



SAM ENGINEERING & EQUIPMENT (M) BERHAD

(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT FOR QUARTER ENDED 31 MARCH 2017

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SAM ENGINEERING & EQUIPMENT (M) BERHAD

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2017

(The figures have not been audited)

	As at 31-Mar-17 RM'000	As at 31-Mar-16 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	148,688	103,518
Intangible assets	3,706	1,388
Deferred tax assets	2,883	499
Current assets		
Trade and other receivables	183,291	151,829
Inventories	141,871	124,372
Current tax assets	1,489	347
Cash and cash equivalents	99,001	173,644
	425,652	450,192
TOTAL ASSETS	580,929	555,597
EQUITY AND LIABILITIES		
Share capital	125,890	86,322
Reserves	329,142	352,262
Total equity	455,032	438,584
Non-current liabilities		
Other payables	778	-
Deferred tax liabilities	2,791	4,357
ICULS	-	1,709
Current liabilities		
Trade and other payables	112,737	100,408
ICULS	352	3,797
Current tax liabilities	9,239	6,742
	122,328	110,947
TOTAL EQUITY AND LIABILITIES	580,929	555,597
Net assets per share (sen)	361 [#]	508

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 MARCH 2017**

(The figures have not been audited)

	Note	Current Quarter 3 months ended		Cumulative Quarter 12 months ended	
		31-Mar-17 RM'000	31-Mar-16 RM'000	31-Mar-17 RM'000	31-Mar-16 RM'000
Revenue		156,183	161,976	537,397	620,054
Cost of support services and goods sold		(129,230)	(138,855)	(458,095)	(536,527)
Gross profit		26,953	23,121	79,302	83,527
Other operating income		(1,536)	3,790	9,362	21,678
Other operating expenses		2,898	(2,546)	(5,209)	(9,806)
Distribution and administrative expenses		(6,913)	(6,346)	(28,017)	(26,027)
Finance costs		(15)	(149)	(84)	(700)
Profit before tax		21,387	17,870	55,354	68,672
Income tax expense	21	(2,968)	(466)	(11,747)	(5,578)
Profit for the year	9	18,419	17,404	43,607	63,094
Other comprehensive income, net of tax					
Items that may be reclassified subsequently to profit and loss					
Foreign currency translation differences for foreign operations		493	(9,482)	20,447	25,966
Cash flow hedge		646	741	(2,446)	670
Total comprehensive income for the year		19,558	8,663	61,608	89,730
Profit attributable to:					
Owners of the Company		18,419	17,404	43,607	63,094
Profit for the year		18,419	17,404	43,607	63,094
Total comprehensive income attributable to:					
Owners of the Company		19,558	8,663	61,608	89,730
Total comprehensive income for the year		19,558	8,663	61,608	89,730
Earnings per share					
Basic earnings per share (sen)	27	14.63	20.16	36.33	73.55
Diluted earnings per share (sen)	27	13.63	12.96	32.31	47.07

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 MARCH 2017**

(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 year	-	-	670	25,966	-	63,094	89,730
Conversion of ICULS	2,031	2,235	-	-	(3,422)	(416)	428
Dividends paid to owners	-	-	-	-	-	(27,779)	(27,779)
As at 31.03.2016	86,322	23,835	670	59,721	82,287	185,749	438,584
As at 1.4.2016	86,322	23,835	670	59,721	82,287	185,749	438,584
Total comprehensive income for the year	-	-	(2,446)	20,447	-	43,607	61,608
Conversion of ICULS	39,568	43,525	-	-	(66,659)	(10,850)	5,584
Dividends paid to owners	-	-	-	-	-	(50,744)	(50,744)
As at 31.03.2017	125,890	67,360	(1,776)	80,168	15,628	167,762	455,032

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 MARCH 2017**

(The figures have not been audited)

