



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

(Incorporated in Malaysia)

## **UNAUDITED INTERIM FINANCIAL REPORT FOR QUARTER ENDED 31 DECEMBER 2014**

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

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**AS AT 31 DECEMBER 2014**

(The figures have not been audited)

	As at 31-Dec-14 RM'000	As at 31-Mar-14 RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	94,639	102,803
Intangible assets	804	819
Deferred tax assets	437	256
<b>Current assets</b>		
Trade and other receivables	121,782	104,782
Inventories	139,887	117,920
Current tax assets	1,884	1,376
Cash and cash equivalents	82,792	97,961
	346,345	322,039
<b>TOTAL ASSETS</b>	<b>442,225</b>	<b>425,917</b>
<b>EQUITY AND LIABILITIES</b>		
Share capital	84,291	73,403
Reserves	264,517	255,387
<b>Total equity</b>	<b>348,808</b>	<b>328,790</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	5,310	6,529
ICULS	6,145	10,476
<b>Current liabilities</b>		
Trade and other payables	74,224	71,546
ICULS	3,955	4,813
Current tax liabilities	3,783	3,763
	81,962	80,122
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>442,225</b>	<b>425,917</b>
Net assets per share (sen)	413	448

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 31 DECEMBER 2014**

(The figures have not been audited)

	Note	Current Quarter 3 months ended		Cumulative Quarter 9 months ended	
		31-Dec-14 RM'000	31-Dec-13 RM'000	31-Dec-14 RM'000	31-Dec-13 RM'000
<b>Revenue</b>		<b>113,542</b>	<b>121,021</b>	<b>319,027</b>	<b>326,952</b>
Cost of support services and goods sold		(101,276)	(107,850)	(287,592)	(292,653)
<b>Gross profit</b>		<b>12,266</b>	<b>13,171</b>	<b>31,435</b>	<b>34,299</b>
Other operating income		4,857	71	8,313	6,426
Other operating expenses		1,015	(570)	(1,068)	(1,105)
Distribution and administrative expenses		(4,817)	(4,984)	(15,447)	(16,067)
Finance costs		(235)	(140)	(669)	(1,002)
<b>Profit before tax</b>		<b>13,086</b>	<b>7,548</b>	<b>22,564</b>	<b>22,551</b>
Income tax expense	21	(1,541)	(1,687)	(3,316)	(3,991)
<b>Profit for the period</b>	9	<b>11,545</b>	<b>5,861</b>	<b>19,248</b>	<b>18,560</b>
<b>Other comprehensive income, net of tax</b>					
<b>Items that may be reclassified subsequently to profit and loss</b>					
Foreign currency translation differences for foreign operations		16,177	(2,477)	11,886	5,284
<b>Total comprehensive income for the period</b>		<b>27,722</b>	<b>3,384</b>	<b>31,134</b>	<b>23,844</b>
<b>Profit attributable to:</b>					
Owners of the Company		11,545	5,861	19,248	18,560
<b>Profit for the period</b>		<b>11,545</b>	<b>5,861</b>	<b>19,248</b>	<b>18,560</b>
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		27,722	3,384	31,134	23,844
<b>Total comprehensive income for the period</b>		<b>27,722</b>	<b>3,384</b>	<b>31,134</b>	<b>23,844</b>
<b>Earnings per share</b>					
Basic earnings per share (sen)	27	13.70	8.00	23.82	25.52
Diluted earnings per share (sen)	27	8.67	4.41	14.61	14.28

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 31 DECEMBER 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
<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	-	18,560	23,844
Conversion of ICULS	1,382	1,521	-	(2,322)	-	581
Dividends paid to owners	-	-	-	-	(4,543)	(4,543)
<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>
<b>As at 1.4.2014</b>	73,403	9,623	9,858	103,673	132,233	328,790
Total comprehensive income for the period	-	-	11,886	-	19,248	31,134
Conversion of ICULS	10,888	11,977	-	(17,964)	(1,477)	3,424
Dividends paid to owners	-	-	-	-	(14,540)	(14,540)
<b>As at 31.12.2014</b>	<b>84,291</b>	<b>21,600</b>	<b>21,744</b>	<b>85,709</b>	<b>135,464</b>	<b>348,808</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 2014.

