



SAM ENGINEERING & EQUIPMENT (M) BERHAD

(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT FOR QUARTER ENDED 30 SEPTEMBER 2014

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SAM ENGINEERING & EQUIPMENT (M) BERHAD

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2014

(The figures have not been audited)

	As At 30-Sep-14 RM'000	As At 31-Mar-14 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	97,076	102,803
Intangible assets	783	819
Deferred tax assets	351	256
Current assets		
Trade and other receivables	113,687	104,782
Inventories	123,565	117,920
Current tax assets	1,616	1,376
Cash and cash equivalents	83,955	97,961
	<u>322,823</u>	<u>322,039</u>
TOTAL ASSETS	<u><u>421,033</u></u>	<u><u>425,917</u></u>
EQUITY AND LIABILITIES		
Share capital	84,291	73,403
Reserves	236,795	255,387
Total equity	<u>321,086</u>	<u>328,790</u>
Non-current liabilities		
Deferred tax liabilities	5,394	6,529
ICULS	7,045	10,476
Current liabilities		
Trade and other payables	79,911	71,546
ICULS	3,955	4,813
Current tax liabilities	3,642	3,763
	<u>87,508</u>	<u>80,122</u>
TOTAL EQUITY AND LIABILITIES	<u><u>421,033</u></u>	<u><u>425,917</u></u>
Net assets per share (sen)	<u>381</u>	<u>448</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 SEPTEMBER 2014**

(The figures have not been audited)

	Note	Current Quarter 3 months ended		Cumulative Quarter 6 months ended	
		30-Sep-14 RM'000	30-Sep-13 RM'000	30-Sep-14 RM'000	30-Sep-13 RM'000
Revenue		112,328	111,188	205,485	205,931
Cost of support services and goods sold		(100,699)	(97,367)	(186,316)	(184,803)
Gross profit		11,629	13,821	19,169	21,128
Other operating income		1,922	4,002	3,456	6,355
Other operating expenses		(709)	859	(2,083)	(535)
Distribution and administrative expenses		(5,393)	(6,020)	(10,630)	(11,083)
Finance costs		(91)	(442)	(434)	(862)
Profit before tax		7,358	12,220	9,478	15,003
Income tax expense	21	(1,229)	(1,958)	(1,775)	(2,304)
Profit for the period	9	6,129	10,262	7,703	12,699
Other comprehensive income, net of tax					
Items that may be reclassified subsequently to profit and loss					
Foreign currency translation differences for foreign operations		(279)	8,040	(4,291)	7,761
Total comprehensive income for the period		5,850	18,302	3,412	20,460
Profit attributable to:					
Owners of the Company		6,129	10,262	7,703	12,699
Profit for the period		6,129	10,262	7,703	12,699
Total comprehensive income attributable to:					
Owners of the Company		5,850	18,302	3,412	20,460
Total comprehensive income for the period		5,850	18,302	3,412	20,460
Earnings per share					
Basic earnings per share (sen)	27	7.39	14.08	9.73	17.52
Diluted earnings per share (sen)	27	4.58	7.83	5.94	9.86

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 SEPTEMBER 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	-	-	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
As at 1.4.2014	73,403	9,623	9,858	103,673	132,233	328,790
Total comprehensive income for the period	-	-	(4,291)	-	7,703	3,412
Conversion of ICULS	10,888	11,977	-	(17,964)	(1,477)	3,424
Dividends paid to owners	-	-	-	-	(14,540)	(14,540)
As at 30.9.2014	84,291	21,600	5,567	85,709	123,919	321,086

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 31March 2014.

SAM ENGINEERING & EQUIPMENT (M) BERHAD

(Incorporated in Malaysia)

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

(The figures have not been audited)

	30-Sep-14 RM'000	30-Sep-13 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax from continuing operations	9,478	15,003
Adjustment for:		
Depreciation of property, plant and equipment	8,413	8,347
Amortisation of intangible assets	126	328
Net fair value loss/(gain) on derivatives	662	(441)
Gain on disposal of plant and equipment	(25)	(65)
Interest income	(131)	(122)
Interest expenses	434	862
Operating profit before changes in working capital	<u>18,957</u>	<u>23,912</u>
Changes in working capital:		
Receivables	(9,454)	(8,508)
Inventories	(5,449)	(7,514)
Payables and provisions	8,067	945
Cash generated from operations	<u>12,121</u>	<u>8,835</u>
Income tax paid	(2,185)	(1,073)
Net cash from operating activities	<u>9,936</u>	<u>7,762</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(3,039)	(1,753)
Purchase of intangible assets	(111)	(677)
Proceeds from disposal of property, plant and equipment	51	69
Interest received	131	122
Net cash used in investing activities	<u>(2,968)</u>	<u>(2,239)</u>

SAM ENGINEERING & EQUIPMENT (M) BERHAD

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTD)

FOR THE PERIOD ENDED 30 SEPTEMBER 2014

(The figures have not been audited)

	30-Sep-14	30-Sep-13
	RM'000	RM'000
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of term loans	-	(2,313)
Dividend paid	(14,540)	-
Interest paid	(1,950)	(2,434)
Net cash from financing activities	<u>(16,490)</u>	<u>(4,747)</u>
Net change in cash and cash equivalents	(9,522)	776
Effect of foreign exchange fluctuations	(4,484)	7,784
Cash and cash equivalents brought forward	<u>97,961</u>	<u>38,213</u>
Cash and cash equivalents carried forward	<u><u>83,955</u></u>	<u><u>46,773</u></u>
Cash and cash equivalents at the end of the financial period comprise the following:		
Cash and bank balances	68,373	37,469
Deposits with licensed banks	15,582	9,304
	<u><u>83,955</u></u>	<u><u>46,773</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 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

MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 116 & MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation

MFRSs and Amendments effective annual periods beginning on or after 1 January 2017

MFRS 15	Revenue from Contracts with Customers
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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 September 2014 except for the conversion of RM22,863,966 nominal value of ICULS into 10,887,584 ordinary shares of RM1 each.