	31-Mar-17 RM'000	31-Mar-16 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax from continuing operations	55,354	68,672
Adjustment for:		
Depreciation of property, plant and equipment	16,393	15,325
Amortisation of intangible assets	527	438
Net fair value loss/ (gain) on derivatives	1,181	(2,551)
Gain on disposal of plant and equipment	(81)	(138)
Interest income	(447)	(294)
Plant and equipment written off	8	6
Interest expenses	84	700
Operating profit before changes in working capital	73,019	82,158
Changes in working capital:		
Receivables	(13,387)	(14,153)
Inventories	(18,442)	15,079
Payables and provisions	10,369	21,044
Cash generated from operations	51,559	104,128
Income tax paid	(12,953)	(5,246)
Net cash generated from operating activities	38,606	98,882
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(79,966)	(19,006)
Purchase of intangible assets	(2,809)	(893)
Proceeds from disposal of property, plant and equipment	134	138
Interest received	447	294
Net cash used in investing activities	(82,194)	(19,467)

SAM ENGINEERING & EQUIPMENT (M) BERHAD

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2017**

(The figures have not been audited)

	31-Mar-17	31-Mar-16
	RM'000	RM'000
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	(50,744)	(27,779)
Interest paid	(784)	(4,116)
Net cash used in financing activities	<u>(51,528)</u>	<u>(31,895)</u>
Net change in cash and cash equivalents	(95,116)	47,520
Effect of foreign exchange fluctuations	20,473	22,539
Cash and cash equivalents brought forward	<u>173,644</u>	<u>103,585</u>
Cash and cash equivalents carried forward	<u><u>99,001</u></u>	<u><u>173,644</u></u>

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

Cash and bank balances	99,001	155,332
Deposits with licensed banks	-	18,312
	<u>99,001</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 2017

Amendments to MFRS 12	Disclosure of Interests in Other Entities
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
IC Interpretation 22	Foreign Currency Transactions an Advance Consideration
Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards
Amendments to MFRS 2	Share-based Payment
Amendments to MFRS 4	Insurance Contracts
Amendments to MFRS 128	Investments in Associates and Joint Ventures
Amendments to MFRS 140	Investment Property

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

MFRS 16	Leases
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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
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2. Significant accounting policies (Cont'd)

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 year-to-date.

7. Debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayment of debt and equity securities for the financial year ended 31 March 2017 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.

9. Profit for the period

Profit for the period is arrived at after charging/ (crediting):

	Current Quarter 3 months ended		Cumulative Quarter 12 months ended	
	31-Mar-17 RM'000	31-Mar-16 RM'000	31-Mar-17 RM'000	31-Mar-16 RM'000
Interest income	(72)	(138)	(447)	(294)
Other income	(1,472)	(1,552)	(5,806)	(5,590)
Interest expense	15	149	84	700
Depreciation and amortisation	4,412	4,690	16,920	15,763
(Write-back)/ Provision of receivables	-	(3)	-	137
(Reversal)/written down of inventories	(2,847)	(340)	(2,198)	1,193
Foreign exchange loss/ (gain)	1,489	1,477	(576)	(4,788)
(Gain)/ loss on derivatives	(1,695)	(2,027)	1,181	(2,551)

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	310,234	183,257	43,906	-	537,397
Inter segment sales	556	932	13,503	(14,991)	-
	<u>310,790</u>	<u>184,189</u>	<u>57,409</u>	<u>(14,991)</u>	<u>537,397</u>
Results					
Segment result (external)	23,699	17,857	13,435		54,991
Interest income					447
Finance costs					(84)
Profit before taxation					<u>55,354</u>
Tax expense					(11,747)
Profit for the period					<u>43,607</u>

11. Property, plant and equipment

Property, plant and equipment amounting to RM79.97 million were acquired during the current year-to-date (12 months ended 31 March 2016: RM19.01 million).

