



SAM ENGINEERING & EQUIPMENT (M) BERHAD

(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT

FOR QUARTER ENDED 30 JUNE 2014

CONTENTS

	Page
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014.....	2
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	3
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	4
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	5
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT	7

SAM ENGINEERING & EQUIPMENT (M) BERHAD

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014

(The figures have not been audited)

	As At 30-Jun-14 RM'000	As At 31-Mar-14 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	99,527	102,803
Intangible assets	775	819
Deferred tax assets	321	256
Current assets		
Trade and other receivables	104,535	104,782
Inventories	118,309	117,920
Current tax assets	1,402	1,376
Cash and cash equivalents	96,112	97,961
	<u>320,358</u>	<u>322,039</u>
TOTAL ASSETS	<u><u>420,981</u></u>	<u><u>425,917</u></u>
EQUITY AND LIABILITIES		
Share capital	77,388	73,403
Reserves	250,362	255,387
Total equity	<u>327,750</u>	<u>328,790</u>
Non-current liabilities		
Deferred tax liabilities	5,920	6,529
ICULS	8,904	10,476
Current liabilities		
Trade and other payables	69,611	71,546
ICULS	4,502	4,813
Current tax liabilities	4,294	3,763
	<u>78,407</u>	<u>80,122</u>
TOTAL EQUITY AND LIABILITIES	<u><u>420,981</u></u>	<u><u>425,917</u></u>
Net assets per share (sen)	<u><u>424</u></u>	<u><u>448</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 2014.

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 2014**

(The figures have not been audited)

	Note	Current Quarter 3 months ended		Cumulative Quarter 3 months ended	
		30-Jun-14 RM'000	30-Jun-13 RM'000	30-Jun-14 RM'000	30-Jun-13 RM'000
Revenue		93,157	94,743	93,157	94,743
Cost of support services and goods sold		(85,617)	(87,436)	(85,617)	(87,436)
Gross profit		7,540	7,307	7,540	7,307
Other operating income		1,534	2,353	1,534	2,353
Other operating expenses		(1,374)	(1,394)	(1,374)	(1,394)
Distribution and administrative expenses		(5,237)	(5,063)	(5,237)	(5,063)
Finance costs		(343)	(420)	(343)	(420)
Profit before tax		2,120	2,783	2,120	2,783
Income tax expense	21	(546)	(346)	(546)	(346)
Profit for the period	9	1,574	2,437	1,574	2,437
Other comprehensive income, net of tax					
Items that may be reclassified subsequently to profit and loss					
Foreign currency translation differences for foreign operations		(4,012)	(279)	(4,012)	(279)
Total comprehensive income for the period		(2,438)	2,158	(2,438)	2,158
Profit attributable to:					
Owners of the Company		1,574	2,437	1,574	2,437
Profit for the period		1,574	2,437	1,574	2,437
Total comprehensive income attributable to:					
Owners of the Company		(2,438)	2,158	(2,438)	2,158
Total comprehensive income for the period		(2,438)	2,158	(2,438)	2,158
Earnings per share					
Basic earnings per share (sen)	27	2.09	3.38	2.09	3.38
Diluted earnings per share (sen)	27	1.36	2.03	1.36	2.03

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Report for the year ended 31 March 2014.

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 2014**

(The figures have not been audited)

	←	Non Distributable		→		
	Share Capital	Share Premium	Translation Reserve*	Capital Reserve	Distributable Retained Earnings	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
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	72,747	8,901	2,010	104,775	110,897	299,330
As at 1.4.2014	73,403	9,623	9,858	103,673	132,233	328,790
Total comprehensive income for the period	-	-	(4,012)	-	1,574	(2,438)
Conversion of ICULS	3,985	4,383	-	(6,493)	(477)	1,398
As at 30.6.2014	77,388	14,006	5,846	97,180	133,330	327,750

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 2014.

