



SAM ENGINEERING & EQUIPMENT (M) BERHAD

(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT FOR QUARTER ENDED 31 MARCH 2014

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SAM ENGINEERING & EQUIPMENT (M) BERHAD

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2014

(The figures have not been audited)

	As At 31-Mar-14 RM'000	As At 31-Mar-13 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	102,803	116,443
Intangible assets	819	435
Deferred tax assets	499	1,694
Current assets		
Trade and other receivables	104,779	117,075
Inventories	117,920	113,921
Current tax assets	1,376	1,489
Cash and cash equivalents	97,961	38,213
	<u>322,036</u>	<u>270,698</u>
TOTAL ASSETS	<u><u>426,157</u></u>	<u><u>389,270</u></u>
EQUITY AND LIABILITIES		
Share capital	73,403	71,918
Reserves	255,387	224,905
Total equity	<u>328,790</u>	<u>296,823</u>
Non-current liabilities		
Deferred tax liabilities	6,772	7,859
ICULS	10,476	14,518
Current liabilities		
Trade and other payables	71,543	60,574
Loans and borrowings	-	2,596
ICULS	4,813	4,929
Current tax liabilities	3,763	1,971
	<u>80,119</u>	<u>70,070</u>
TOTAL EQUITY AND LIABILITIES	<u><u>426,157</u></u>	<u><u>389,270</u></u>
Net assets per share (sen)	<u><u>448</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 MARCH 2014**

(The figures have not been audited)

	Note	Current Quarter 3 months ended		Cumulative Quarter 12 months ended	
		31-Mar-14 RM'000	31-Mar-13 RM'000	31-Mar-14 RM'000	31-Mar-13 RM'000
Revenue		125,803	109,802	452,755	383,444
Cost of support services and goods sold		(111,554)	(99,380)	(404,207)	(346,911)
Gross profit		14,249	10,422	48,548	36,533
Other operating income		2,409	1,880	8,835	8,346
Other operating expenses		375	54	(730)	(2,057)
Distribution and administrative expenses		(6,691)	(6,608)	(22,757)	(19,800)
Finance costs		(500)	(511)	(1,502)	(1,391)
Profit before tax		9,842	5,237	32,394	21,631
Income tax expense	21	(87)	1,091	(4,078)	(1,671)
Profit for the period	9	9,755	6,328	28,316	19,960
Other comprehensive income, net of tax					
Items that may be reclassified subsequently to profit and loss					
Foreign currency translation differences for foreign operations		2,285	2,984	7,569	2,238
Total comprehensive income for the period		12,040	9,312	35,885	22,198
Profit attributable to:					
Owners of the Company		9,755	6,328	28,316	19,960
Profit for the period		9,755	6,328	28,316	19,960
Total comprehensive income attributable to:					
Owners of the Company		12,040	9,312	35,885	22,198
Total comprehensive income for the period		12,040	9,312	35,885	22,198
Earnings per share					
Basic earnings per share (sen)	27	13.30	8.80	38.85	27.97
Diluted earnings per share (sen)	27	7.49	4.93	21.77	19.81

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 MARCH 2014**

(The figures have not been audited)

	← Non Distributable →			Distributable		
	Share Capital	Share Premium	Translation Reserve *	Capital Reserve	Retained Earnings	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1.4.2012	70,881	6,850	51	-	107,883	185,665
Total comprehensive income for the period	-	-	2,238	-	19,960	22,198
Issuance of ICULS	-	-	-	107,906	-	107,906
Conversion of ICULS	1,037	1,139	-	(1,739)	-	437
Reserve arising from acquisition of subsidiary	-	-	-	-	(15,417)	(15,417)
Dividends to owners of the Company	-	-	-	-	(3,966)	(3,966)
As at 31.3.2013	71,918	7,989	2,289	106,167	108,460	296,823
As at 1.4.2013	71,918	7,989	2,289	106,167	108,460	296,823
Total comprehensive income for the period	-	-	7,569	-	28,316	35,885
Conversion of ICULS	1,485	1,634	-	(2,494)	-	625
Dividends to owners of the Company	-	-	-	-	(4,543)	(4,543)
As at 31.3.2014	73,403	9,623	9,858	103,673	132,233	328,790

