



SAM ENGINEERING & EQUIPMENT (M) BERHAD

(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT FOR QUARTER ENDED 31 DECEMBER 2016

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SAM ENGINEERING & EQUIPMENT (M) BERHAD

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

(The figures have not been audited)

	As at 31-Dec-16 RM'000	As at 31-Mar-16 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	106,984	103,518
Intangible assets	1,211	1,388
Deferred tax assets	239	499
Current assets		
Trade and other receivables	206,023	151,829
Inventories	140,732	124,372
Current tax assets	29	347
Cash and cash equivalents	91,166	173,644
	<u>437,950</u>	<u>450,192</u>
TOTAL ASSETS	<u><u>546,384</u></u>	<u><u>555,597</u></u>
EQUITY AND LIABILITIES		
Share capital	125,890	86,322
Reserves	309,726	352,262
Total equity	<u>435,616</u>	<u>438,584</u>
Non-current liabilities		
Deferred tax liabilities	3,271	4,357
ICULS	-	1,709
Current liabilities		
Trade and other payables	98,726	100,408
ICULS	530	3,797
Current tax liabilities	8,241	6,742
	<u>107,497</u>	<u>110,947</u>
TOTAL EQUITY AND LIABILITIES	<u><u>546,384</u></u>	<u><u>555,597</u></u>
Net assets per share (sen)	<u><u>346[#]</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 125.890 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 31 DECEMBER 2016**

(The figures have not been audited)

	Note	Current Quarter 3 months ended		Cumulative Quarter 9 months ended	
		31-Dec-16 RM'000	31-Dec-15 RM'000	31-Dec-16 RM'000	31-Dec-15 RM'000
Revenue		132,490	155,025	381,214	458,078
Cost of support services and goods sold		(110,951)	(133,296)	(328,865)	(397,672)
Gross profit		21,539	21,729	52,349	60,406
Other operating income		2,457	5,271	10,898	17,888
Other operating expenses		(1,666)	(3,962)	(8,107)	(7,260)
Distribution and administrative expenses		(7,097)	(7,042)	(21,104)	(19,681)
Finance costs		(14)	(170)	(69)	(551)
Profit before tax		15,219	15,826	33,967	50,802
Income tax expense	21	(5,515)	(1,181)	(8,779)	(5,112)
Profit for the period	9	9,704	14,645	25,188	45,690
Other comprehensive income, net of tax					
Items that may be reclassified subsequently to profit and loss					
Foreign currency translation differences for foreign operations		19,179	2,156	19,954	35,448
Cash flow hedge		(2,764)	(71)	(3,092)	(71)
Total comprehensive income for the period		26,119	16,730	42,050	81,067
Profit attributable to:					
Owners of the Company		9,704	14,645	25,188	45,690
Profit for the period		9,704	14,645	25,188	45,690
Total comprehensive income attributable to:					
Owners of the Company		26,119	16,730	42,050	81,067
Total comprehensive income for the period		26,119	16,730	42,050	81,067
Earnings per share					
Basic earnings per share (sen)	27	7.71	16.97	21.32	53.37
Diluted earnings per share (sen)	27	7.19	10.93	18.67	34.11

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 31 DECEMBER 2016**

(The figures have not been audited)

	←	Non Distributable		→			
	Share Capital	Share Premium	Hedging Reserve	Translation Reserve	Capital Reserve	Distributable 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	-	-	(71)	35,448	-	45,690	81,067
Conversion of ICULS	2,006	2,207	-	-	(3,380)	(410)	423
Dividends paid to owners	-	-	-	-	-	(27,779)	(27,779)
As at 31.12.2015	86,297	23,807	(71)	69,203	82,329	168,351	429,916
As at 1.4.2016	86,322	23,835	670	59,721	82,287	185,749	438,584
Total comprehensive income for the period	-	-	(3,092)	19,954	-	25,188	42,050
Conversion of ICULS	39,568	43,525	-	-	(66,659)	(10,708)	5,726
Dividends paid to owners	-	-	-	-	-	(50,744)	(50,744)
As at 31.12.2016	125,890	67,360	(2,422)	79,675	15,628	149,485	435,616