8. Dividends paid

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 was paid on 28 August 2014 to depositors registered in the record of depositors at the close of business on 8 August 2014. 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 3 months ended		Cumulative Quarter 6 months ended	
	30-Sep-14 RM'000	30-Sep-13 RM'000	30-Sep-14 RM'000	30-Sep-13 RM'000
Interest income	(64)	(74)	(131)	(122)
Other income including investment income	(1,428)	(1,239)	(2,699)	(2,317)
Interest expense	91	442	434	862
Depreciation and amortisation	4,299	4,355	8,539	8,675
(Write back)/ provision for receivables	(1)	2	(3)	(33)
Provision for/ (write back) of inventories	486	(1,764)	989	(2,302)
Foreign exchange (gain)/ loss	(138)	(2,335)	795	(2,941)
Loss/ (gain) on derivatives	417	(1,254)	662	(441)

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	140,288	50,427	14,770	-	205,485
Inter segment sales	20,423	8,143	4,863	(33,429)	-
	<u>160,711</u>	<u>58,570</u>	<u>19,633</u>	<u>(33,429)</u>	<u>205,485</u>
Results					
Segment result (external)	8,650	(849)	1,980		9,781
Interest income					131
Finance costs					(434)
Profit before taxation					<u>9,478</u>
Tax expense					(1,775)
Profit for the period					<u>7,703</u>

11. Property, plant and equipment

Property, plant and equipment amounting to RM3.04 million were acquired during the current period-to-date (6 months ended 30 September 2013: RM1.75 million).

There was disposal of property, plant and equipment for RM0.05 million during the current period-to-date (6 months ended 30 September 2013: RM0.01 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-Sep-14 RM'000	30-Sep-13 RM'000
Contracted but not provided for	416	2,386

16. Significant related party transaction

Significant transactions with related parties are as follows:

	6 months ended 30-Sep-14 RM'000
<u>Provision of goods/ services to related parties</u>	
Sale of aerospace parts	140,712
Sale of modular/ complete machine and equipment	187
Provision of engineering services	255
	RM'000
<u>Purchase of goods/ services from related parties</u>	
Purchase of fabrication/ machining services	13,722
Provision of corporate management services	140
Provision of engineering services	150
Rental of office and factory premises	1441

17. Review of performance

The Group revenue for the current quarter was higher at RM112.3 million as compared to RM93.1 million in the preceding quarter. The increase in Group Revenue was mainly due to the higher revenue of the Equipment Manufacturing segment of RM10 million. The Aerospace and Precision Engineering segments also registered increases in revenue of RM8.1 million and RM1.0 million respectively during the quarter.

The Group profit before tax for the current quarter was RM7.4 million compared to RM2.1 million in the preceding quarter. The higher profit before tax during the current quarter was mainly due to the increase in revenue as explained above and favorable foreign exchange movement compared to the preceding quarter.

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

The Group revenue for the quarter was RM112.3 million. Compared to RM111.2 million in the corresponding quarter of the preceding year, there was an increase of RM1.1 million in group revenue.

The Group profit before tax for the quarter was RM7.4 million compared to RM12.2 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 compared to the corresponding quarter of the preceding year. There was also a reversal of provision for inventories in the corresponding quarter of the preceding year of RM1.8 million compared to RM0.5 million provision for inventories during the current quarter.

19. Current year prospects

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

However the semiconductor and storage devices testing industries are experiencing a slowdown and capital expenditure budgets by both the semiconductor and storage devices testing 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 storage devices testing 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		6 months ended	
	30-Sep		30-Sep	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Current period				
- provision for taxation	1,390	2,012	2,158	2,700
- deferred taxation	(161)	(54)	(393)	(404)
	<u>1,229</u>	<u>1,958</u>	<u>1,765</u>	<u>2,296</u>
Prior Period				
- deferred taxation	-	-	10	8
	<u>1,229</u>	<u>1,958</u>	<u>1,775</u>	<u>2,304</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	As At
	30-Sep-14	31-Mar-14
	RM'000	RM'000
Short term borrowings		
Unsecured	3,955	4,813
Long term borrowings		
Unsecured	7,045	10,476
TOTAL	<u>11,000</u>	<u>15,289</u>

Note: The above borrowings and debt securities are denominated in MYR.

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-14 RM'000	As at 30-Sep-13 RM'000
Retained earnings		
- Realised	131,999	125,863
- Unrealised	(7,155)	(3,975)
	<u>124,844</u>	<u>121,888</u>
Add: Consolidation adjustments	(925)	(729)
Total retained earnings	<u><u>123,919</u></u>	<u><u>121,159</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 6 months ended	
	30-Sep-14 RM'000	30-Sep-13 RM'000	30-Sep-14 RM'000	30-Sep-13 RM'000
Net profit attributable to ordinary shareholders (Basic)	6,129	10,262	7,703	12,699
Finance costs on ICULS	68	328	325	635
Net profit attributable to ordinary shareholders (Diluted)	<u>6,197</u>	<u>10,590</u>	<u>8,028</u>	<u>13,334</u>
	'000	'000	'000	'000
Weighted average no. of shares (Basic)	82,888	72,871	79,194	72,478
Effect on conversion of ICULS	52,279	62,296	55,973	62,689
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>7.39</u>	<u>14.08</u>	<u>9.73</u>	<u>17.52</u>
Diluted earnings per share (sen)	<u>4.58</u>	<u>7.83</u>	<u>5.94</u>	<u>9.86</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
5 November 2014