



SAM ENGINEERING & EQUIPMENT (M) BERHAD

(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT

FOR QUARTER ENDED 30 JUNE 2017

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

(The figures have not been audited)

	As at 30-Jun-17 RM'000	As at 31-Mar-17 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	142,884	148,688
Intangible assets	11,934	3,706
Deferred tax assets	2,505	2,883
Current assets		
Trade and other receivables	196,752	183,291
Inventories	151,280	141,871
Current tax assets	1,473	1,489
Cash and cash equivalents	69,089	99,001
	418,594	425,652
TOTAL ASSETS	575,917	580,929
EQUITY AND LIABILITIES		
Share capital	193,275	193,250
Reserves	258,352	261,782
Total equity	451,627	455,032
Non-current liabilities		
Other payables	740	778
Deferred tax liabilities	3,525	2,791
Current liabilities		
Trade and other payables	111,926	112,737
ICULS	172	352
Current tax liabilities	7,927	9,239
	120,025	122,328
TOTAL EQUITY AND LIABILITIES	575,917	580,929
Net assets per share (sen)	359	361

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Report for the financial year ended 31 March 2017.
 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 2017**

(The figures have not been audited)

	Note	Current Quarter 3 months ended		Cumulative Quarter 3 months ended	
		30-Jun-17 RM'000	30-Jun-16 RM'000	30-Jun-17 RM'000	30-Jun-16 RM'000
Revenue		133,357	127,182	133,357	127,182
Cost of support services and goods sold		(114,339)	(111,492)	(114,339)	(111,492)
Gross profit		19,018	15,690	19,018	15,690
Other operating income		3,166	6,066	3,166	6,066
Other operating expenses		(1,668)	(4,252)	(1,668)	(4,252)
Distribution and administrative expenses		(7,347)	(7,145)	(7,347)	(7,145)
Finance costs		(14)	446	(14)	446
Profit before tax		13,155	10,805	13,155	10,805
Income tax expense	21	(3,483)	(963)	(3,483)	(963)
Profit for the period	9	9,672	9,842	9,672	9,842
Other comprehensive (loss)/income, net of tax					
Items that may be reclassified subsequently to profit and loss					
Foreign currency translation differences for foreign operations		(14,600)	(588)	(14,600)	(588)
Cash flow hedge		1,523	5	1,523	5
Total comprehensive (loss)/income for the period		(3,405)	9,259	(3,405)	9,259
Profit attributable to:					
Owners of the Company		9,672	9,842	9,672	9,842
Profit for the period		9,672	9,842	9,672	9,842
Total comprehensive (loss)/income attributable to:					
Owners of the Company		(3,405)	9,259	(3,405)	9,259
Total comprehensive (loss)/income for the period		(3,405)	9,259	(3,405)	9,259
Earnings per share					
Basic earnings per share (sen)	27	7.68	9.61	7.68	9.61
Diluted earnings per share (sen)	27	7.16	7.03	7.16	7.03

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Report for the year ended 31 March 2017.

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 2017**

(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 1.4.2016	86,322	23,835	670	59,721	82,287	185,749	438,584
Total comprehensive income/(loss) for the period	-	-	5	(588)	-	9,842	9,259
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
As at 1.4.2017	193,250	-	(1,776)	80,168	15,628	167,762	455,032
Total comprehensive income/(loss) for the period	-	-	1,523	(14,600)	-	9,672	(3,405)
Conversion of ICULS	25	-	-	-	(20)	(5)	-
As at 30.06.2017	193,275	-	(253)	65,568	15,608	177,429	451,627

*Upon the commencement of Companies' Act, 2016 with effect from 31 January 2017, the Share Premium account has become part of the Company's Share Capital.

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 2017.

SAM ENGINEERING & EQUIPMENT (M) BERHAD

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
 FOR THE PERIOD ENDED 30 JUNE 2017**

(The figures have not been audited)

	30-Jun-17 RM'000	30-Jun-16 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax from continuing operations	13,155	10,805
Adjustment for:		
Depreciation of property, plant and equipment	4,239	3,970
Amortisation of intangible assets	317	158
Net fair value (gain)/ loss on derivatives	(87)	597
Gain on disposal of plant and equipment	-	(19)
Interest income	(50)	(149)
Plant and equipment written off	4	1
Interest expenses	14	(446)
Operating profit before changes in working capital	<u>17,592</u>	<u>14,917</u>
Changes in working capital:		
Receivables	(4,721)	(3,075)
Inventories	(8,816)	4,478
Payables and provisions	5,011	(25,321)
Cash generated from/(used in) operations	<u>9,066</u>	<u>(9,001)</u>
Income tax paid	(3,355)	(1,409)
Net cash generated from/(used in) operating activities	<u>5,711</u>	<u>(10,410)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(14,428)	(1,115)
Purchase of intangible assets	(8,573)	(104)
Proceeds from disposal of property, plant and equipment	-	19
Interest received	50	149
Net cash used in investing activities	<u>(22,951)</u>	<u>(1,051)</u>

SAM ENGINEERING & EQUIPMENT (M) BERHAD

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 30 JUNE 2017

(The figures have not been audited)

	30-Jun-17	30-Jun-16
	RM'000	RM'000
Net change in cash and cash equivalents	(17,240)	(11,461)
Effect of foreign exchange fluctuations	(12,672)	(755)
Cash and cash equivalents brought forward	99,001	173,644
Cash and cash equivalents carried forward	<u>69,089</u>	<u>161,428</u>

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

Cash and bank balances	69,089	143,148
Deposits with licensed banks	-	18,280
	<u>69,089</u>	<u>161,428</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Report for the year ended 31 March 2017.

