



SAM ENGINEERING & EQUIPMENT (M) BERHAD

(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT

FOR QUARTER ENDED 30 JUNE 2016

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SAM ENGINEERING & EQUIPMENT (M) BERHAD
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

(The figures have not been audited)

	As at 30-Jun-16 RM'000	As at 31-Mar-16 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	100,520	103,518
Intangible assets	1,331	1,388
Deferred tax assets	499	499
Current assets		
Trade and other receivables	157,509	151,829
Inventories	119,905	124,372
Current tax assets	442	347
Cash and cash equivalents	161,428	173,644
	<u>439,284</u>	<u>450,192</u>
TOTAL ASSETS	<u><u>541,634</u></u>	<u><u>555,597</u></u>
EQUITY AND LIABILITIES		
Share capital	125,881	86,322
Reserves	326,903	352,262
Total equity	<u>452,784</u>	<u>438,584</u>
Non-current liabilities		
Deferred tax liabilities	3,278	4,357
ICULS	159	1,709
Current liabilities		
Trade and other payables	78,263	100,408
ICULS	722	3,797
Current tax liabilities	6,428	6,742
	<u>85,413</u>	<u>110,947</u>
TOTAL EQUITY AND LIABILITIES	<u><u>541,634</u></u>	<u><u>555,597</u></u>
Net assets per share (sen)	<u><u>360 #</u></u>	<u><u>508</u></u>

Decrease in net assets per share is mainly due to the increase in the no. of ordinary shares from 86.322 million to 125.881 million.

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Report for the financial year ended 31 March 2016.
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 2016**

(The figures have not been audited)

	Note	Current Quarter 3 months ended		Cumulative Quarter 3 months ended	
		30-Jun-16	30-Jun-15	30-Jun-16	30-Jun-15
		RM'000	RM'000	RM'000	RM'000
Revenue		127,182	134,464	127,182	134,464
Cost of support services and goods sold		(111,492)	(116,499)	(111,492)	(116,499)
Gross profit		15,690	17,965	15,690	17,965
Other operating income		6,066	3,815	6,066	3,815
Other operating expenses		(4,252)	(1,355)	(4,252)	(1,355)
Distribution and administrative expenses		(7,145)	(5,328)	(7,145)	(5,328)
Finance costs		446	(219)	446	(219)
Profit before tax		10,805	14,878	10,805	14,878
Income tax expense	21	(963)	(1,626)	(963)	(1,626)
Profit for the period	9	9,842	13,252	9,842	13,252
Other comprehensive income, net of tax					
Items that may be reclassified subsequently to profit and loss					
Foreign currency translation differences for foreign operations		(588)	2,900	(588)	2,900
Cash flow hedge		5	-	5	-
Total comprehensive income for the period		9,259	16,152	9,259	16,152
Profit attributable to:					
Owners of the Company		9,842	13,252	9,842	13,252
Profit for the period		9,842	13,252	9,842	13,252
Total comprehensive income attributable to:					
Owners of the Company		9,259	16,152	9,259	16,152
Total comprehensive income for the period		9,259	16,152	9,259	16,152
Earnings per share					
Basic earnings per share (sen)	27	9.61	15.71	9.61	15.71
Diluted earnings per share (sen)	27	7.03	9.93	7.03	9.93

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Report for the year ended 31 March 2016.

The accompanying notes form an integral part of this interim report.

SAM ENGINEERING & EQUIPMENT (M) BERHAD
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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2016**

(The figures have not been audited)

	←	Non Distributable		→	Distributable		
	Share Capital	Share Premium	Hedging Reserve	Translation Reserve	Capital Reserve	Retained Earnings	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
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
As at 1.4.2016	86,322	23,835	670	59,721	82,287	185,749	438,584
Total comprehensive income for the period	-	-	-	(588)	-	9,842	9,254
Cash flow hedge	-	-	5	-	-	-	5
Conversion of ICULS	39,559	43,514	-	-	(66,643)	(11,489)	4,941
As at 30.06.2016	125,881	67,349	675	59,133	15,644	184,102	452,784

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 2016.

