



SAM ENGINEERING & EQUIPMENT (M) BERHAD

(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT FOR QUARTER ENDED 30 SEPTEMBER 2013

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SAM ENGINEERING & EQUIPMENT (M) BERHAD

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2013

(The figures have not been audited)

	As At 30-Sep-13 RM'000	As At 31-Mar-13 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	110,643	116,443
Intangible assets	817	435
Deferred tax assets	1,141	1,694
Current assets		
Trade and other receivables	126,883	117,075
Inventories	120,970	113,921
Current tax assets	502	1,489
Cash and cash equivalents	49,191	38,213
	<u>297,546</u>	<u>270,698</u>
TOTAL ASSETS	<u><u>410,147</u></u>	<u><u>389,270</u></u>
EQUITY AND LIABILITIES		
Share capital	73,000	71,918
Reserves	244,738	224,905
Total equity	<u>317,738</u>	<u>296,823</u>
Non-current liabilities		
Deferred tax liabilities	6,758	7,859
Loans and borrowings	-	-
ICULS	12,379	14,518
Current liabilities		
Trade and other payables	64,293	60,574
Loans and borrowings	368	2,596
ICULS	4,844	4,929
Current tax liabilities	3,767	1,971
	<u>73,272</u>	<u>70,070</u>
TOTAL EQUITY AND LIABILITIES	<u><u>410,147</u></u>	<u><u>389,270</u></u>
Net assets per share (sen)	<u><u>435</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 SEPTEMBER 2013**

(The figures have not been audited)

	Note	Current Quarter 3 months ended		Cumulative Quarter 6 months ended	
		30-Sep-13 RM'000	30-Sep-12 RM'000	30-Sep-13 RM'000	30-Sep-12 RM'000
Revenue		111,188	52,177	205,931	171,001
Cost of support services and goods sold		(97,367)	(47,157)	(184,803)	(153,562)
Gross profit		13,821	5,020	21,128	17,439
Other operating income		4,002	1,849	6,355	4,834
Other operating expenses		859	(1,530)	(535)	(2,629)
Distribution and administrative expenses		(6,020)	(3,717)	(11,083)	(7,876)
Finance costs		(442)	(128)	(862)	(368)
Profit before tax		12,220	1,494	15,003	11,400
Income tax expense	21	(1,958)	(611)	(2,304)	(1,532)
Profit for the period	9	10,262	883	12,699	9,868
Other comprehensive income, net of tax					
Items that may be reclassified subsequently to profit and loss					
Foreign currency translation differences for foreign operations		8,040	34	7,761	(83)
Total comprehensive income for the period		18,302	917	20,460	9,785
Profit attributable to:					
Owners of the Company		10,262	883	12,699	9,868
Profit for the period		10,262	883	12,699	9,868
Total comprehensive income attributable to:					
Owners of the Company		18,302	917	20,460	9,785
Total comprehensive income for the period		18,302	917	20,460	9,785
Earnings per share					
Basic earnings per share (sen)	27	14.08	1.25	17.52	13.92

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 SEPTEMBER 2013**

(The figures have not been audited)

	← Non Distributable			→ Distributable		
	Share Capital	Share Premium	Translation Reserve *	Capital Reserve	Retained Earnings	Total Equity
	RM000	RM000	RM000	RM000	RM000	RM000
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 30.9.2012	70,881	6,850	(32)	107,907	113,787	299,393
As at 1.4.2013	71,918	7,989	2,289	106,167	108,460	296,823
Total comprehensive income for the period	-	-	7,761	-	12,699	20,460
Conversion of ICULS	1,082	1,191	-	(1,818)	-	455
As at 30.9.2013	73,000	9,180	10,050	104,349	121,159	317,738

Note.* Items that may be reclassified subsequently to profit or loss

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 SEPTEMBER 2013**

(The figures have not been audited)