SAM ENGINEERING & EQUIPMENT (M) BERHAD

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2014**

(The figures have not been audited)

	30-Jun-14 RM'000	30-Jun-13 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax from continuing operations	2,120	2,783
Adjustment for:		
Depreciation of property, plant and equipment	4,180	4,133
Amortisation of intangible assets	60	187
Net fair value loss on derivatives	245	813
Gain on disposal of plant and equipment	(25)	(39)
Interest income	(67)	(48)
Interest expenses	343	420
Operating profit before changes in working capital	<u>6,856</u>	<u>8,249</u>
Changes in working capital:		
Receivables	(45)	261
Inventories	(211)	1,010
Payables and provisions	<u>(3,026)</u>	<u>(6,614)</u>
Cash generated from operations	3,574	2,906
Income tax paid	<u>(148)</u>	<u>(345)</u>
Net cash from operating activities	<u>3,426</u>	<u>2,561</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,197)	(982)
Purchase of intangible assets	(35)	(456)
Proceeds from disposal of property, plant and equipment	26	48
Interest received	67	48
Net cash used in investing activities	<u>(1,139)</u>	<u>(1,342)</u>

SAM ENGINEERING & EQUIPMENT (M) BERHAD

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTD)
FOR THE PERIOD ENDED 30 JUNE 2014**

(The figures have not been audited)

	30-Jun-14	30-Jun-13
	RM'000	RM'000
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of term loans	-	(1,122)
Net cash used in financing activities	-	(1,122)
Net change in cash and cash equivalents	2,287	97
Effect of foreign exchange fluctuations	(4,136)	(244)
Cash and cash equivalents brought forward	97,961	38,213
Cash and cash equivalents carried forward	96,112	38,066
Cash and cash equivalents at the end of the financial period comprise the following:		
Cash and bank balances	56,089	18,505
Deposits with licensed banks	40,023	19,561
	96,112	38,066

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Report for the year ended 31 March 2014.

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 2014. 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 2014.

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 2014.

MFRSs and Amendments effective 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

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.

MFRSs and 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 2016

Amendments to MFRS 116 & MFRS 138 Clarification of Acceptable Methods of Depreciation and Amortisation

MFRSs and Amendments effective for a date yet to be confirmed

MFRS 9 Financial Instruments (2009)
MFRS 9 Financial Instruments (2010)
MFRS 9 Financial Instruments – Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139
Amendments to MFRS 7 Financial Instruments: Disclosures – Mandatory Effective Date of MFRS 9 and Transition Disclosures

MFRS 9, Financial Instruments

MFRS 9 replaces the guidance in MFRS 139, Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

3. Audit opinion

The audit report for the audited financial statements of the Group for the financial year ended 31 March 2014 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 30 June 2014 except for the conversion of RM8,367,440 nominal value of ICULS into 3,984,493 ordinary shares of RM1 each.

8. Dividends paid

No dividend was paid since the end of the previous financial year except for a single tier first interim dividend of 10.20 sen per ordinary share and a single tier special dividend of 7.05 sen per ordinary share in respect of the financial year ended 31 March 2014 paid on 28 August 2014.

9. Profit for the period

Profit for the period is arrived at after charging/ (crediting):

	Current Quarter 3 months ended		Cumulative Quarter 3 months ended	
	30-Jun-14 RM'000	30-Jun-13 RM'000	30-Jun-14 RM'000	30-Jun-13 RM'000
Interest income	(67)	(48)	(67)	(48)
Other income including investment income	(1,271)	(1,078)	(1,271)	(1,078)
Interest expense	343	420	343	420
Depreciation and amortisation	4,240	4,320	4,240	4,320
Write back of receivables	(2)	(35)	(2)	(35)
Provision for/ (write back) of inventories	503	(538)	503	(538)
Foreign exchange loss/(gain)	933	(606)	933	(606)
Loss on derivatives	245	813	245	813

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	66,083	20,212	6,862	-	93,157
Inter segment sales	7,952	5,503	1,906	(15,361)	-
	<u>74,035</u>	<u>25,715</u>	<u>8,768</u>	<u>(15,361)</u>	<u>93,157</u>
Results					
Segment result (external)	3,871	(1,566)	91		2,396
Interest income					67
Finance costs					(343)
Profit before taxation					<u>2,120</u>
Tax expense					(546)
Profit for the period					<u><u>1,574</u></u>

11. Property, plant and equipment

Property, plant and equipment amounting to RM1.20 million were acquired during the current period-to-date (3 months ended 30 June 2013: RM0.98 million).