SAM ENGINEERING & EQUIPMENT (M) BERHAD
 (Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR PERIOD 30 JUNE 2016

(The figures have not been audited)

	30-Jun-16	31-Mar-16
	RM'000	RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax from continuing operations	10,805	68,672
Adjustment for:		
Depreciation of property, plant and equipment	3,970	15,325
Amortisation of intangible assets	158	438
Net fair value (gain)/ loss on derivatives	597	(2,551)
Gain on disposal of plant and equipment	(19)	(138)
Interest income	(149)	(294)
Plant and equipment written off	1	6
Interest expenses	(446)	700
Operating profit before changes in working capital	<u>14,917</u>	<u>82,158</u>
Changes in working capital:		
Receivables	(3,075)	(14,153)
Inventories	4,478	15,079
Payables and provisions	(25,321)	21,044
Cash (used in)/generated from operations	<u>(9,001)</u>	<u>104,128</u>
Income tax paid	(1,409)	(5,246)
Net cash (used in) / generated from operating activities	<u>(10,410)</u>	<u>98,882</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,115)	(19,006)
Purchase of intangible assets	(104)	(893)
Proceeds from disposal of property, plant and equipment	19	138
Interest received	149	294
Net cash used in investing activities	<u>(1,051)</u>	<u>(19,467)</u>

SAM ENGINEERING & EQUIPMENT (M) BERHAD
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)
FOR THE YEAR PERIOD 30 JUNE 2016

(The figures have not been audited)

	30-Jun-16	31-Mar-16
	RM'000	RM'000
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	-	(27,779)
Interest paid	-	(4,116)
Net cash used in financing activities	-	(31,895)
Net change in cash and cash equivalents	(11,461)	47,520
Effect of foreign exchange fluctuations	(755)	22,539
Cash and cash equivalents brought forward	173,644	103,585
Cash and cash equivalents carried forward	161,428	173,644

Cash and cash equivalents at the end of the financial period comprise the following:

Cash and bank balances	143,148	155,332
Deposits with licensed banks	18,280	18,312
	161,428	173,644

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Report for the year ended 31 March 2016.
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 2016. 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 2016.

2. Significant accounting policies

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

MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 5	Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)
Amendments to MFRS 7	Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)
Amendments to MFRS 10 & MFRS 12 & MFRS 128	Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 11	Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 101	Presentation of Financial Statements – Disclosure Initiative
Amendments to MFRS 116 & MFRS 138 & MFRS 141	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 119	Employee Benefits (Annual Improvements 2012-2014 Cycle)
Amendments to MFRS 127	Separate Financial Statements – Equity Method in Separate Financial Statements
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

Amendments to MFRS 107	Statements of Cash Flows - Disclosure Initiative
Amendments to MFRS 112	Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses

MFRSs and Amendments effective annual periods beginning on or after 1 January 2018

MFRS 9	Financial Instruments (2014)
MFRS 15	Revenue from Contracts with Customers
Clarifications to MFRS 15	Revenue from Contracts with Customers

2. Significant accounting policies (Continued)

MFRSs and Amendments effective annual periods beginning on or after 1 January 2019

MFRS 16 Leases

Amendments deferred to a date to be announced

Amendments to MFRS 10 & MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 15 Revenue from Contracts with Customers, MFRS 9 Financial Instruments, MFRS 16 Leases, and amendments to MFRS 10 Consolidated Financial Statements, MFRS 12 Disclosure of Interests in Other Entities and MFRS 128 Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception.

3. Audit opinion

The audit report for the audited financial statements of the Group for the financial year ended 31 March 2016 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 2016 except for the conversion of RM83,072,740 nominal value of ICULS into 39,558,445 ordinary shares of RM1 each.

8. Dividends paid

A single tier first interim dividend of 14.96 sen and a single tier special dividend of 25.35 sen per ordinary share totalling RM50.7 million for the financial year ended 31 March 2016 was paid on 5 August 2016.

In the preceding year, a single tier first interim dividend of 11.94 sen and a single tier special dividend of 20.26 sen per ordinary share totalling RM27.8 million for the financial year ended 31 March 2015 was paid on 28 August 2015.

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-16 RM'000	30-Jun-15 RM'000	30-Jun-16 RM'000	30-Jun-15 RM'000
Interest income	(149)	(57)	(149)	(57)
Other income	(1,414)	(1,202)	(1,414)	(1,202)
Interest expense	(446)	219	(446)	219
Depreciation and amortisation	4,128	3,684	4,128	3,684
(Write back)/ provision of receivables	-	-	-	-
Provision of inventories	537	1,494	537	1,494
Foreign exchange gain	(1,113)	(1,360)	(1,113)	(1,360)
Loss on derivatives	597	155	597	155

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	72,008	48,566	6,608	-	127,182
Inter segment sales	24	158	3,838	(4,020)	-
	<u>72,032</u>	<u>48,724</u>	<u>10,446</u>	<u>(4,020)</u>	<u>127,182</u>
Results					
Segment result (external)	5,386	2,728	2,096		10,210
Interest income					149
Finance costs					446
Profit before taxation					<u>10,805</u>
Tax expense					(963)
Profit for the period					<u><u>9,842</u></u>

11. Property, plant and equipment

Property, plant and equipment amounting to RM1.12 million were acquired during the current period-to-date (3 months ended 30 June 2015: RM0.28 million).