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 MARCH 2014**

(The figures have not been audited)

	31-Mar-14 RM'000	31-Mar-13 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax from continuing operations	32,394	21,631
Adjustment for:		
Depreciation of property, plant and equipment	16,797	14,399
Amortisation of intangible assets	575	810
Net fair value gain on derivatives	(497)	(149)
(Gain) / loss on disposal of plant and equipment	(66)	84
Property, plant and equipment written off	2	17
Interest income	(192)	(206)
Interest expenses	1,502	1,391
Operating profit before changes in working capital	<u>50,515</u>	<u>37,977</u>
Changes in working capital:		
Receivables	12,805	92,726
Inventories	(4,442)	27,324
Payables and provisions	7,256	(77,955)
Cash generated from operations	<u>66,134</u>	<u>80,072</u>
Income tax paid	(2,177)	(2,952)
Net cash from operating activities	<u>63,957</u>	<u>77,120</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,432)	(2,476)
Purchase of intangible assets	(964)	(6)
Acquisition of subsidiary, net of cash and cash equivalent acquired	-	(39,645)
Proceeds from disposal of property, plant and equipment	74	171
Interest received	192	206
Net cash used in investing activities	<u>(3,130)</u>	<u>(41,750)</u>

SAM ENGINEERING & EQUIPMENT (M) BERHAD

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTD)
FOR THE PERIOD ENDED 31 MARCH 2014**

(The figures have not been audited)

	31-Mar-14	31-Mar-13
	RM'000	RM'000
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issuance of ICULS	-	33,750
Repayment of bank borrowings	(2,713)	(50,089)
Dividend paid	(4,543)	(3,966)
Interest paid	(1,502)	(1,391)
Net cash used in financing activities	<u>(8,758)</u>	<u>(21,696)</u>
Net change in cash and cash equivalents	52,069	13,674
Effect of foreign exchange fluctuations	7,679	2,201
Cash and cash equivalents brought forward	38,213	22,338
Cash and cash equivalents carried forward	<u>97,961</u>	<u>38,213</u>
Cash and cash equivalents at the end of the financial year comprise the following:		
Cash and bank balances	65,098	28,113
Deposits with licensed banks	32,863	10,100
	<u>97,961</u>	<u>38,213</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 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 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 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

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 2014

Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)
Amendments to MFRS 3	Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)
Amendments to MFRS 8	Operating Segments (Annual Improvements 2010-2012 Cycle)
Amendments to MFRS 13	Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)
Amendments to MFRS 116	Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)
Amendments to MFRS 124	Related Party Disclosures (Annual Improvements 2010-2012 Cycle)
Amendments to MFRS 138	Intangible Assets (Annual Improvements 2010-2012 Cycle)

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 year ended 31 March 2014 except for the conversion of RM3,119,900 nominal value of ICULS into 1,485,666 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		12 months ended	
	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
	RM'000	RM'000	RM'000	RM'000
Interest income	(49)	(44)	(192)	(206)
Other income including investment income	(1,201)	(1,633)	(4,662)	(5,708)
Interest expense	500	511	1,502	1,391
Depreciation and amortization	4,325	4,328	17,372	15,209
Provision for/ (write back) of receivables	184	(93)	151	(139)
(Write back)/ provision for inventories	(237)	941	(4,435)	1,951
Foreign exchange (gain) / loss	(534)	(426)	(2,757)	(496)
(Gain)/ loss on derivatives	(812)	140	(497)	(149)

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 RM'000	Equipment Manufacturing RM'000	Precision Engineering RM'000	Eliminations RM'000	Consolidated RM'000
Revenue					
External sales	285,682	138,124	28,949	-	452,755
Inter segment sales	40,086	24,529	16,579	(81,194)	-
	<u>325,768</u>	<u>162,653</u>	<u>45,528</u>	<u>(81,194)</u>	<u>452,755</u>
Results					
Segment result (external)	21,565	8,207	3,932		33,704
Interest income					192
Finance costs					(1,502)
Profit before taxation					<u>32,394</u>
Tax expense					(4,078)
Profit for the period					<u>28,316</u>

11. Property, plant and equipment

Property, plant and equipment amounting to RM2.43 million were acquired during the current year-to-date (12 months ended 31 Mar 2013: RM2.48 million).

