



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

(Incorporated in Malaysia)

## **UNAUDITED INTERIM FINANCIAL REPORT FOR QUARTER ENDED 31 DECEMBER 2013**

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

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**AS AT 31 DECEMBER 2013**

(The figures have not been audited)

	As At 31-Dec-13 RM'000	As At 31-Mar-13 RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	106,548	116,443
Intangible assets	882	435
Deferred tax assets	1,124	1,694
<b>Current assets</b>		
Trade and other receivables	113,080	117,075
Inventories	112,790	113,921
Current tax assets	1,637	1,489
Cash and cash equivalents	59,921	38,213
	<u>287,428</u>	<u>270,698</u>
<b>TOTAL ASSETS</b>	<u><u>395,982</u></u>	<u><u>389,270</u></u>
<b>EQUITY AND LIABILITIES</b>		
Share capital	73,300	71,918
Reserves	243,405	224,905
<b>Total equity</b>	<u>316,705</u>	<u>296,823</u>
<b>Non-current liabilities</b>		
Deferred tax liabilities	6,908	7,859
ICULS	11,332	14,518
<b>Current liabilities</b>		
Trade and other payables	51,524	60,574
Loans and borrowings	-	2,596
ICULS	4,821	4,929
Current tax liabilities	4,692	1,971
	<u>61,037</u>	<u>70,070</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>395,982</u></u>	<u><u>389,270</u></u>
Net assets per share (sen)	<u><u>432</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 31 DECEMBER 2013**

(The figures have not been audited)

	Note	Current Quarter 3 months ended		Cumulative Quarter 9 months ended	
		31-Dec-13 RM'000	31-Dec-12 RM'000	31-Dec-13 RM'000	31-Dec-12 RM'000
<b>Revenue</b>		<b>121,021</b>	<b>102,641</b>	<b>326,952</b>	<b>273,642</b>
Cost of support services and goods sold		(107,850)	(93,969)	(292,653)	(247,531)
<b>Gross profit</b>		<b>13,171</b>	<b>8,672</b>	<b>34,299</b>	<b>26,111</b>
Other operating income		71	1,632	6,426	6,466
Other operating expenses		(570)	518	(1,105)	(2,111)
Distribution and administrative expenses		(4,983)	(5,316)	(16,066)	(13,192)
Finance costs		(140)	(512)	(1,002)	(880)
<b>Profit before tax</b>		<b>7,549</b>	<b>4,994</b>	<b>22,552</b>	<b>16,394</b>
Income tax expense	21	(1,687)	(1,230)	(3,991)	(2,762)
<b>Profit for the period</b>	9	<b>5,862</b>	<b>3,764</b>	<b>18,561</b>	<b>13,632</b>
<b>Other comprehensive income, net of tax Items that may be reclassified subsequently to profit and loss</b>					
Foreign currency translation differences for foreign operations		(2,477)	(663)	5,284	(746)
<b>Total comprehensive income for the period</b>		<b>3,385</b>	<b>3,101</b>	<b>23,845</b>	<b>12,886</b>
<b>Profit attributable to:</b>					
Owners of the Company		5,862	3,764	18,561	13,632
<b>Profit for the period</b>		<b>5,862</b>	<b>3,764</b>	<b>18,561</b>	<b>13,632</b>
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		3,385	3,101	23,845	12,886
<b>Total comprehensive income for the period</b>		<b>3,385</b>	<b>3,101</b>	<b>23,845</b>	<b>12,886</b>
<b>Earnings per share</b>					
Basic earnings per share (sen)	27	8.00	5.25	25.52	19.16
Diluted earnings per share (sen)	27	4.41	3.09	14.28	15.21

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 31 DECEMBER 2013**

(The figures have not been audited)

	← Non Distributable			→ Distributable		Total Equity
	Share Capital	Share Premium	Translation Reserve *	Capital Reserve	Retained Earnings	
	RM000	RM000	RM000	RM000	RM000	RM000
<b>As at 1.4.2012</b>	70,881	6,850	51	-	107,885	185,667
Total comprehensive income for the period	-	-	(746)	-	13,632	12,886
Issuance of ICULS	-	-	-	107,907	-	107,907
Conversion of ICULS	977	1,073	-	(1,721)	-	329
Deferred Taxation	-	-	-	311	-	311
Dividends to owners of the Company	-	-	-	-	(3,966)	(3,966)
<b>As at 31.12.2012</b>	<b>71,858</b>	<b>7,923</b>	<b>(695)</b>	<b>106,497</b>	<b>117,551</b>	<b>303,134</b>
<b>As at 1.4.2013</b>	71,918	7,989	2,289	106,167	108,460	296,823
Total comprehensive income for the period	-	-	5,284	-	18,561	23,845
Conversion of ICULS	1,382	1,521	-	(2,322)	-	581
Dividends to owners of the Company	-	-	-	-	(4,544)	(4,544)
<b>As at 31.12.2013</b>	<b>73,300</b>	<b>9,510</b>	<b>7,573</b>	<b>103,845</b>	<b>122,477</b>	<b>316,705</b>

Note:

\* Items that may be reclassified subsequently to profit and loss

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 2013.