	30-Sep-13 RM'000	30-Sep-12 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax from continuing operations	15,003	11,400
Adjustment for:		
Depreciation of property, plant and equipment	8,347	6,173
Amortisation of intangible assets	328	404
Net fair value loss on derivatives	(441)	(671)
(Gain) / loss on disposal of plant and equipment	(65)	77
Property, plant and equipment written off	-	17
Interest income	(122)	(95)
Interest expenses	862	368
Operating profit before changes in working capital	<u>23,912</u>	<u>17,673</u>
Changes in working capital:		
Receivables	(8,508)	89,511
Inventories	(7,514)	18,717
Payables and provisions	1,791	(69,092)
Cash generated from operations	<u>9,681</u>	<u>56,809</u>
Income tax paid	(1,073)	(1,372)
Net cash from operating activities	<u>8,608</u>	<u>55,437</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,753)	(950)
Purchase of intangible assets	(677)	-
Acquisition of subsidiary, net of cash and cash equivalent acquired	-	(39,645)
Proceeds from disposal of property, plant and equipment	69	147
Interest received	122	95
Net cash used in investing activities	<u>(2,239)</u>	<u>(40,353)</u>

SAM ENGINEERING & EQUIPMENT (M) BERHAD

(Incorporated in Malaysia)

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

(The figures have not been audited)

	30-Sep-13 RM'000	30-Sep-12 RM'000
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issuance of ICULS	-	33,750
Drawdown of borrowings, net	-	(19,852)
Repayment of term loans	(2,313)	(3,347)
Dividend paid	-	(3,966)
Interest paid	(862)	(368)
Net cash used in financing activities	<u>(3,175)</u>	<u>6,217</u>
Net change in cash and cash equivalents	3,194	21,301
Effect of foreign exchange fluctuations	7,784	(34)
Cash and cash equivalents brought forward	38,213	22,338
Cash and cash equivalents carried forward	<u><u>49,191</u></u>	<u><u>43,605</u></u>
Cash and cash equivalents at the end of the financial period comprise the following:		
Cash and bank balances	39,887	30,562
Deposits with licensed banks	9,304	13,043
	<u><u>49,191</u></u>	<u><u>43,605</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 136	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to MFRS 139	Novation of Derivatives and Continuation of Hedge Accounting
IC Interpretation 21	Levies

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 September 2013 except for the conversion of RM2,273,600 nominal value of ICULS into 1,082,666 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		6 months ended	
	30-Sep-13	30-Sep-12	30-Sep-13	30-Sep-12
	RM'000	RM'000	RM'000	RM'000
Interest income	(74)	(61)	(122)	(95)
Other income including investment income	(1,239)	(1,375)	(2,317)	(1,964)
Interest expense	442	128	862	368
Depreciation and amortization	4,355	2,869	8,675	6,577
Provision for/ (write back) of receivables	2	(60)	(33)	(43)
Provision for/ (write back) of inventories	(1,764)	1,295	(2,302)	2,358
Foreign exchange gain / (loss)	(2,335)	1,911	(2,941)	331
Gain on derivatives	(1,254)	(892)	(441)	(671)

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	132,263	57,749	15,919	-	205,931
Inter segment sales	19,173	13,101	7,356	(39,630)	-
	<u>151,436</u>	<u>70,850</u>	<u>23,275</u>	<u>(39,630)</u>	<u>205,931</u>
Results					
Segment result (external)	9,276	3,013	3,454		15,743
Interest income					122
Finance costs					(862)
Profit before taxation					<u>15,003</u>
Tax expense					(2,304)
Profit for the period					<u>12,699</u>

11. Property, plant and equipment

Property, plant and equipment amounting to RM1.75 million were acquired during the current period-to-date (6 months ended 30 Sep 2012: RM0.95 million).

There was disposal of property, plant and equipment of RM0.01 million during the current period-to-date (6 months ended 30 Sep 2012: RM 0.22 million).

