



SAM ENGINEERING & EQUIPMENT (M) BERHAD

(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT FOR QUARTER ENDED 30 SEPTEMBER 2016

CONTENTS

	Page
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2016..	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 SEPTEMBER 2016

(The figures have not been audited)

	As at 30-Sep-16 RM'000	As at 31-Mar-16 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	103,094	103,518
Intangible assets	1,265	1,388
Deferred tax assets	341	499
Current assets		
Trade and other receivables	158,773	151,829
Inventories	116,282	124,372
Current tax assets	560	347
Cash and cash equivalents	117,999	173,644
	<u>393,614</u>	<u>450,192</u>
TOTAL ASSETS	<u><u>498,314</u></u>	<u><u>555,597</u></u>
EQUITY AND LIABILITIES		
Share capital	125,885	86,322
Reserves	283,416	352,262
Total equity	<u>409,301</u>	<u>438,584</u>
Non-current liabilities		
Deferred tax liabilities	2,939	4,357
ICULS	-	1,709
Current liabilities		
Trade and other payables	78,744	100,408
ICULS	722	3,797
Current tax liabilities	6,608	6,742
	<u>86,074</u>	<u>110,947</u>
TOTAL EQUITY AND LIABILITIES	<u><u>498,314</u></u>	<u><u>555,597</u></u>
Net assets per share (sen)	<u><u>325[#]</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 125.885 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 SEPTEMBER 2016**

(The figures have not been audited)

	Note	Current Quarter 3 months ended		Cumulative Quarter 6 months ended	
		30-Sep-16 RM'000	30-Sep-15 RM'000	30-Sep-16 RM'000	30-Sep-15 RM'000
Revenue		121,542	168,589	248,724	303,053
Cost of support services and goods sold		(106,422)	(147,877)	(217,914)	(264,376)
Gross profit		15,120	20,712	30,810	38,677
Other operating income		2,375	8,802	8,441	12,617
Other operating expenses		(2,189)	(1,943)	(6,441)	(3,298)
Distribution and administrative expenses		(6,862)	(7,311)	(14,007)	(12,639)
Finance costs		(501)	(162)	(55)	(381)
Profit before tax		7,943	20,098	18,748	34,976
Income tax expense	21	(2,301)	(2,305)	(3,264)	(3,931)
Profit for the period	9	5,642	17,793	15,484	31,045
Other comprehensive income, net of tax					
Items that may be reclassified subsequently to profit and loss					
Foreign currency translation differences for foreign operations		1,363	30,392	775	33,292
Cash flow hedge		(333)	-	(328)	-
Total comprehensive income for the period		6,672	48,185	15,931	64,337
Profit attributable to:					
Owners of the Company		5,642	17,793	15,484	31,045
Profit for the period		5,642	17,793	15,484	31,045
Total comprehensive income attributable to:					
Owners of the Company		6,672	48,185	15,931	64,337
Total comprehensive income for the period		6,672	48,185	15,931	64,337
Earnings per share					
Basic earnings per share (sen)	27	4.48	20.65	13.56	36.41
Diluted earnings per share (sen)	27	4.46	13.25	11.49	23.18

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

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 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	-	-	-	33,292	-	31,045	64,337
Conversion of ICULS	1,978	2,176	-	-	(3,332)	(415)	407
Dividends paid to owners	-	-	-	-	-	(27,779)	(27,779)
As at 30.09.2015	86,269	23,776	-	67,047	82,377	153,701	413,170
As at 1.4.2016	86,322	23,835	670	59,721	82,287	185,749	438,584
Total comprehensive income for the period	-	-	(328)	775	-	15,484	15,931
Conversion of ICULS	39,563	43,519	-	-	(66,650)	(10,902)	5,530
Dividends paid to owners	-	-	-	-	-	(50,744)	(50,744)
As at 30.09.2016	125,885	67,354	342	60,496	15,637	139,587	409,301

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 ENDED 30 SEPTEMBER 2016**

(The figures have not been audited)