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 PERIOD ENDED 31 DECEMBER 2016**

(The figures have not been audited)

	31-Dec-16 RM'000	31-Dec-15 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax from continuing operations	33,967	50,802
Adjustment for:		
Depreciation of property, plant and equipment	12,141	10,788
Amortisation of intangible assets	367	285
Net fair value loss/(gain) on derivatives	2,876	(524)
Gain on disposal of plant and equipment	(40)	(124)
Interest income	(375)	(156)
Plant and equipment written off	355	-
Interest expenses	69	551
Operating profit before changes in working capital	<u>49,360</u>	<u>61,622</u>
Changes in working capital:		
Receivables	(89,663)	(32,762)
Inventories	(18,113)	13,780
Payables and provisions	27,963	3,177
Cash generated from operations	<u>(30,453)</u>	<u>45,817</u>
Income tax paid	(7,959)	(5,087)
Net cash generated from operating activities	<u>(38,412)</u>	<u>40,730</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(12,520)	(5,947)
Purchase of intangible assets	(152)	(734)
Proceeds from disposal of property, plant and equipment	(271)	130
Interest received	375	156
Net cash used in investing activities	<u>(12,568)</u>	<u>(6,395)</u>

SAM ENGINEERING & EQUIPMENT (M) BERHAD

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2016**

(The figures have not been audited)

	31-Dec-16 RM'000	31-Dec-15 RM'000
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	(50,744)	(27,779)
Interest paid	(358)	(2,071)
Net cash used in financing activities	<u>(51,102)</u>	<u>(29,850)</u>
Net change in cash and cash equivalents	(102,082)	4,485
Effect of foreign exchange fluctuations	19,604	38,238
Cash and cash equivalents brought forward	<u>173,644</u>	<u>103,585</u>
Cash and cash equivalents carried forward	<u><u>91,166</u></u>	<u><u>146,308</u></u>

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

Cash and bank balances	87,606	138,413
Deposits with licensed banks	3,560	7,895
	<u>91,166</u>	<u>146,308</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 31 December 2016 except for the conversion of RM83,092,236 nominal value of ICULS into 39,567,728 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 9 months ended	
	31-Dec-16 RM'000	31-Dec-15 RM'000	31-Dec-16 RM'000	31-Dec-15 RM'000
Interest income	61	(52)	(375)	(156)
Other income	(1,583)	(1,392)	(4,334)	(4,038)
Interest expense	14	170	69	551
Depreciation and amortisation	4,328	3,761	12,508	11,073
Provision of receivables	-	5	-	140
Provision of inventories	316	338	649	1,533
Foreign exchange (gain)/loss	(615)	1,709	(2,065)	(6,265)
Loss on derivatives	926	(1,929)	2,876	(524)

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	214,515	136,871	29,828	-	381,214
Inter segment sales	323	743	9,850	(10,916)	-
	<u>214,838</u>	<u>137,614</u>	<u>39,678</u>	<u>(10,916)</u>	<u>381,214</u>
Results					
Segment result (external)	14,227	10,041	9,393		33,661
Interest income					375
Finance costs					(69)
Profit before taxation					<u>33,967</u>
Tax expense					(8,779)
Profit for the period					<u>25,188</u>

11. Property, plant and equipment

Property, plant and equipment amounting to RM12.52 million were acquired during the current period-to-date (9 months ended 31 December 2015: RM5.95 million).

There was disposal of property, plant and equipment for RM0.27 million during the current period-to-date (9 months ended 31 December 2015: RM0.13 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 apart from the cessation of SAM Meerkat (Suzhou) Co., Ltd as a wholly-owned subsidiary of SAMEE effective 12 December 2016.

14. Contingent liabilities

There is no contingent liability since the date of the last annual statement of financial position.

