



SAM ENGINEERING & EQUIPMENT (M) BERHAD

(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT FOR QUARTER ENDED 30 SEPTEMBER 2017

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SAM ENGINEERING & EQUIPMENT (M) BERHAD

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT
 30 SEPTEMBER 2017**

(The figures have not been audited)

	As at 30-Sep-17 RM'000	As at 31-Mar-17 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	173,809	148,688
Intangible assets	13,439	3,706
Deferred tax assets	2,075	2,883
Current assets		
Trade and other receivables	171,306	183,291
Inventories	159,823	141,871
Current tax assets	1,516	1,489
Cash and cash equivalents	44,620	99,001
	<u>377,265</u>	<u>425,652</u>
TOTAL ASSETS	<u><u>566,588</u></u>	<u><u>580,929</u></u>
EQUITY AND LIABILITIES		
Share capital	212,731	193,250
Reserves	230,481	261,782
Total equity	<u>443,212</u>	<u>455,032</u>
Non-current liabilities		
Other payables	730	778
Deferred tax liabilities	3,235	2,791
Current liabilities		
Trade and other payables	110,311	112,737
ICULS	-	352
Current tax liabilities	9,100	9,239
	<u>119,411</u>	<u>122,328</u>
TOTAL EQUITY AND LIABILITIES	<u><u>566,588</u></u>	<u><u>580,929</u></u>
Net assets per share (sen)	<u>328</u>	<u>361</u>

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 SEPTEMBER 2017

(The figures have not been audited)

	Note	Current Quarter 3 months ended		Cumulative Quarter 6 months ended	
		30-Sep-17 RM'000	30-Sep-16 RM'000	30-Sep-17 RM'000	30-Sep-16 RM'000
Revenue		145,605	121,542	278,962	248,724
Cost of support services and goods sold		(121,357)	(106,422)	(235,696)	(217,914)
Gross profit		24,248	15,120	43,266	30,810
Other operating income		3,211	2,375	6,377	8,441
Other operating expenses		(1,380)	(2,189)	(3,048)	(6,441)
Distribution and administrative expenses		(6,751)	(6,862)	(14,098)	(14,007)
Finance costs		(14)	(501)	(28)	(55)
Profit before tax		19,314	7,943	32,469	18,748
Income tax expense	21	(4,356)	(2,301)	(7,839)	(3,264)
Profit for the period	9	14,958	5,642	24,630	15,484
Other comprehensive (loss)/income, net of tax					
Items that may be reclassified subsequently to profit and loss					
Foreign currency translation differences for foreign operations		(3,623)	1,363	(18,223)	775
Cash flow hedge		1,944	(333)	3,467	(328)
Total comprehensive income for the period		13,279	6,672	9,874	15,931
Profit attributable to:					
Owners of the Company		14,958	5,642	24,630	15,484
Profit for the year		14,958	5,642	24,630	15,484
Total comprehensive income attributable to:					
Owners of the Company		13,279	6,672	9,874	15,931
Total comprehensive income for the period		13,279	6,672	9,874	15,931
Earnings per share					
Basic earnings per share (sen)	27	11.77	4.48	19.47	13.56

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 SEPTEMBER 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 (loss)/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
As at 1.4.2017	193,250	-	(1,776)	80,168	15,628	167,762	455,032
Total comprehensive income/(loss) for the period	-	-	3,467	(18,223)	-	24,630	9,874
Conversion of ICULS	19,481	-	-	-	(15,628)	(3,853)	-
Dividends paid to owners	-	-	-	-	-	(21,694)	(21,694)
As at 30.09.2017	212,731	-	1,691	61,945	-	166,845	443,212

*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 SEPTEMBER 2017**

(The figures have not been audited)

	30-Sep-17	30-Sep-16
	RM'000	RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax from continuing operations	32,469	18,748
Adjustment for:		
Depreciation of property, plant and equipment	8,081	7,915
Amortisation of intangible assets	781	265
Net fair value (gain)/ loss on derivatives	(361)	1,950
Gain on disposal of plant and equipment	-	(43)
Interest income	(101)	(436)
Plant and equipment written off	8	46
Interest expenses	28	55
Operating profit before changes in working capital	<u>40,905</u>	<u>28,500</u>
Changes in working capital:		
Receivables	2,544	(27,272)
Inventories	(17,215)	8,048
Payables and provisions	6,288	(3,852)
Cash generated from operations	<u>32,522</u>	<u>5,424</u>
Income tax paid	(6,348)	(3,678)
Net cash generated from operating activities	<u>26,174</u>	<u>1,746</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(32,835)	(7,543)
Purchase of intangible assets	(9,495)	(145)
Proceeds from disposal of property, plant and equipment	-	14
Interest received	101	436
Net cash used in investing activities	<u>(42,229)</u>	<u>(7,238)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	(21,694)	(50,744)
Interest paid	(388)	-
Net cash used in financing activities	<u>(22,082)</u>	<u>(50,744)</u>