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

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED 31 DECEMBER 2014**

(The figures have not been audited)

	31-Dec-14	31-Dec-13
	RM'000	RM'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before tax from continuing operations	22,564	22,551
Adjustment for:		
Depreciation of property, plant and equipment	12,715	12,572
Amortisation of intangible assets	196	475
Net fair value loss on derivatives	977	314
Gain on disposal of plant and equipment	(97)	(68)
Interest income	(186)	(143)
Interest expenses	669	1,002
Operating profit before changes in working capital	<u>36,838</u>	<u>36,703</u>
Changes in working capital:		
Receivables	(17,768)	3,891
Inventories	(22,534)	808
Payables and provisions	138	(10,994)
Cash (used in)/ generated from operations	<u>(3,326)</u>	<u>30,408</u>
Income tax paid	(4,359)	(1,610)
Net cash (used in)/ from operating activities	<u>(7,685)</u>	<u>28,798</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(3,979)	(2,136)
Purchase of intangible assets	(143)	(924)
Proceeds from disposal of property, plant and equipment	106	76
Interest received	186	143
Net cash used in investing activities	<u>(3,830)</u>	<u>(2,841)</u>

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

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTD)**

**FOR THE PERIOD ENDED 31 DECEMBER 2014**

(The figures have not been audited)

	31-Dec-14	31-Dec-13
	RM'000	RM'000
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayment of term loans	-	(2,596)
Dividend paid	(14,540)	(4,543)
Interest paid	(2,154)	(2,434)
Net cash from financing activities	<u>(16,694)</u>	<u>(9,573)</u>
Net change in cash and cash equivalents	(28,209)	16,384
Effect of foreign exchange fluctuations	13,040	5,324
Cash and cash equivalents brought forward	97,961	38,213
Cash and cash equivalents carried forward	<u>82,792</u>	<u>59,921</u>
Cash and cash equivalents at the end of the financial period comprise the following:		
Cash and bank balances	60,073	41,432
Deposits with licensed banks	22,719	18,489
	<u>82,792</u>	<u>59,921</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 7	Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)
MFRS 14	Regulatory Deferral Accounts
MFRS 101	Disclosure Initiative
Amendments to MFRS 116 & MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 127	Equity Method in Separate Financial Statement
MFRS 134	Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)

**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 annual periods beginning on or after 1 January 2018**

MFRS 9	Financial Instruments (July 2014)
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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 31 December 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 9 months ended	
	31-Dec-14 RM'000	31-Dec-13 RM'000	31-Dec-14 RM'000	31-Dec-13 RM'000
Interest income	(55)	(21)	(186)	(143)
Other income including investment income	(1,292)	(1,144)	(3,991)	(3,461)
Interest expense	235	140	669	1,002
Depreciation and amortisation	4,372	4,372	12,911	13,047
Write back of receivables	-	-	(3)	(33)
(Write back)/ provision for inventories	(489)	(1,896)	500	(4,198)
Foreign exchange (gain)/ loss	(4,843)	718	(4,048)	(2,223)
Loss on derivatives	315	755	977	314

## 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
<b>Revenue</b>					
External sales	217,974	78,567	22,486	-	319,027
Inter segment sales	29,291	11,420	7,731	(48,442)	-
	<u>247,265</u>	<u>89,987</u>	<u>30,217</u>	<u>(48,442)</u>	<u>319,027</u>
<b>Results</b>					
Segment result (external)	16,075	2,567	4,405		23,047
Interest income					186
Finance costs					(669)
Profit before taxation					<u>22,564</u>
Tax expense					(3,316)
Profit for the period					<u>19,248</u>

## 11. Property, plant and equipment

Property, plant and equipment amounting to RM3.98 million were acquired during the current period-to-date (9 months ended 31 December 2013: RM2.14 million).

