



SAM ENGINEERING & EQUIPMENT (M) BERHAD

(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT FOR QUARTER ENDED 30 JUNE 2015

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SAM ENGINEERING & EQUIPMENT (M) BERHAD

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2015

(The figures have not been audited)

	As at 30-Jun-15 RM'000	As at 31-Mar-15 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	89,500	92,665
Intangible assets	779	845
Deferred tax assets	429	461
Current assets		
Trade and other receivables	153,230	134,954
Inventories	132,961	140,606
Current tax assets	2,898	1,674
Cash and cash equivalents	115,865	103,585
	404,954	380,819
TOTAL ASSETS	495,662	474,790
EQUITY AND LIABILITIES		
Share capital	84,425	84,291
Reserves	307,960	291,914
Total equity	392,385	376,205
Non-current liabilities		
Deferred tax liabilities	5,244	5,416
ICULS	4,453	5,310
Current liabilities		
Trade and other payables	83,076	79,255
ICULS	3,945	3,955
Current tax liabilities	6,559	4,649
	93,580	87,859
TOTAL EQUITY AND LIABILITIES	495,662	474,790
Net assets per share (sen)	465	446

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Report for the financial year ended 31 March 2015.

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 2015**

(The figures have not been audited)

	Note	Current Quarter		Cumulative Quarter	
		3 months ended		3 months ended	
		30-Jun-15	30-Jun-14	30-Jun-15	30-Jun-14
		RM'000	RM'000	RM'000	RM'000
Revenue		134,464	93,157	134,464	93,157
Cost of support services and goods sold		(116,499)	(85,617)	(116,499)	(85,617)
Gross profit		17,965	7,540	17,965	7,540
Other operating income		3,815	1,534	3,815	1,534
Other operating expenses		(1,355)	(1,374)	(1,355)	(1,374)
Distribution and administrative expenses		(5,328)	(5,237)	(5,328)	(5,237)
Finance costs		(219)	(343)	(219)	(343)
Profit before tax		14,878	2,120	14,878	2,120
Income tax expense	21	(1,626)	(546)	(1,626)	(546)
Profit for the period	9	13,252	1,574	13,252	1,574
Other comprehensive income, net of tax					
Items that may be reclassified subsequently to profit and loss					
Foreign currency translation differences for foreign operations		2,900	(4,012)	2,900	(4,012)
Total comprehensive income for the period		16,152	(2,438)	16,152	(2,438)
Profit attributable to:					
Owners of the Company		13,253	1,574	13,253	1,574
Profit for the period		13,252	1,574	13,252	1,574
Total comprehensive income attributable to:					
Owners of the Company		16,152	(2,438)	16,152	(2,438)
Total comprehensive income for the period		16,152	(2,438)	16,152	(2,438)
Earnings per share					
Basic earnings per share (sen)	27	15.71	2.09	15.71	2.09
Diluted earnings per share (sen)	27	9.93	1.36	9.93	1.36

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Report for the year ended 31 March 2015.

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 2015**

(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 1.4.2014	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 30.06.2014	77,388	14,006	5,846	97,180	133,330	327,750
As at 1.4.2015	84,291	21,600	33,755	85,709	150,850	376,205
Total comprehensive income for the period			2,900		13,252	16,152
Conversion of ICULS	134	148		(226)	(28)	28
As at 30.06.2015	84,425	21,748	36,655	85,483	164,074	392,385

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 2015.

SAM ENGINEERING & EQUIPMENT (M) BERHAD

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2015**

(The figures have not been audited)

	30-Jun-15 RM'000	30-Jun-14 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax from continuing operations	14,878	2,120
Adjustment for:		
Depreciation of property, plant and equipment	3,602	4,180
Amortisation of intangible assets	82	60
Net fair value loss on derivatives	155	245
Gain on disposal of plant and equipment	-	(25)
Interest income	(57)	(67)
Interest expenses	219	343
Operating profit before changes in working capital	<u>18,879</u>	<u>6,856</u>
Changes in working capital:		
Receivables	(20,639)	(45)
Inventories	7,454	(211)
Payables and provisions	2,996	(3,026)
Cash generated from operations	<u>8,690</u>	<u>3,574</u>
Income tax paid	(469)	(148)
Net cash from operating activities	<u>8,221</u>	<u>3,426</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(277)	(1,197)
Purchase of intangible assets	(4)	(35)
Proceeds from disposal of property, plant and equipment	-	26
Interest received	57	67
Net cash used in investing activities	<u>(224)</u>	<u>(1,139)</u>
Net change in cash and cash equivalents	7,997	2,287
Effect of foreign exchange fluctuations	4,283	(4,136)
Cash and cash equivalents brought forward	<u>103,585</u>	<u>97,961</u>
Cash and cash equivalents carried forward	<u>115,865</u>	<u>96,112</u>
Cash and cash equivalents at the end of the financial period comprise the following:		
Cash and bank balances	101,521	56,089
Deposits with licensed banks	14,344	40,023
	<u>115,865</u>	<u>96,112</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Report for the year ended 31 March 2015.

