



SAM ENGINEERING & EQUIPMENT (M) BERHAD

(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT FOR QUARTER ENDED 30 JUNE 2013

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SAM ENGINEERING & EQUIPMENT (M) BERHAD

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2013

(The figures have not been audited)

	As At 30-Jun-13 RM'000	As At 31-Mar-13 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	113,268	116,443
Intangible assets	715	435
Deferred tax assets	1,081	1,694
Current assets		
Trade and other receivables	117,623	117,075
Inventories	112,901	113,921
Current tax assets	680	1,489
Cash and cash equivalents	38,066	38,213
	<u>269,270</u>	<u>270,698</u>
TOTAL ASSETS	<u><u>384,334</u></u>	<u><u>389,270</u></u>
EQUITY AND LIABILITIES		
Share capital	72,747	71,918
Reserves	226,583	224,905
Total equity	<u>299,330</u>	<u>296,823</u>
Non-current liabilities		
Deferred tax liabilities	6,835	7,859
Loans and borrowings	-	-
ICULS	13,404	14,518
Current liabilities		
Trade and other payables	56,100	60,574
Loans and borrowings	1,474	2,596
ICULS	4,864	4,929
Current tax liabilities	2,327	1,971
	<u>64,765</u>	<u>70,070</u>
TOTAL EQUITY AND LIABILITIES	<u><u>384,334</u></u>	<u><u>389,270</u></u>
Net assets per share (sen)	<u><u>411</u></u>	<u><u>413</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 2013.
 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 JUNE 2013**

(The figures have not been audited)

	Note	Current Quarter 3 months ended		Cumulative Quarter 3 months ended	
		30-Jun-13 RM'000	30-Jun-12 RM'000	30-Jun-13 RM'000	30-Jun-12 RM'000
Revenue		94,743	118,824	94,743	118,824
Cost of support services and goods sold		(87,436)	(106,373)	(87,436)	(106,373)
Gross profit		7,307	12,451	7,307	12,451
Other operating income		2,353	2,985	2,353	2,985
Other operating expenses		(1,394)	(1,099)	(1,394)	(1,099)
Distribution and administrative expenses		(5,063)	(4,159)	(5,063)	(4,159)
Finance costs		(420)	(240)	(420)	(240)
Profit before tax		2,783	9,938	2,783	9,938
Income tax expense	21	(346)	(921)	(346)	(921)
Profit for the period	9	2,437	9,017	2,437	9,017
Other comprehensive income, net of tax					
Foreign currency translation differences for foreign operations		(279)	(117)	(279)	(117)
Total comprehensive income for the period		2,158	8,900	2,158	8,900
Profit attributable to:					
Owners of the Company		2,437	9,017	2,437	9,017
Profit for the period		2,437	9,017	2,437	9,017
Total comprehensive income attributable to:					
Owners of the Company		2,158	8,900	2,158	8,900
Total comprehensive income for the period		2,158	8,900	2,158	8,900
Earnings per share					
Basic earnings per share (sen)	27	3.38	12.72	3.38	12.72
Diluted earnings per share (sen)	27	2.11	N.A	2.11	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 2013.

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 JUNE 2013

(The figures have not been audited)

	← Non Distributable →				→ Distributable	Total Equity
	Share Capital	Share Premium	Translation Reserve	Capital Reserve	Retained Earnings	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
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 30.6.2012	<u>70,881</u>	<u>6,850</u>	<u>(117)</u>	<u>-</u>	<u>118,913</u>	<u>196,527</u>
As at 1.4.2013	71,918	7,989	2,289	106,167	108,460	296,823
Total comprehensive income for the period	-	-	(279)	-	2,437	2,158
Conversion of ICULS	829	912	-	(1,392)	-	349
As at 30.6.2013	<u>72,747</u>	<u>8,901</u>	<u>2,010</u>	<u>104,775</u>	<u>110,897</u>	<u>299,330</u>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Report for the financial year ended 31March 2013.