There was disposal of property, plant and equipment for RM0.11 million during the current period-to-date (9 months ended 31 December 2013: RM0.08 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-Dec-14 RM'000	31-Dec-13 RM'000
Contracted but not provided for	<u>665</u>	<u>1,939</u>

## 16. Significant related party transaction

Significant transactions with related parties are as follows:

	9 months ended 31-Dec-14 RM'000
<u>Provision of goods/ services to related parties</u>	
Sale of aerospace parts	215,990
Sale of modular/ complete machine and equipment	543
Provision of engineering services	372
	RM'000
<u>Purchase of goods/ services from related parties</u>	
Purchase of fabrication/ machining services	21,422
Provision of corporate management services	140
Provision of engineering services	163
Rental of office and factory premises	2,171

## 17. Review of performance

The Group revenue for the current quarter was higher at RM113.5 million as compared to RM112.3 million in the preceding quarter. The increase in Group Revenue was mainly due to the higher revenue of the Aerospace segment of RM3.5 million. The Equipment Manufacturing segment experienced a decrease in revenue of RM2.1 million during the quarter.

The Group profit before tax for the current quarter was RM13.1 million compared to RM7.4 million in the preceding quarter. The higher profit before tax during the current quarter was mainly due to the favorable foreign exchange movement compared to the preceding quarter and the increase in revenue as explained above.

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

The Group revenue for the quarter was RM113.5 million. Compared to RM121 million in the corresponding quarter of the preceding year, there was a decrease of RM7.5 million in group revenue. This was mainly due to the decline in revenue from the Equipment Manufacturing segment.

The Group profit before tax for the quarter was RM13.1 million compared to RM7.5 million in the corresponding quarter of the previous year. The higher profit before tax during the current quarter was mainly due to the favorable foreign exchange movement compared to the corresponding quarter of the preceding year.

## 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		9 months ended	
	31-Dec		31-Dec	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Current period				
- provision for taxation	1,796	1,531	3,954	4,231
- deferred taxation	(218)	(63)	(611)	(467)
	<u>1,578</u>	<u>1,468</u>	<u>3,343</u>	<u>3,764</u>
Prior Period				
- provision for taxation	(22)	(18)	(22)	(18)
- deferred taxation	(15)	237	(5)	245
	<u>1,541</u>	<u>1,687</u>	<u>3,316</u>	<u>3,991</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-Dec-14 RM'000	As at 31-Mar-14 RM'000
<b>Short term borrowings</b>		
Unsecured	3,955	4,813
<b>Long term borrowings</b>		
Unsecured	6,145	10,476
<b>TOTAL</b>	<u>10,100</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 31-Dec-14 RM'000	As at 31-Dec-13 RM'000
Retained earnings		
- Realised	141,552	127,670
- Unrealised	(4,844)	(4,270)
	<u>136,708</u>	<u>123,400</u>
Add: Consolidation adjustments	(1,244)	(923)
Total retained earnings	<u>135,464</u>	<u>122,477</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 9 months ended	
	31-Dec-14 RM'000	31-Dec-13 RM'000	31-Dec-14 RM'000	31-Dec-13 RM'000
Net profit attributable to ordinary shareholders (Basic)	11,545	5,861	19,248	18,560
Finance costs on ICULS	177	105	502	740
Net profit attributable to ordinary shareholders (Diluted)	<u>11,722</u>	<u>5,966</u>	<u>19,750</u>	<u>19,300</u>
	'000	'000	'000	'000
Weighted average no. of shares (Basic)	84,291	73,256	80,800	72,729
Effect on conversion of ICULS	50,876	61,911	54,367	62,438
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>13.70</u>	<u>8.00</u>	<u>23.82</u>	<u>25.52</u>
Diluted earnings per share (sen)	<u>8.67</u>	<u>4.41</u>	<u>14.61</u>	<u>14.28</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  
 25 February 2015