	30-Sep-16 RM'000	31-Mar-16 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax from continuing operations	18,748	68,672
Adjustment for:		
Depreciation of property, plant and equipment	7,915	15,325
Amortisation of intangible assets	265	438
Net fair value loss/(gain) on derivatives	1,950	(2,551)
Gain on disposal of plant and equipment	(43)	(138)
Interest income	(436)	(294)
Plant and equipment written off	46	6
Interest expenses	55	700
Operating profit before changes in working capital	<u>28,500</u>	<u>82,158</u>
Changes in working capital:		
Receivables	(27,272)	(14,153)
Inventories	8,048	15,079
Payables and provisions	(3,852)	21,044
Cash generated from operations	<u>5,424</u>	<u>104,128</u>
Income tax paid	(3,678)	(5,246)
Net cash generated from operating activities	<u>1,746</u>	<u>98,882</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(7,543)	(19,006)
Purchase of intangible assets	(145)	(893)
Proceeds from disposal of property, plant and equipment	14	138
Interest received	436	294
Net cash used in investing activities	<u>(7,238)</u>	<u>(19,467)</u>

SAM ENGINEERING & EQUIPMENT (M) BERHAD

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

(The figures have not been audited)

	30-Sep-16 RM'000	31-Mar-16 RM'000
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	(50,744)	(27,779)
Interest paid	-	(4,116)
Net cash used in financing activities	<u>(50,744)</u>	<u>(31,895)</u>
Net change in cash and cash equivalents	(56,236)	47,520
Effect of foreign exchange fluctuations	591	22,539
Cash and cash equivalents brought forward	<u>173,644</u>	<u>103,585</u>
Cash and cash equivalents carried forward	<u><u>117,999</u></u>	<u><u>173,644</u></u>

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

Cash and bank balances	112,017	155,332
Deposits with licensed banks	5,982	18,312
	<u>117,999</u>	<u>173,644</u>

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

Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions
MFRS 9	Financial Instruments (2014)
MFRS 15	Revenue from Contracts with Customers

2. Significant accounting policies (Cont'd)

MFRSs and Amendments effective annual periods beginning on or after 1 January 2018 (Cont'd)

Clarifications to MFRS 15 Revenue from Contracts with Customers

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 September 2016 except for the conversion of RM83,081,248 nominal value of ICULS into 39,562,496 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-Sep-16 RM'000	30-Sep-15 RM'000	30-Sep-16 RM'000	30-Sep-15 RM'000
Interest income	(287)	(47)	(436)	(104)
Other income	(1,337)	(1,444)	(2,751)	(2,646)
Interest expense	501	162	55	381
Depreciation and amortisation	4,052	3,628	8,180	7,312
Provision of receivables	-	135	-	135
Provision of inventories	(204)	(299)	333	1,195
Foreign exchange (gain)/loss	(337)	(6,614)	(1,450)	(7,974)
Loss on derivatives	1,353	1,250	1,950	1,405

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	144,941	86,550	17,233	-	248,724
Inter segment sales	119	432	7,235	(7,786)	-
	<u>145,060</u>	<u>86,982</u>	<u>24,468</u>	<u>(7,786)</u>	<u>248,724</u>
Results					
Segment result (external)	10,016	2,921	5,430		18,367
Interest income					436
Finance costs					(55)
Profit before taxation					<u>18,748</u>
Tax expense					(3,264)
Profit for the period					<u>15,484</u>

11. Property, plant and equipment

Property, plant and equipment amounting to RM7.54 million were acquired during the current period-to-date (6 months ended 30 September 2015: RM2.73 million).