SAM ENGINEERING & EQUIPMENT (M) BERHAD

(Incorporated in Malaysia)

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

(The figures have not been audited)

	30-Sep-17	30-Sep-16
	RM'000	RM'000
Net change in cash and cash equivalents	(38,137)	(56,236)
Effect of foreign exchange fluctuations	(16,244)	591
Cash and cash equivalents brought forward	99,001	173,644
Cash and cash equivalents carried forward	<u>44,620</u>	<u>117,999</u>
Cash and cash equivalents at the end of the financial period comprise the following:		
Cash and bank balances	44,620	112,017
Deposits with licensed banks	-	5,982
	<u>44,620</u>	<u>117,999</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
IC Interpretation 23	Uncertainty over Income Tax Treatments

MFRSs and Amendments effective annual periods beginning on or after 1 January 2021

MFRS 17	Insurance Contracts
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2. Significant accounting policies (Cont'd)

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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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 period ended 30 September 2017 except for the conversion of RM19,481,184 nominal value of ICULS into 9,276,691 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 totaling RM21.7 million for the financial year ended 31 March 2017 was paid on 15 August 2017.

In the preceding year, a single tier first interim dividend of 14.96 sen and a single tier special dividend of 25.35 sen per ordinary share totaling 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 6 months ended	
	30-Sep-17 RM'000	30-Sep-16 RM'000	30-Sep-17 RM'000	30-Sep-16 RM'000
Interest income	(51)	(287)	(101)	(436)
Other income	(1,773)	(1,337)	(3,589)	(2,751)
Interest expense	14	501	28	55
Depreciation and amortisation	4,306	4,052	8,862	8,180
Provision for doubtful debts written back	(463)	-	(324)	-
Inventories (written back)/written down	(537)	(204)	1,540	333
Foreign exchange gain	(264)	(337)	(342)	(1,450)
(Gain)/Loss on derivatives	(274)	1,353	(361)	1,950

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	171,413	107,549	-	278,962
Inter segment sales	122	71	(193)	-
	<u>171,535</u>	<u>107,620</u>	<u>(193)</u>	<u>278,962</u>
Results				
Segment result (external)	13,930	18,466		32,396
Interest income				101
Finance costs				(28)
Profit before taxation				<u>32,469</u>
Tax expense				(7,839)
Profit for the period				<u><u>24,630</u></u>

11. Property, plant and equipment

Property, plant and equipment amounting to RM32.84 million were acquired during the current period-to-date (6 months ended 30 September 2016: RM7.54 million).

There was no disposal of property, plant and equipment during the current period-to-date (3 months ended 30 September 2016: RM0.01 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-17 RM'000	30-Sep-16 RM'000
Contracted but not provided for	69,067	31,966

16. Significant related party transaction

Significant transactions with related parties are as follows:

	6 months ended 30-Sep-17 RM'000
<u>Provision of goods/ services to related parties</u>	
Sale of aerospace parts	71,663
Provision of engineering & administrative services	313
<u>Purchase of goods/ services from related parties</u>	
Purchase of fabrication/ machining services	14,114
Provision of corporate management services	919
Provision of engineering & administrative services	2,652
Rental of office and factory premises	2,226

17. Review of performance

	Current Quarter Ended	Immediate Preceding Quarter Ended	Changes
	30-Sep-17	30-Jun-17	
	RM'000	RM'000	RM'000
Revenue	145,605	133,357	12,248
Operating Profit	19,277	13,119	6,158
Profit Before Interest and Tax	19,328	13,169	6,159
Profit Before tax	19,314	13,155	6,159
Profit for the Period	14,958	9,672	5,286
Profit attributable to Owners of the Company	14,958	9,672	5,286

The increase in Group revenue of RM12.2 million was due to the increase in revenue from the Aerospace and Equipment segments by RM5.6 million and RM6.6 million respectively. The higher revenue from the Aerospace segment was due to higher demand from customers and the increase in deliveries for casing products for new aircraft platforms – Airbus A320neo and Boeing 737max. For the Equipment segment, the increase in the semiconductor business contributed to higher revenue.