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

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED 31 DECEMBER 2013**

(The figures have not been audited)

	31-Dec-13	31-Dec-12
	RM'000	RM'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before tax from continuing operations	22,552	16,394
Adjustment for:		
Depreciation of property, plant and equipment	12,572	10,274
Amortisation of intangible assets	475	607
Net fair value loss / (gain) on derivatives	314	(289)
(Gain) / loss on disposal of plant and equipment	(68)	85
Property, plant and equipment written off	-	17
Interest income	(143)	(162)
Interest expenses	1,002	880
Operating profit before changes in working capital	<u>36,704</u>	<u>27,806</u>
Changes in working capital:		
Receivables	3,891	85,454
Inventories	808	22,796
Payables and provisions	(12,318)	(79,912)
Cash generated from operations	<u>29,085</u>	<u>56,144</u>
Income tax paid	(1,610)	(1,983)
Net cash from operating activities	<u>27,475</u>	<u>54,161</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(2,136)	(1,734)
Purchase of intangible assets	(924)	(6)
Acquisition of subsidiary, net of cash and cash equivalent acquired	-	(39,645)
Proceeds from disposal of property, plant and equipment	76	170
Interest received	143	162
Net cash used in investing activities	<u>(2,841)</u>	<u>(41,053)</u>

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

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTD)  
FOR THE PERIOD ENDED 31 DECEMBER 2013**

(The figures have not been audited)

	31-Dec-13 RM'000	31-Dec-12 RM'000
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of ICULS	-	33,750
Repayment of bank borrowings	(2,704)	(28,738)
Dividend paid	(4,544)	(3,966)
Interest paid	(1,002)	(880)
Net cash used in financing activities	<u>(8,250)</u>	<u>166</u>
Net change in cash and cash equivalents	16,384	13,274
Effect of foreign exchange fluctuations	5,324	(32)
Cash and cash equivalents brought forward	38,213	22,338
Cash and cash equivalents carried forward	<u><u>59,921</u></u>	<u><u>35,580</u></u>
Cash and cash equivalents at the end of the financial period comprise the following:		
Cash and bank balances	41,432	20,941
Deposits with licensed banks	18,489	14,639
	<u><u>59,921</u></u>	<u><u>35,580</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 and amendments to MFRSs applicable to the Group have been adopted with effect from 1 April 2013.

##### **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 1	First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 10	Consolidated Financial Statements : Transition Guidance
Amendments to MFRS 12	Disclosure of Interests in Other Entities: Transition Guidance
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)

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 are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (“MASB”) but have not been adopted by the Group.

**MFRS, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014**

Amendments to MFRS 10	Consolidated Financial Statements: Investment Entities
Amendments to MFRS 12	Disclosure of Interests in Other Entities: Investment Entities
Amendments to MFRS 127	Separate Financial Statements (2011): Investment Entities
Amendments to MFRS 132	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 136	Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets
Amendments to MFRS 139	Financial Instruments: Recognition and Measurement - 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	Financial Instruments: Disclosures – Mandatory Effective 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 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 2013 except for the conversion of RM2,903,600 nominal value of ICULS into 1,382,666 ordinary shares of RM1 each.



## 8. Dividends paid

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 paid 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 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		9 months ended	
	31-Dec-13	31-Dec-12	31-Dec-13	31-Dec-12
	RM'000	RM'000	RM'000	RM'000
Interest income	(21)	(67)	(143)	(162)
Other income including investment income	(1,144)	(2,080)	(3,461)	(4,044)
Interest expense	140	512	1,002	880
Depreciation and amortization	4,372	4,304	13,047	10,881
Provision for/ (write back) of receivables	-	(3)	(33)	(43)
Provision for/ (write back) of inventories	(1,896)	2,047	(4,198)	4,405
Foreign exchange loss / (gain)	718	(401)	(2,223)	(70)
Loss/ (gain) on derivatives	756	382	315	(289)

## 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		
<b>Revenue</b>					
External sales	203,513	100,555	22,884	-	326,952
Inter segment sales	29,057	20,890	12,983	(62,930)	-
	<u>232,570</u>	<u>121,445</u>	<u>35,867</u>	<u>(62,930)</u>	<u>326,952</u>
<b>Results</b>					
Segment result (external)	15,362	3,798	4,251		23,411
Interest income					143
Finance costs					(1,002)
Profit before taxation					<u>22,552</u>
Tax expense					(3,991)
Profit for the period					<u>18,561</u>

### 11. Property, plant and equipment

Property, plant and equipment amounting to RM2.14 million were acquired during the current period-to-date (9 months ended 31 Dec 2012: RM1.73 million).