There were disposals of property, plant and equipment for RM0.13 million during the year-to-date (12 months ended 31 March 2016: RM0.14 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-Mar-17 RM'000	31-Mar-16 RM'000
Contracted but not provided for	39,746	43,678

16. Significant related party transaction

Significant transactions with related parties are as follows:

	12 months ended 31-Mar-17 RM'000
<u>Provision of goods/ services to related parties</u>	
Sale of aerospace parts	217,909
Provision of engineering & administrative services	581
	RM'000
<u>Purchase of goods/ services from related parties</u>	
Purchase of fabrication/ machining services	25,643
Provision of corporate management services	2,034
Provision of engineering & administrative services	5,870
Rental of office and factory premises	3,916

17. Review of performance

The Group revenue for the current quarter was higher at RM156.2 million as compared to RM132.5 million in the preceding quarter. The increase in Group revenue was mainly due to the increase in revenue from the Aerospace segment by RM26.1 million as a result of higher demand from customers. Revenue from Precision Engineering segment increased by RM1.5 million. On the other hand, revenue for the Equipment Manufacturing segment decreased by RM3.9 million during the quarter.

The Group profit before tax for the current quarter was RM21.4 million compared to RM15.2 million in the preceding quarter. This was mainly due to the higher profit contribution from the Aerospace and Equipment Manufacturing segments 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 RM156.2 million; a decrease of RM5.8 million as compared to RM162.0 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 segment by RM17.7 million as a result of weaker demand from customers. On the other hand, revenue from the Aerospace and Precision Engineering segments increased by RM5.4 million and RM6.5m respectively during the quarter.

Despite the lower Group revenue, the Group profit before tax for the quarter was RM21.4 million compared to RM17.9 million in the corresponding quarter of the preceding year. The higher Group profit before tax of RM3.5 million during the current quarter was mainly due to the higher revenue in the Precision Engineering segment and favorable change in the product mix in the Equipment Manufacturing segment (resulting in higher profit margin). This was partially mitigated by the new project start-up cost in the Aerospace segment.

19. Future year prospects

We expect the revenue from the aerospace industry which accounts for about 58% of our Group revenue to remain stable.

We expect revenue from the equipment manufacturing and precision engineering businesses to improve for the next two quarters on the back of improving semi-conductor industry except for the personal computer segment.

The Board of Directors anticipates that the longer term future demand for the industry will continue to grow.

20. Profit forecast and profit guarantee

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

21. Taxation

	3 months ended		12 months ended	
	31-Mar		31-Mar	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Current period				
- provision for taxation	5,708	1,118	13,859	7,825
- deferred taxation	(2,363)	337	(2,855)	(1,148)
	<u>3,345</u>	<u>1,455</u>	<u>11,004</u>	<u>6,677</u>
Prior period				
- provision for taxation	236	(965)	741	(1,079)
- deferred taxation	(613)	(24)	2	(20)
	<u>2,968</u>	<u>466</u>	<u>11,747</u>	<u>5,578</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-Mar-17	31-Mar-16
	RM'000	RM'000
Short term borrowings		
Unsecured	352	3,797
Long term borrowings		
Unsecured	-	1,709
TOTAL	<u>352</u>	<u>5,506</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-Mar-16 RM'000	As at 31-Mar-16 RM'000
Retained earnings		
- Realised	176,633	195,267
- Unrealised	(7,958)	(8,555)
	168,675	186,712
Add: Consolidation adjustments	(913)	(963)
Total retained earnings	167,762	185,749

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 12 months ended	
	31-Mar-17 RM'000	31-Mar-16 RM'000	31-Mar-17 RM'000	31-Mar-16 RM'000
Net profit attributable to ordinary shareholders (Basic)	18,419	17,404	43,607	63,094
Finance costs on ICULS	11	113	64	532
Net profit attributable to ordinary shareholders (Diluted)	18,430	17,517	43,671	63,626
	'000	'000	'000	'000
Weighted average no. of shares (Basic)	125,890	86,323	120,033	85,785
Effect on conversion of ICULS	9,277	48,844	15,134	49,382
Weighted average no. of shares (Diluted)	135,167	135,167	135,167	135,167
Basic earnings per share (sen)	14.63	20.16	36.33	73.55
Diluted earnings per share (sen)	13.63	12.96	32.31	47.07

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
18 May 2017