There was disposal of property, plant and equipment of RM0.07 million during the current year-to-date (12 months ended 31 Mar 2013: 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 March 2014 RM'000	31 March 2013 RM'000
Contracted but not provided for	<u>2,124</u>	<u>705</u>

16. Significant related party transaction

Significant transactions with related parties are as follows:

	12 months ended 31 Mar 2014 RM'000
<u>Provision of goods/ services to related parties</u>	
Sale of aerospace parts	285,682
Sale of modular/ complete machine & equipment	16
Provision of engineering services	553
Provision of corporate management services	36
	RM'000
<u>Purchase of goods/ services from related parties</u>	
Purchase of fabrication/ machining services	31,191
Purchase of component & spare parts	7
Provision of corporate management services	785
Provision of engineering services	205
Rental of office and factory premises	2,816

17. Review of performance

The Group revenue for the current quarter was higher at RM125.8 million as compared to RM121.0 million in the preceding quarter. The increase in Group Revenue was mainly due to the increase in revenue in the Aerospace segment of RM10.9 million. The Equipment Manufacturing segment and the Precision Engineering segment experienced a decrease in revenue of RM5.2 million and RM0.9 million respectively.

The Group profit before tax of RM9.8 million for the current quarter was higher compared to RM7.5 million in the preceding quarter. The higher profit before tax during the current quarter was mainly due to increased profitability in the Equipment Manufacturing segment as a result of a non-recurring payment from a customer and favorable foreign exchange movement resulting from the strengthening of the USD of RM2.8 million during the current quarter.

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

The Group revenue for the quarter was RM125.8 million compared to RM109.8 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 RM13.7 million and RM4.9 million respectively. The Precision Engineering segment however recorded a lower revenue of RM2.6 million.

The Group profit before tax for the quarter was RM9.8 million compared to RM5.2 million in the corresponding quarter of the previous year. The increase in the Group profit before tax during the current quarter was mainly due to the higher Group revenue, favorable foreign exchange movement and write back of provision for inventories during the quarter compared to the immediate preceding year's corresponding quarter.

19. Future year prospects

The Board of Directors expects the next financial year to remain 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		12 months ended	
	31 March		31 March	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Current period				
- provision for taxation	1,138	803	5,369	3,948
- deferred taxation	(1,578)	(1,894)	(2,045)	(2,376)
	(440)	(1,091)	3,324	1,572
Prior Period				
- provision for taxation	(1,514)	-	(1,532)	127
- deferred taxation	2,041	-	2,286	(28)
	87	(1,091)	4,078	1,671

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 March 2014 RM'000	As at 31 March 2013 RM'000
Short term borrowings		
Secured	-	2,596
Unsecured	4,813	4,929
Long term borrowings		
Unsecured	10,476	14,518
TOTAL	<u>15,289</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 Mar 2014 RM'000	As at 31 Mar 2013 RM'000
Retained earnings		
- Realised	138,681	110,261
- Unrealised	(5,594)	(1,079)
	<u>133,087</u>	<u>109,182</u>
Add: Consolidation adjustments	(854)	(722)
Total retained earnings	<u>132,233</u>	<u>108,460</u>

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		Cumulative Quarter	
	3 months ended		12 months ended	
	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
	RM'000	RM'000	RM'000	RM'000
Net profit attributable to ordinary shareholders (Basic)	9,755	6,328	28,316	19,960
Finance costs on ICULS	375	330	1,114	642
Net profit attributable to ordinary shareholders (Diluted)	<u>10,130</u>	<u>6,658</u>	<u>29,430</u>	<u>20,602</u>
	'000	'000	'000	'000
Weighted average no. of shares (Basic)	73,337	71,916	72,894	71,364
Effect on conversion of ICULS	61,830	63,249	62,273	32,629
Weighted average no. of shares (Diluted)	<u>135,167</u>	<u>135,165</u>	<u>135,167</u>	<u>103,993</u>
Basic earnings per share (sen)	<u>13.30</u>	<u>8.80</u>	<u>38.85</u>	<u>27.97</u>
Diluted earnings per share (sen)	<u>7.49</u>	<u>4.93</u>	<u>21.77</u>	<u>19.81</u>

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
 21 May 2014