There was disposal of property, plant and equipment for RM0.03 million during the current period-to-date (3 months ended 30 June 2013: RM0.16 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-Jun-14 RM'000	30-Jun-13 RM'000
Contracted but not provided for	1,505	491

16. Significant related party transaction

Significant transactions with related parties are as follows:

	3 months ended 30-Jun-14 RM'000
<u>Provision of goods/ services to related parties</u>	
Sale of aerospace parts	66,073
Provision of engineering services	140
Development charges	11
	RM'000
<u>Purchase of goods/ services from related parties</u>	
Purchase of fabrication/ machining services	6,774
Purchase of component & spare parts	4
Provision of corporate management services	95
Provision of engineering services	53
Rental of office and factory premises	723

17. Review of performance

The Group revenue for the current quarter was lower at RM93.1 million as compared to RM125.8 million in the preceding quarter. The decrease in Group Revenue was mainly due to the decrease in revenue in the Equipment Manufacturing segment of RM17.4 million as sales of hard disk drive (HDD) test equipment declined during the quarter. The Aerospace segment registered a decrease of RM16.1 million in revenue during the quarter. The Precision Engineering segment experienced a slight increase in demand for its products and services resulting in an increase in revenue of RM0.8 million.

The Group profit before tax of RM2.1 million for the current quarter was lower compared to RM9.8 million in the preceding quarter. The lower profit before tax during the current quarter was mainly due to decrease in revenue as explained above and unfavorable foreign exchange movement resulting from the weakening of the USD of RM2.5 million.

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

The Group revenue for the quarter was RM93.1 million, compared to RM94.7 million in the corresponding quarter of the preceding year.

The decrease in revenue from the Equipment Manufacturing and the Precision Engineering segments due to the weak HDD industry was partially offset by the increase in revenue from the Aerospace segment.

The Group profit before tax for the quarter was RM2.1 million compared to RM2.8 million in the corresponding quarter of the previous year. The lower profit before tax during the current quarter was mainly due to the unfavorable foreign exchange movement resulting from the weakening of the USD of RM0.9 million during the current quarter compared to the corresponding quarter of the preceding year.

19. Current year prospects

We expect the revenue from the aerospace industry which accounts for 70% of our Group revenue to remain stable.

However the semiconductor and HDD industries are experiencing a slowdown and capital expenditure budgets by both the semiconductor and HDD manufacturers are deferred until demand picks up again. Thus, our Equipment Manufacturing and Precision Engineering business for the remaining quarters will remain challenging.

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.

20. Profit forecast and profit guarantee

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

21. Taxation

	3 months ended 30-Jun		3 months ended 30-Jun	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Current period				
- provision for taxation	768	688	768	688
- deferred taxation	(232)	(350)	(232)	(350)
	<u>536</u>	<u>338</u>	<u>536</u>	<u>338</u>
Prior Period				
- deferred taxation	10	8	10	8
	<u>546</u>	<u>346</u>	<u>546</u>	<u>346</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-Jun-14 RM'000	As At 30-Jun-13 RM'000
Short term borrowings		
Secured	-	1,474
Unsecured	4,502	4,929
Long term borrowings		
Unsecured	8,904	13,619
TOTAL	<u>13,406</u>	<u>20,022</u>

Included in the above are the following borrowings and debt securities denominated in USD:

	As At 30-Jun-14 RM'000	As At 30-Jun-13 RM'000
Short term borrowings		
Secured	-	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-Jun-14 RM'000	As at 30-Jun-13 RM'000
Retained earnings		
- Realised	140,154	117,039
- Unrealised	(6,120)	(5,458)
	<u>134,034</u>	<u>111,581</u>
Add: Consolidation adjustments	(704)	(684)
Total retained earnings	<u><u>133,330</u></u>	<u><u>110,897</u></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 3 months ended		Cumulative Quarter 3 months ended	
	30-Jun-14 RM'000	30-Jun-13 RM'000	30-Jun-14 RM'000	30-Jun-13 RM'000
Net profit attributable to ordinary shareholders (Basic)	1,574	2,437	1,574	2,437
Finance costs on ICULS	258	307	258	307
Net profit attributable to ordinary shareholders (Diluted)	<u>1,832</u>	<u>2,744</u>	<u>1,832</u>	<u>2,744</u>
	'000	'000	'000	'000
Weighted average no. of shares (Basic)	75,459	72,081	75,459	72,081
Effect on conversion of ICULS	59,708	63,086	59,708	63,086
Weighted average no. of shares (Diluted)	<u>135,167</u>	<u>135,167</u>	<u>135,167</u>	<u>135,167</u>
Basic earnings per share (sen)	<u>2.09</u>	<u>3.38</u>	<u>2.09</u>	<u>3.38</u>
Diluted earnings per share (sen)	<u>1.36</u>	<u>2.03</u>	<u>1.36</u>	<u>2.03</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
29 August 2014