SAM ENGINEERING & EQUIPMENT (M) BERHAD

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2013**

(The figures have not been audited)

	30-Jun-13 RM'000	30-Jun-12 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax from continuing operations	2,783	9,938
Adjustment for:		
Depreciation of property, plant and equipment	4,133	3,101
Amortisation of intangible assets	187	202
Net fair value loss on derivatives	813	221
(Gain) / loss on disposal of plant and equipment	(39)	95
Interest income	(48)	(34)
Interest expenses	420	240
Operating profit before changes in working capital	8,249	13,763
Changes in working capital:		
Receivables	261	79,647
Inventories	1,010	13,063
Payables and provisions	(6,194)	(69,229)
Cash generated from operations	3,326	37,244
Income tax paid	(345)	(820)
Net cash from operating activities	2,981	36,424
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(982)	(538)
Purchase of intangible assets	(456)	-
Proceeds from disposal of property, plant and equipment	48	115
Interest received	48	34
Net cash used in investing activities	(1,342)	(389)

SAM ENGINEERING & EQUIPMENT (M) BERHAD

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTD)
FOR THE PERIOD ENDED 30 JUNE 2013**

(The figures have not been audited)

	30-Jun-13	30-Jun-12
	RM'000	RM'000
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of bank borrowings, net	-	(1,049)
Repayment of term loans	(1,122)	(1,081)
Interest paid	(420)	(240)
Net cash used in financing activities	<u>(1,542)</u>	<u>(2,370)</u>
Net change in cash and cash equivalents	97	33,665
Effect of foreign exchange fluctuations	(244)	60
Cash and cash equivalents brought forward	<u>38,213</u>	<u>22,338</u>
Cash and cash equivalents carried forward	<u><u>38,066</u></u>	<u><u>56,063</u></u>
Cash and cash equivalents at the end of the financial period comprise the following:		
Cash and bank balances	18,505	33,394
Deposits with licensed banks	19,561	22,669
	<u><u>38,066</u></u>	<u><u>56,063</u></u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Report for the year ended 31 March 2013.

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 2013. 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 2013.

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 2013 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.

6. Changes in estimates

There were no changes in estimates that have material effect in the current quarter and financial year-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 2013 except for the conversion of RM1,741,300 nominal value of ICULS into 829,190 ordinary shares of RM1 each.

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-13	30-Jun-12	30-Jun-13	30-Jun-12
	RM'000	RM'000	RM'000	RM'000
Interest income	(48)	(34)	(48)	(34)
Other income including investment income	(1,078)	(589)	(1,078)	(589)
Interest expense	420	240	420	240
Depreciation and amortization	4,320	3,303	4,320	3,303
Provision for and write off of receivables	(35)	19	(35)	19
Provision for and write off of inventories	(538)	53	(538)	53
Foreign exchange gain	(606)	(1,580)	(606)	(1,580)
Loss on derivatives	813	221	813	221

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.

	Aerospace	Equipment	Precision	Eliminations	Consolidated
	RM'000	Manufacturing	Engineering	RM'000	RM'000
		RM'000	RM'000		
Revenue					
External sales	61,836	25,216	7,691	-	94,743
Inter segment sales	9,805	6,751	3,738	(20,294)	-
	<u>71,641</u>	<u>31,967</u>	<u>11,429</u>	<u>(20,294)</u>	<u>94,743</u>
Results					
Segment result (external)	4,021	(2,649)	1,783		3,155
Interest income					48
Finance costs					(420)
Profit before taxation					<u>2,783</u>
Tax expense					(346)
Profit for the period					<u><u>2,437</u></u>

11. Property, plant and equipment

Property, plant and equipment amounting to RM0.98 million were acquired during the current period-to-date (3 months ended 30 June 2012: RM0.54 million).

There was disposal of property, plant and equipment for RM0.16 million during the current period-to-date (3 months ended 30 June 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

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

14. Contingent liabilities

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

15. Capital commitments

	30 June 2013 RM'000	30 June 2012 RM'000
Contracted but not provided for	491	794

16. Significant related party transaction

Significant transactions with related parties are as follows:

	3 months ended 30 June 2013 RM'000
<u>Provision of goods/ services to related parties</u>	
Sale of aerospace parts	61,834
Provision of engineering services	132
	RM'000
<u>Purchase of goods/ services from related parties</u>	
Purchase of fabrication/ machining services	8,284
Provision of corporate management services	107
Provision of engineering services	31
Rental of office and factory premises	671

17. Review of performance

The Group revenue for the current quarter was lower at RM94.7million as compared to RM109.8 million in the preceding quarter.