There was disposal of property, plant and equipment for RM0.02 million during the current period-to-date (3 months ended 30 June 2015: Nil).

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-16 RM'000	30-Jun-15 RM'000
Contracted but not provided for	32,396	5,490

16. Significant related party transaction

Significant transactions with related parties are as follows:

	3 months ended 30-Jun-16 RM'000
<u>Provision of goods/ services to related parties</u>	
Sale of aerospace parts	71,928
Provision of engineering & administrative services	137
	RM'000
<u>Purchase of goods/ services from related parties</u>	
Purchase of fabrication/ machining services	6,394
Provision of corporate management services	527
Provision of engineering & administrative services	955
Rental of office and factory premises	915

17. Review of performance

The Group revenue for the current quarter was lower at RM127.2 million as compared to RM162.0 million in the preceding quarter. The decrease in Group revenue was from all the three business segments. The decrease in revenue from the Aerospace segment of RM18.3 million was due to the weakening of demand for air cargo. Revenue from the Equipment Manufacturing segment decreased by RM15.5 million as the result of weaker demand from customers. Revenue for the Precision Engineering segment also decreased by RM1.0 million during the quarter.

The Group profit before tax for the current quarter was RM10.8 million compared to RM17.9 million in the preceding quarter. This was mainly due to the decrease in Group revenue.

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

The Group revenue for the quarter was RM127.2 million; a decrease of RM7.3 million as compared to RM134.5 million in the corresponding quarter of the preceding year. The decrease was mainly due to the decrease in revenue from the Aerospace segment of RM5.2 million. The revenue from both the Precision Engineering and Equipment Manufacturing segments decreased by RM1.5 million and RM0.6 million respectively during the quarter.

The Group profit before tax for the quarter was RM10.8 million compared to RM14.9 million in the corresponding quarter of the preceding year. The lower Group profit before tax of RM4.1 million during the current quarter was mainly due to the lower profit contribution from the Equipment Manufacturing and Aerospace segment. The Equipment Manufacturing segment reported a lower profit as a result of lower revenue from projects with higher margins. The Aerospace segment reported a lower profit due to lower revenue and new projects start-up cost.

19. Current year prospects

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

However, the semiconductor and equipment industries are experiencing a slowdown and capital expenditure budgets by both the semiconductor and equipment 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 equipment 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	
	2016	2015
	RM'000	RM'000
Current period		
- provision for taxation	1,082	1,782
- deferred taxation	(119)	(158)
	<u>963</u>	<u>1,624</u>
Prior Period		
- deferred taxation	-	2
	<u>963</u>	<u>1,626</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-16 RM'000	As at 30-Jun-15 RM'000
Short term borrowings		
Unsecured	722	3,945
Long term borrowings		
Unsecured	159	4,453
TOTAL	<u>881</u>	<u>8,398</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-16 RM'000	As at 30-Jun-15 RM'000
Retained earnings		
- Realised	193,973	170,951
- Unrealised	(9,015)	(5,727)
	<u>184,958</u>	<u>165,224</u>
Add: Consolidation adjustments	(856)	(1,150)
Total retained earnings	<u>184,102</u>	<u>164,074</u>

26. Proposed dividend

No dividend has been recommended in respect of 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-16 RM'000	30-Jun-15 RM'000	30-Jun-16 RM'000	30-Jun-15 RM'000
Net profit attributable to ordinary shareholders (Basic)	9,842	13,252	9,842	13,252
Finance costs on ICULS	(339)	166	(339)	166
Net profit attributable to ordinary shareholders (Diluted)	<u>9,503</u>	<u>13,418</u>	<u>9,503</u>	<u>13,418</u>
	'000	'000	'000	'000
Weighted average no. of shares (Basic)	102,402	84,345	102,402	84,345
Effect on conversion of ICULS	32,765	50,822	32,765	50,822
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>9.61</u>	<u>15.71</u>	<u>9.61</u>	<u>15.71</u>
Diluted earnings per share (sen)	<u>7.03</u>	<u>9.93</u>	<u>7.03</u>	<u>9.93</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
 17 August 2016