There was disposal of property, plant and equipment of RM0.92 million during the current period-to-date (9 months ended 31 Dec 2012: RM 0.17 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

	31 December 2013 RM'000	31 December 2012 RM'000
Contracted but not provided for	1,939	1,031

### 16. Significant related party transaction

Significant transactions with related parties are as follows:

	9 months ended 31 Dec 2013 RM'000
<u>Provision of goods/ services to related parties</u>	
Sale of aerospace parts	200,792
Provision of engineering services	405
	RM'000
<u>Purchase of goods/ services from related parties</u>	
Purchase of fabrication/ machining services	23,605
Provision of corporate management services	513
Provision of engineering services	168
Rental of office and factory premises	2,059

## **17. Review of performance**

The Group revenue for the current quarter was higher at RM121.0 million as compared to RM111.2 million in the preceding quarter. The increase in Group Revenue was mainly due to the increase in revenue in the Equipment Manufacturing segment of RM10.3 million. The Aerospace segment registered an increase in revenue of RM0.8 million whilst the Precision Engineering segment experienced a decrease in revenue of RM1.3 million.

The Group profit before tax of RM7.5 million for the current quarter was lower compared to RM12.2 million in the preceding quarter. The lower profit before tax during the current quarter was mainly due to increased profitability in the aerospace segment being more than offset by the unfavourable foreign exchange movement resulting from the weakening of the USD of RM5.0 million, unfavourable sales mix in the non-aerospace segment and a non-recurring restructuring cost during the current quarter.

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

The Group revenue for the quarter was RM121.0 million compared to RM102.6 million in the corresponding quarter of the preceding year.

The higher Group revenue was mainly due to the higher Equipment Manufacturing and Aerospace segments of RM16.8 million and RM7.8 million respectively. The Precision Engineering segment however recorded a lower revenue of RM6.2 million.

The Group profit before tax for the quarter was RM7.5 million compared to RM5.0 million in the corresponding quarter of the previous year. The increase in the Group profit before tax was mainly due to the increased Group revenue during the quarter. The profit before tax for the current quarter was however affected by an unfavourable foreign exchange movement of RM1.5 million on comparison with the immediate preceding year's corresponding quarter.

## **19. Current year prospects**

The Board of Directors expects the remaining quarter 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 31 December		9 months ended 31 December	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Current period</b>				
- provision for taxation	1,531	1,429	4,231	3,145
- deferred taxation	(63)	(298)	(467)	(482)
	<u>1,468</u>	<u>1,131</u>	<u>3,764</u>	<u>2,663</u>
<b>Prior Period</b>				
- provision for taxation	(18)	127	(18)	127
- deferred taxation	237	(28)	245	(28)
	<u>1,687</u>	<u>1,230</u>	<u>3,991</u>	<u>2,762</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 31 December 2013 RM'000	As at 31 March 2013 RM'000
<b>Short term borrowings</b>		
Secured	-	2,596
Unsecured	4,821	4,929
<b>Long term borrowings</b>		
Unsecured	11,332	14,518
<b>TOTAL</b>	<u>16,153</u>	<u>22,043</u>

## 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 Dec 2013 RM'000	As at 31 Dec 2012 RM'000
Retained earnings		
- Realised	127,670	127,469
- Unrealised	(4,270)	(9,214)
	123,400	118,255
Add: Consolidation adjustments	(923)	(704)
Total retained earnings	122,477	117,551

## 26. Proposed dividend

No dividend has been recommended 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 9 months ended	
	31-Dec-13 RM'000	31-Dec-12 RM'000	31-Dec-13 RM'000	31-Dec-12 RM'000
Net profit attributable to ordinary shareholders (Basic)	5,862	3,766	18,561	13,634
Finance costs on ICULS	105	416	740	416
Net profit attributable to ordinary shareholders (Diluted)	5,967	4,182	19,301	14,050
	'000	'000	'000	'000
Weighted average no. of shares (Basic)	73,256	71,677	72,729	71,148
Effect on conversion of ICULS	61,911	63,490	62,438	21,240
Weighted average no. of shares (Diluted)	135,167	135,167	135,167	92,388
Basic earnings per share (sen)	8.00	5.25	25.52	19.16
Diluted earnings per share (sen)	4.41	3.09	14.28	15.21

**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  
12 February 2014