The performance in the Aerospace segment in the preceding quarter was better than the norm as the Group was able to fulfill its backlogged orders.

The Equipment Manufacturing segment registered a slight increase of 5.9% in revenue. However due to the weak HDD industry, the Precision Engineering segment experienced a decrease in revenue by 11.6%.

The Group profit before tax of RM2.8 million for the current quarter was lower compared to RM5.2 million in the preceding quarter. The lower profit before tax during the current quarter was due to the decrease in Group revenue.

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

The Group revenue for the quarter was RM94.7 million, compared to RM118.8 million in the corresponding quarter of the preceding year.

The decrease in revenue from the Equipment Manufacturing and the Precision Engineering segments was partially offset by the revenue from the Aerospace segment.

The Group profit before tax for the quarter was RM2.8 million compared to RM9.9 million in the corresponding quarter of the previous year. The lower profit before tax during the current quarter was mainly due to the lower revenue during the quarter compared to the corresponding quarter of the preceding year.

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 do not allow sufficient visibility on the growth of our Group. Both the semiconductor and HDD industries are experiencing a slowdown and capital expenditure budgets by both semiconductor and HDD manufacturers are deferred until demand picks up again. However, we expect the revenue from the aerospace industry, to remain stable.

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

The Group's expansion to the aerospace business has provided a more stable revenue and income stream for our group. This has the effect of reducing 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 30 June		3 months ended 30 June	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Current period				
- provision for taxation	688	778	688	778
- deferred taxation	(350)	143	(350)	143
	<u>338</u>	<u>921</u>	<u>338</u>	<u>921</u>
Prior Period				
- deferred taxation	8	-	8	-
	<u>346</u>	<u>921</u>	<u>346</u>	<u>921</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

There were no corporate proposals announced but not completed as at the date of this announcement.

23. Borrowings and debt securities

	As At 30 June 2013 RM'000	As At 30 June 2012 RM'000
Short term borrowings		
Secured	1,474	6,492
Unsecured	4,929	20,545
Long term borrowings		
Secured	-	6,286
Unsecured	13,619	-
TOTAL	<u>20,022</u>	<u>33,323</u>

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

	USD'000	RM'000 Equivalent
Short term borrowings		
Secured	473	1,474

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 2013 RM'000	As at 30 June 2012 RM'000
Retained earnings		
- Realised	112,217	124,956
- Unrealised	(636)	(5,355)
	111,581	119,601
Add: Consolidation adjustments	(684)	(688)
Total retained earnings	110,897	118,913

26. Proposed dividend

The Directors recommended a first and final dividend of 8.30 sen per ordinary share less 25% tax in respect of the financial year ended 31 March 2013. The dividend is payable on 14 October 2013 to depositors registered in the record of depositors at the close of business on 17 September 2013. Apart from the above, no dividend has been proposed for the current quarter.

27. Earnings per share

The basic and diluted earnings per share has been calculated based on the Group's net profit attributable to shareholders over the weighted average number of ordinary shares.

	Current Quarter 3 months ended		Cumulative Quarter 3 months ended	
	30-June-13 RM'000	30-June-12 RM'000	30-June-13 RM'000	30-June-12 RM'000
Net profit attributable to ordinary shareholders (Basic)	2,437	9,017	2,437	9,017
Finance costs on ICULS	409	N.A	409	N.A
Net profit attributable to ordinary shareholders (Diluted)	2,846	N.A	2,846	N.A
	'000	'000	'000	'000
Weighted average no. of shares (Basic)	72,081	70,881	72,081	70,881
Effect on conversion of ICULS	63,086	N.A	63,086	N.A
Weighted average no. of shares (Diluted)	135,167	N.A	135,167	N.A
Basic earnings per share (sen)	3.38	12.72	3.38	12.72
Diluted earnings per share (sen)	2.11	N.A	2.11	N.A

28. Authorisation for issue

The Board of Directors authorised the issue of this unaudited interim financial report.

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 2013