The higher Group profit before tax was due to higher profit of RM5.3 million from the Aerospace segment as a result of the increase in revenue. There was also a higher profit contribution from the Equipment segment of RM0.8 million due to higher sales.

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

	Current Quarter 3 months ended			Cumulative Quarter 6 months ended		
	30-Sep-17	30-Sep-16	Changes	30-Sep-17	30-Sep-16	Changes
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	145,605	121,542	24,063	278,962	248,724	30,238
Operating Profit	19,277	8,157	11,120	32,396	18,367	14,029
Profit Before Interest and Tax	19,328	8,444	10,884	32,497	18,803	13,694
Profit Before tax	19,314	7,943	11,371	32,469	18,748	13,721
Profit for the Period	14,958	5,642	9,316	24,630	15,484	9,146
Profit attributable to Owners of the Company	14,958	5,642	9,316	24,630	15,484	9,146

Current quarter compared with immediate preceding year's corresponding quarter

The increase in Group revenue of RM24.1 million was due to the increase in revenue from the Aerospace and Equipment segments of RM15.6 million and RM8.5 million respectively. The higher revenue from the Aerospace segment was due to the increase in deliveries for the casing products for the new aircraft platforms – Airbus A320neo and Boeing 737max and the new prismatic parts and favorable foreign exchange translation. The higher revenue from the Equipment segment was due to increase in the semiconductor business during the quarter.

The higher Group profit before tax of RM11.4 million was due to higher profit of RM5.1 million from the Aerospace segment due to its higher revenue. There was also a higher profit contribution from the Equipment segment of RM6.3 million as a result of higher revenue and favorable foreign exchange movement.

Current cumulative quarter compared with immediate preceding year's cumulative quarter

The increase in Group revenue of RM30.2 million was due to the increase in revenue from the Aerospace and Equipment segments of RM26.4 million and RM3.8 million respectively. The higher revenue from the Aerospace segment was due to the increase in deliveries for the casing products for the new aircraft platforms – Airbus A320neo and Boeing 737max and the new prismatic parts and favorable foreign exchange translation. The higher revenue from the Equipment segment was due to increase in the semiconductor business during the period.

The higher Group profit before tax of RM13.7 million was mainly due to higher profit of RM3.7 million from the Aerospace segment on account of its higher revenue. There was also a higher profit contribution of RM10.0 million from the Equipment segment as a result of higher revenue and favorable product mix.

19. Current year prospects

We expect the revenue from the aerospace industry which accounts for about 61% 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 semiconductor industry except for the hard disk drive storage segment.

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	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Current period				
- provision for taxation	4,226	2,348	6,642	3,430
- deferred taxation	131	(688)	1,227	(807)
	<u>4,357</u>	<u>1,660</u>	<u>7,869</u>	<u>2,623</u>
Prior period				
- provision for taxation	-	26	-	26
- deferred taxation	(1)	615	(30)	615
	<u>4,356</u>	<u>2,301</u>	<u>7,839</u>	<u>3,264</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-Sep-17	30-Sep-16
	RM'000	RM'000
Short term borrowings		
Unsecured - ICULS	<u>-</u>	<u>722</u>

The ICULS was denominated in RM and had matured on 25 September 2017.

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-17 RM'000	As at 30-Sep-16 RM'000
Retained earnings		
- Realised	174,154	151,536
- Unrealised	(6,299)	(11,140)
	<u>167,855</u>	<u>140,396</u>
Add: Consolidation adjustments	(1,010)	(809)
Total retained earnings	<u><u>166,845</u></u>	<u><u>139,587</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-17	30-Sep-16	30-Sep-17	30-Sep-16
Net profit attributable to ordinary shareholders (RM'000)	14,958	5,642	24,630	15,484
Weighted average no. of shares ('000)	127,125	125,885	126,512	114,207
Basic earnings per share (sen)	<u>11.77</u>	<u>4.48</u>	<u>19.47</u>	<u>13.56</u>

The diluted earnings per share for the current quarter and cumulative quarter ended 30 September 2017 is no longer applicable as the ICULS has matured on 25 September 2017.

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)

Thum Sook Fun (MIA 24701)
 Chew Peck Kheng (LS 0009559)
 Chin Lee Phing (MAICSA 7057836)
 Company Secretaries
 Penang
 23 November 2017