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 2015. 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 2015.

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 2015.

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 2	Share-based Payment (Annual Improvements 2010-2012 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 119	Employee Benefits – Defined Benefit Plans: Employee Contribution
Amendments to MFRS 124	Related Party Disclosures (Annual Improvements 2010-2012 Cycle)
Amendments to MFRS 138	Intangible Assets (Annual Improvements 2010-2012 Cycle)
Amendments to MFRS 140	Investment Property (Annual Improvements 2011-2013 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 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 January 2016

Amendments to MFRS 7	Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)
Amendments to MFRS 10 & MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

2. Significant accounting policies (Continued)

MFRSs and Amendments effective annual periods beginning on or after 1 January 2016 (Continued)

Amendments to MFRS 10 & MFRS 12 & MFRS 128	Investment Entities: Applying the Consolidation Exception
MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 101	Presentation of Financial Statements – Disclosure Initiative
Amendments to MFRS 116 & MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 119	Employee Benefits (Annual Improvements 2012-2014 Cycle)
Amendments to MFRS 127	Equity Method in Separate Financial Statement
Amendments to 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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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.

MFRS 15, Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111, Construction Contracts, MFRS 118, Revenue, IC Interpretation 13, Customer Loyalty Programmes, IC Interpretation 15, Agreements for Construction of Real Estate, IC Interpretation 18, Transfers of Assets from Customers and IC Interpretation 131, Revenue - Barter Transactions Involving Advertising Services.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 15.

3. Audit opinion

The audit report for the audited financial statements of the Group for the financial year ended 31 March 2015 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 2015 except for the conversion of RM282,820 nominal value of ICULS into 134,673 ordinary shares of RM1 each.

8. Dividends paid

No dividend was 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 3 months ended	
	30-Jun-15 RM'000	30-Jun-14 RM'000	30-Jun-15 RM'000	30-Jun-14 RM'000
Interest income	(57)	(67)	(57)	(67)
Other income including investment income	(1,202)	(1,271)	(1,202)	(1,271)
Interest expense	219	343	219	343
Depreciation and amortisation	3,684	4,240	3,684	4,240
Write back of receivables	-	(2)	-	(2)
Provision of inventories	1,494	503	1,494	503
Foreign exchange (gain)/ loss	(1,360)	933	(1,360)	933
Loss on derivatives	155	245	155	245

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	77,203	49,189	8,072	-	134,464
Inter segment sales	-	92	1,951	(2,043)	-
	<u>77,203</u>	<u>49,281</u>	<u>10,023</u>	<u>(2,043)</u>	<u>134,464</u>
Results					
Segment result (external)	7,408	5,442	2,190		15,040
Interest income					57
Finance costs					(219)
Profit before taxation					<u>14,878</u>
Tax expense					(1,626)
Profit for the period					<u>13,252</u>

11. Property, plant and equipment

Property, plant and equipment amounting to RM0.28 million were acquired during the current period-to-date (3 months ended 30 June 2014: RM1.20 million).

There was no disposal of property, plant and equipment during the current period-to-date (3 months ended 30 June 2014: RM0.03 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-15 RM'000	30-Jun-14 RM'000
Contracted but not provided for	<u>5,490</u>	<u>1,505</u>

16. Significant related party transaction

Significant transactions with related parties are as follows:

	3 months ended 30-Jun-15 RM'000
<u>Provision of goods/ services to related parties</u>	
Sale of aerospace parts	77,074
Sale of spare parts	11
Provision of engineering services	146
	RM'000
<u>Purchase of goods/ services from related parties</u>	
Purchase of fabrication/ machining services	6,829
Purchase of component and spare part	22
Provision of corporate management services	122
Provision of engineering services	84
Rental of office and factory premises	837

17. Review of performance

The Group revenue for the current quarter was higher at RM134.5 million as compared to RM132.5 million in the preceding quarter. The increase in Group Revenue was mainly due to the higher revenue of the Equipment Manufacturing segment of RM20.0 million as a result of a greater demand for its storage device testers. However, the Aerospace segment experienced a decrease in revenue of RM16.7 million resulting from lower demand from customers during the quarter.