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 September 2013 RM'000	30 September 2012 RM'000
Contracted but not provided for	2,386	740

16. Significant related party transaction

Significant transactions with related parties are as follows:

	6 months ended 30 Sep 2013 RM'000
<u>Provision of goods/ services to related parties</u>	
Sale of aerospace parts	130,351
Provision of engineering services	268
	RM'000
<u>Purchase of goods/ services from related parties</u>	
Purchase of fabrication/ machining services	16,158
Provision of corporate management services	277
Provision of engineering services	31
Rental of office and factory premises	1,363

17. Review of performance

The Group revenue for the current quarter was higher at RM111.2 million as compared to RM94.7 million in the preceding quarter.

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

The Equipment Manufacturing segment registered an increase of 29.0% in revenue whilst the Precision Engineering segment experienced a slight increase in revenue by 7.0%.

The Group profit before tax of RM12.2 million for the current quarter was higher compared to RM2.8 million in the preceding quarter. The higher profit before tax during the current quarter was mainly due to the increase in Group revenue, better sales mix, foreign exchange gain resulting from the strengthening of the USD, higher write-back of inventories and lower operating cost such as repair and maintenance cost.

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

The Group revenue for the quarter was RM111.2 million compared to RM52.2 million in the corresponding quarter of the preceding year.

The higher Group revenue was mainly due to the additional aerospace revenue from a subsidiary acquired at the end of the corresponding quarter of the preceding year.

The Group profit before tax for the quarter was RM12.2 million compared to RM1.5 million in the corresponding quarter of the previous year. The higher Group profit before tax during the current quarter was mainly due to the higher Group revenue (as explained above), foreign exchange gain resulting from the strengthening of the USD and recovery of cost from a customer. There was also an expenditure on non-recurring professional fees expense on corporate exercise in the corresponding quarter of the previous 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 September		6 months ended 30 September	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Current period				
- provision for taxation	2,012	938	2,700	1,716
- deferred taxation	(54)	(327)	(404)	(184)
	<u>1,958</u>	<u>611</u>	<u>2,296</u>	<u>1,532</u>
Prior Period				
- deferred taxation	-	-	8	-
	<u>1,958</u>	<u>611</u>	<u>2,304</u>	<u>1,532</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 September 2013 RM'000	As At 31 March 2013 RM'000
Short term borrowings		
Secured	368	2,596
Unsecured	4,844	4,929
Long term borrowings		
Secured	-	-
Unsecured	12,379	14,518
TOTAL	<u>17,591</u>	<u>22,043</u>

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

	USD'000	RM'000 Equivalent
Short term borrowings		
Secured	112	368

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 2013 RM'000	As at 30 Sep 2012 RM'000
Retained earnings		
- Realised	125,863	124,617
- Unrealised	(3,975)	(10,134)
	121,888	114,483
Add: Consolidation adjustments	(729)	(696)
Total retained earnings	121,159	113,787

26. Proposed dividend

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 was approved at the Annual General Meeting on 5 September 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 other dividend has been proposed since.

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 6 months ended	
	30-Sep-13 RM'000	30-Sep-12 RM'000	30-Sep-13 RM'000	30-Sep-12 RM'000
Net profit attributable to ordinary shareholders (Basic)	10,262	883	12,699	9,868
Finance costs on ICULS	328	N.A	635	N.A
Net profit attributable to ordinary shareholders (Diluted)	10,590	N.A	13,334	N.A
	'000	'000	'000	'000
Weighted average no. of shares (Basic)	72,871	70,881	72,478	70,881
Effect on conversion of ICULS	62,296	N.A	62,689	N.A
Weighted average no. of shares (Diluted)	135,167	N.A	135,167	N.A
Basic earnings per share (sen)	14.08	1.25	17.52	13.92
Diluted earnings per share (sen)	7.83	1.21	9.86	13.72

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
18 October 2013