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 2017. 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 2017.

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 2017 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 year ended 30 June 2017 except for the conversion of RM24,904 nominal value of ICULS into 11,859 ordinary shares of RM1 each.

8. Dividends paid

A single tier first interim dividend of 10.28 sen and a single tier special dividend of 6.95 sen per ordinary share was declared for the financial year ended 31 March 2017 to be paid on 15 August 2017.

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-17 RM'000	30-Jun-16 RM'000	30-Jun-17 RM'000	30-Jun-16 RM'000
Interest income	(50)	(149)	(50)	(149)
Other income	(1,816)	(1,414)	(1,816)	(1,414)
Interest expense	14	(446)	14	(446)
Depreciation and amortisation	4,556	4,128	4,556	4,128
Inventories written down	2,077	537	2,077	537
Foreign exchange gain	(78)	(1,113)	(78)	(1,113)
(Gain)/Loss on derivatives	(87)	597	(87)	597

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 RM'000	Eliminations RM'000	Consolidated RM'000
Revenue				
External sales	82,904	50,453	-	133,357
Inter segment sales	47	37	(84)	-
	<u>82,951</u>	<u>50,490</u>	<u>(84)</u>	<u>133,357</u>
Results				
Segment result (external)	4,083	9,036		13,119
Interest income				50
Finance costs				<u>(14)</u>
Profit before taxation				13,155
Tax expense				<u>(3,483)</u>
Profit for the period				<u>9,672</u>

11. Property, plant and equipment

Property, plant and equipment amounting to RM14.43 million were acquired during the current period-to-date (3 months ended 30 June 2016: RM1.12 million).

There was no disposal of property, plant and equipment during the current period-to-date (3 months ended 30 June 2016: RM0.02 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-17 RM'000	30-Jun-16 RM'000
Contracted but not provided for	57,660	32,396

16. Significant related party transaction

Significant transactions with related parties are as follows:

	3 months ended 30-Jun-17 RM'000
<u>Provision of goods/ services to related parties</u>	
Sale of aerospace parts	38,339
Provision of engineering & administrative services	152
	RM'000
<u>Purchase of goods/ services from related parties</u>	
Purchase of fabrication/ machining services	7,265
Provision of corporate management services	620
Provision of engineering & administrative services	779
Rental of office and factory premises	1,117

17. Review of performance

The Group revenue for the current quarter was lower at RM133.4 million as compared to RM156.2 million in the preceding quarter. The decrease in Group revenue was due to the decrease in revenue from the Aerospace and Equipment Manufacturing segments by RM12.8 million and RM10.0 million respectively as a result of lower demand from customers during the quarter.

The Group profit before tax for the current quarter was RM13.2 million compared to RM21.4 million in the preceding quarter. This was mainly due to the lower profit contribution from the Aerospace and Equipment Manufacturing segments as a result of lower revenue.

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

The Group revenue for the quarter was RM133.4 million; an increase of RM6.2 million as compared to RM127.2 million in the corresponding quarter of the preceding year. The increase in Group revenue was mainly due to the increase in revenue from the Aerospace segment by RM10.9 million as a result of higher sales from the new Aerospace business and favorable translation movement. On the other hand, revenue from the Equipment Manufacturing segment decreased by RM4.7 million as a result of weaker demand from customers during this quarter.

The Group profit before tax for the quarter was RM13.2 million compared to RM10.8 million in the corresponding quarter of the preceding year. The higher Group profit before tax of RM2.4 million during the current quarter was mainly due to the higher profit contribution from the Equipment Manufacturing segment (as a result of favorable change in the product mix, yielding higher margin) being partially offset by the lower profit contribution from the Aerospace segment (as a result of start-up projects).

19. Current year prospects

We expect the revenue from the aerospace industry which accounts for about 62% of our Group revenue to remain stable.

We expect revenue from the equipment business to be maintained for the next two quarters on the back of improving semi-conductor industry except for the personal computer segment.

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	
	2017	2016
	RM'000	RM'000
Current period		
- provision for taxation	2,416	1,082
- deferred taxation	1,096	(119)
	<u>3,512</u>	<u>963</u>
Prior period		
- deferred taxation	(29)	-
	<u>3,483</u>	<u>963</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
	30-Jun-17	31-Mar-17
	RM'000	RM'000
Short term borrowings		
Unsecured	<u>172</u>	<u>352</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	As at
	30-Jun-17	30-Jun-16
	RM'000	RM'000
Retained earnings		
- Realised	185,698	193,973
- Unrealised	(7,587)	(9,015)
	<u>178,111</u>	<u>184,958</u>
Add: Consolidation adjustments	(682)	(856)
Total retained earnings	<u>177,429</u>	<u>184,102</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		Cumulative Quarter	
	3 months ended		3 months ended	
	30-Jun-17	30-Jun-16	30-Jun-17	30-Jun-16
	RM'000	RM'000	RM'000	RM'000
Net profit attributable to ordinary shareholders (Basic)	9,672	9,842	9,672	9,842
Finance costs on ICULS	11	(339)	11	(339)
Net profit attributable to ordinary shareholders (Diluted)	<u>9,683</u>	<u>9,503</u>	<u>9,683</u>	<u>9,503</u>
	'000	'000	'000	'000
Weighted average no. of shares (Basic)	125,892	102,402	125,892	102,402
Effect on conversion of ICULS	9,275	32,765	9,275	32,765
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>7.68</u>	<u>9.61</u>	<u>7.68</u>	<u>9.61</u>
Diluted earnings per share (sen)	<u>7.16</u>	<u>7.03</u>	<u>7.16</u>	<u>7.03</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 2017