15. Capital commitments

	31-Dec-16 RM'000	31-Dec-15 RM'000
Contracted but not provided for	32,510	8,593

16. Significant related party transaction

Significant transactions with related parties are as follows:

	9 months ended 31-Dec-16 RM'000
<u>Provision of goods/ services to related parties</u>	
Sale of aerospace parts	170,282
Provision of engineering & administrative services	412
	RM'000
<u>Purchase of goods/ services from related parties</u>	
Purchase of fabrication/ machining services	19,309
Provision of corporate management services	1,743
Provision of engineering & administrative services	3,125
Rental of office and factory premises	2,772

17. Review of performance

The Group revenue for the current quarter was higher at RM132.4 million as compared to RM121.5 million in the preceding quarter. The increase in Group revenue was mainly due to the increase in revenue from the Equipment Manufacturing segment by RM12.3 million as a result of higher demand from customers. Revenue from Precision Engineering segment increased by RM2.0 million. On the other hand, revenue for the Aerospace segment decreased by RM3.4 million during the quarter.

The Group profit before tax for the current quarter was RM15.2 million compared to RM7.9 million in the preceding quarter. This was mainly due to the higher profit contribution from the Equipment Manufacturing segment as a result of higher revenue and a favorable change in the product mix, yielding higher margins.

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

The Group revenue for the quarter was RM132.5 million; a decrease of RM22.5 million as compared to RM155.0 million in the corresponding quarter of the preceding year. The decrease in Group revenue was mainly due to the decrease in revenue from the Equipment Manufacturing and Aerospace segments. Revenue from the Equipment Manufacturing segment was lower by RM16.4 million as a result of weaker demand from customers. Revenue from the Aerospace segment decreased by RM9.2 million due to the lower demand for air cargo and business jets. On the other hand, revenue for the Precision Engineering segment increased by RM3.1 million during the quarter.

The Group profit before tax for the quarter was RM15.2 million compared to RM15.8 million in the corresponding quarter of the preceding year. The lower Group profit before tax of RM0.6 million during the current quarter was mainly due to lower Group revenue and new projects start-up cost. This was partially mitigated by the favorable change in the product mix in the Equipment Manufacturing segment resulting in higher profit margin and lower expenses in the aerospace segment.

19. Current year prospects

We expect the revenue from the aerospace industry which accounts for about 56% of our Group revenue to remain stable.

Although there is an increase in the revenue in the Equipment Manufacturing segment this quarter, the semiconductor and equipment industries are still 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 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		9 months ended	
	31-Dec		31-Dec	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Current period				
- provision for taxation	4,721	2,360	8,151	6,707
- deferred taxation	315	(1,067)	(492)	(1,485)
	<u>5,036</u>	<u>1,293</u>	<u>7,659</u>	<u>5,222</u>
Prior period				
- provision for taxation	479	(114)	505	(114)
- deferred taxation	-	2	615	4
	<u>5,515</u>	<u>1,181</u>	<u>8,779</u>	<u>5,112</u>

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
	31-Dec-16	31-Dec-15
	RM'000	RM'000
Short term borrowings		
Unsecured	530	3,799
Long term borrowings		
Unsecured	-	2,584
TOTAL	<u>530</u>	<u>6,383</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 31-Dec-16 RM'000	As at 31-Dec-15 RM'000
Retained earnings		
- Realised	164,288	177,947
- Unrealised	(13,987)	(8,431)
	150,301	169,516
Add: Consolidation adjustments	(816)	(1,165)
Total retained earnings	149,485	168,351

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 9 months ended	
	31-Dec-16 RM'000	31-Dec-15 RM'000	31-Dec-16 RM'000	31-Dec-15 RM'000
Net profit attributable to ordinary shareholders (Basic)	9,704	14,645	25,188	45,690
Finance costs on ICULS	12	130	53	419
Net profit attributable to ordinary shareholders (Diluted)	9,716	14,775	25,241	46,109
	'000	'000	'000	'000
Weighted average no. of shares (Basic)	125,889	86,287	118,116	85,607
Effect on conversion of ICULS	9,278	48,880	17,051	49,560
Weighted average no. of shares (Diluted)	135,167	135,167	135,167	135,167
Basic earnings per share (sen)	7.71	16.97	21.32	53.37
Diluted earnings per share (sen)	7.19	10.93	18.67	34.11

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
7 February 2017