The Group profit before tax for the current quarter was RM14.9 million compared to RM16.9 million in the preceding quarter. The lower profit before tax during the current quarter was due to the lower profit from the Aerospace segment as a result of lower revenue and a lower group exchange gain during the quarter. This was partially mitigated by the higher profit from the increased revenue in the Equipment Manufacturing segment.

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

The Group revenue for the quarter was RM134.5 million. Compared to RM93.2 million in the corresponding quarter of the preceding year, there was an increase of RM41.3 million in group revenue. This was mainly due to the increase in revenue from the Equipment Manufacturing segment of RM28.9 million as a result of higher demand for its storage device testers. The Aerospace segment also increased its revenue by RM11.1 million and this was mainly due to a stronger USD during the current quarter.

The Group profit before tax for the quarter was RM14.9 million compared to RM2.1 million in the corresponding quarter of the previous year. The higher Group profit before tax of RM12.8 million during the current quarter was mainly due to the higher group revenue and favorable foreign exchange movement during the quarter compared to the corresponding quarter of the previous year.

19. Current year prospects

We expect the revenue from the aerospace industry which accounts for about 57% of our Group revenue to remain stable.

The semiconductor equipment business remains flat and the capital expenditure budgets by the semiconductor manufacturers are deferred until new capacity is required. Notwithstanding the short-term uncertainty in the semiconductor equipment industry, the Board of Directors anticipates that the longer term future demand for the industry is still intact and will continue to grow, driven by increasing global demand for mobile computing and internet of things.

On the other hand, the storage device testing industry is showing signs of recovery.

20. Profit forecast and profit guarantee

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

21. Taxation

	3 months ended		3 months ended	
	30-Jun		30-Jun	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Current period				
- provision for taxation	1,782	768	1,782	768
- deferred taxation	(158)	(232)	(158)	(232)
	<u>1,624</u>	<u>536</u>	<u>1,624</u>	<u>536</u>
Prior Period				
- deferred taxation	2	10	2	10
	<u>1,626</u>	<u>546</u>	<u>1,626</u>	<u>546</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-15 RM'000	As at 30-Jun-14 RM'000
Short term borrowings		
Unsecured	3,945	4,502
Long term borrowings		
Unsecured	4,453	8,904
TOTAL	<u>8,398</u>	<u>13,406</u>

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

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-15 RM'000	As at 30-Jun-14 RM'000
Retained earnings		
- Realised	170,951	140,154
- Unrealised	(5,727)	(6,120)
	<u>165,224</u>	<u>134,034</u>
Add: Consolidation adjustments	(1,150)	(704)
Total retained earnings	<u>164,074</u>	<u>133,330</u>

26. Proposed dividend

A single tier first interim dividend of 11.94 sen per ordinary share and a single tier special dividend of 20.26 sen per ordinary share in respect of the financial year ended 31 March 2015 was proposed and will be paid on 28 August 2015.

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-15 RM'000	30-Jun-14 RM'000	30-Jun-15 RM'000	30-Jun-14 RM'000
Net profit attributable to ordinary shareholders (Basic)	13,252	1,574	13,252	1,574
Finance costs on ICULS	166	258	166	258
Net profit attributable to ordinary shareholders (Diluted)	<u>13,418</u>	<u>1,832</u>	<u>13,418</u>	<u>1,832</u>
	'000	'000	'000	'000
Weighted average no. of shares (Basic)	84,345	75,459	84,345	75,459
Effect on conversion of ICULS	50,822	59,708	50,822	59,708
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>15.71</u>	<u>2.09</u>	<u>15.71</u>	<u>2.09</u>
Diluted earnings per share (sen)	<u>9.93</u>	<u>1.36</u>	<u>9.93</u>	<u>1.36</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 August 2015