'000
Short term borrowings		
Secured	6,173	6,205
Unsecured	18,785	21,594
Long term borrowings		
Secured	4,529	7,655
TOTAL	29,487	35,454

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

	USD'000	RM'000 Equivalent
Short term borrowings		
Secured	2,016	23,404
Unsecured	6,108	1,554
Long term borrowings		
Secured	1,479	4,529
	9,603	29,487

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 Sep 2012 RM'000	As at 30 Sep 2011 RM'000
Retained earnings		
- Realised	124,617	102,181
- Unrealised	(10,134)	(2,995)
	114,483	99,186
Add: Consolidation adjustments	(696)	(1,152)
Total retained earnings	113,787	98,034

26. Proposed dividend

No dividend has been recommended for the current quarter.

27. 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 RM9.9 million for the 6 months ended 30 Sep 2012 over the number of ordinary shares in issue during the period of 70,881,357.

The diluted earnings per share for the financial period has been calculated based on the Group's net profit attributable to shareholders of RM9.9 million for the 6 months ended 30 Sep 2012 over the weighted average number of ordinary shares during the period of 71,935,221.

28. Authorisation for issue

The Board of Directors authorised the issue of this unaudited interim financial report on 30 October 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 October 2012