There was disposal of property, plant and equipment for RM0.01 million during the current period-to-date (6 months ended 30 September 2015: RM0.10 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-16 RM'000	30-Sep-15 RM'000
Contracted but not provided for	31,966	3,832

16. Significant related party transaction

Significant transactions with related parties are as follows:

	6 months ended 30-Sep-16 RM'000
<u>Provision of goods/ services to related parties</u>	
Sale of aerospace parts	135,136
Provision of engineering & administrative services	273
	RM'000
<u>Purchase of goods/ services from related parties</u>	
Purchase of fabrication/ machining services	12,776
Provision of corporate management services	1,111
Provision of engineering & administrative services	1,680
Rental of office and factory premises	1,832

17. Review of performance

The Group revenue for the current quarter was lower at RM121.5 million as compared to RM127.1 million in the preceding quarter. The decrease in Group revenue was mainly due to the decrease in revenue from the Equipment Manufacturing segment by RM10.5m as a result of weaker demand from customers. On the other hand, revenue for the Precision Engineering segment and Aerospace segment increased by RM4.0m and RM0.9m respectively during the quarter.

The Group profit before tax for the current quarter was RM7.9 million compared to RM10.8 million in the preceding quarter. This was mainly due to the lower profit contribution from the Equipment Manufacturing and Aerospace segments. The Equipment Manufacturing segment reported a lower profit as a result of lower revenue. The Aerospace segment reported a lower profit due to new projects start-up cost.

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

The Group revenue for the quarter was RM121.5 million; a decrease of RM47.1 million as compared to RM168.6 million in the corresponding quarter of the preceding year. All the three business segments reported lower revenue. Revenue from the Equipment Manufacturing segment was lower by RM32.8million as a result of weaker demand from customers. Revenue from the Aerospace segment decreased by RM14 million due to the weakening demand for air cargo and the reduction in the production rate for A380 aircraft. Revenue for the Precision Engineering segment also decreased by RM0.2 million during the quarter.

The Group profit before tax for the quarter was RM7.9 million compared to RM20.1 million in the corresponding quarter of the preceding year. The lower Group profit before tax of RM12.2 million during the current quarter was mainly due to lower Group revenue, new projects start-up cost and foreign exchange movement.

19. Current year prospects

We expect the revenue from the aerospace industry which accounts for about 58% 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		6 months ended	
	30-Sep		30-Sep	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Current period				
- provision for taxation	2,348	2,565	3,430	4,347
- deferred taxation	(688)	(260)	(807)	(418)
	<u>1,660</u>	<u>2,305</u>	<u>2,623</u>	<u>3,929</u>
Prior period				
- provision for taxation	26	-	26	-
- deferred taxation	615	-	615	2
	<u>2,301</u>	<u>2,305</u>	<u>3,264</u>	<u>3,931</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-16	30-Sep-15
	RM'000	RM'000
Short term borrowings		
Unsecured	722	3,801
Long term borrowings		
Unsecured	-	3,515
TOTAL	<u>722</u>	<u>7,316</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-Sep-16 RM'000	As at 30-Sep-15 RM'000
Retained earnings		
- Realised	151,536	161,618
- Unrealised	(11,140)	(6,474)
	<u>140,396</u>	<u>155,144</u>
Add: Consolidation adjustments	(809)	(1,443)
Total retained earnings	<u><u>139,587</u></u>	<u><u>153,701</u></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 6 months ended	
	30-Sep-16 RM'000	30-Sep-15 RM'000	30-Sep-16 RM'000	30-Sep-15 RM'000
Net profit attributable to ordinary shareholders (Basic)	5,642	17,793	15,484	31,045
Finance costs on ICULS	381	123	42	289
Net profit attributable to ordinary shareholders (Diluted)	<u>6,023</u>	<u>17,916</u>	<u>15,526</u>	<u>31,334</u>
	'000	'000	'000	'000
Weighted average no. of shares (Basic)	125,885	86,176	114,207	85,266
Effect on conversion of ICULS	9,282	48,991	20,960	49,901
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>4.48</u>	<u>20.65</u>	<u>13.56</u>	<u>36.41</u>
Diluted earnings per share (sen)	<u><u>4.46</u></u>	<u><u>13.25</u></u>	<u><u>11.49</u></u>	<u><u>23.18</u></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
30 November 2016