



SAM ENGINEERING & EQUIPMENT (M) BERHAD

(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT FOR QUARTER ENDED 31 DECEMBER 2017

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SAM ENGINEERING & EQUIPMENT (M) BERHAD

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT
 31 DECEMBER 2017**

(The figures have not been audited)

	As at 31-Dec-17 RM'000	As at 31-Mar-17 RM'000 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	209,763	148,688
Intangible assets	13,677	3,706
Deferred tax assets	1,693	2,883
Current assets		
Trade and other receivables	154,672	183,291
Inventories	172,353	141,871
Current tax assets	4,667	1,489
Cash and cash equivalents	37,776	99,001
	<u>369,468</u>	<u>425,652</u>
TOTAL ASSETS	<u><u>594,601</u></u>	<u><u>580,929</u></u>
EQUITY AND LIABILITIES		
Share capital	212,731	193,250
Reserves	239,803	261,782
Total equity	<u>452,534</u>	<u>455,032</u>
Non-current liabilities		
Other payables	709	778
Deferred tax liabilities	3,089	2,791
Current liabilities		
Trade and other payables	131,942	112,737
ICULS	-	352
Current tax liabilities	6,327	9,239
	<u>138,269</u>	<u>122,328</u>
TOTAL EQUITY AND LIABILITIES	<u><u>594,601</u></u>	<u><u>580,929</u></u>
Net assets per share (sen)	<u>335</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 31 DECEMBER 2017

(The figures have not been audited)

	Note	Current Quarter		Cumulative Quarter	
		3 months ended		9 months ended	
		31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
		RM'000	RM'000	RM'000	RM'000
Revenue		143,491	132,490	422,453	381,214
Cost of support services and goods sold		(119,684)	(110,951)	(355,380)	(328,865)
Gross profit		23,807	21,539	67,073	52,349
Other operating income		2,093	2,457	8,470	10,898
Other operating expenses		328	(1,666)	(2,720)	(8,107)
Distribution and administrative expenses		(7,656)	(7,097)	(21,754)	(21,104)
Finance costs		-	(14)	(28)	(69)
Profit before tax		18,572	15,219	51,041	33,967
Income tax expense	21	(983)	(5,515)	(8,822)	(8,779)
Profit for the period	9	17,589	9,704	42,219	25,188
Other comprehensive (loss)/income, net of tax					
Items that may be reclassified subsequently to profit and loss					
Foreign currency translation differences for foreign operations		(8,398)	19,179	(26,621)	19,954
Cash flow hedge		131	(2,764)	3,598	(3,092)
Total comprehensive income for the period		9,322	26,119	19,196	42,050
Profit attributable to:					
Owners of the Company		17,589	9,704	42,219	25,188
Profit for the year		17,589	9,704	42,219	25,188
Total comprehensive income attributable to:					
Owners of the Company		9,322	26,119	19,196	42,050
Total comprehensive income for the period		9,322	26,119	19,196	42,050
Earnings per share					
Basic earnings per share (sen)	27	13.01	7.71	32.62	21.32

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 31 DECEMBER 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	-	-	(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
As at 1.4.2017	193,250	-	(1,776)	80,168	15,628	167,762	455,032
Total comprehensive income/(loss) for the period	-	-	3,598	(26,621)	-	42,219	19,196
Conversion of ICULS	19,481	-	-	-	(15,628)	(3,853)	-
Dividends paid to owners	-	-	-	-	-	(21,694)	(21,694)
As at 31.12.2017	212,731	-	1,822	53,547	-	184,434	452,534

*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 31 DECEMBER 2017**

(The figures have not been audited)

	31-Dec-17 RM'000	31-Dec-16 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax from continuing operations	51,041	33,967
Adjustment for:		
Depreciation of property, plant and equipment	14,079	12,141
Amortisation of intangible assets	1,263	367
Net fair value (gain)/ loss on derivatives	(1,429)	2,876
Gain on disposal of plant and equipment	-	(40)
Interest income	(134)	(375)
Plant and equipment written off	20	355
Interest expenses	28	69
Operating profit before changes in working capital	<u>64,868</u>	<u>49,360</u>
Changes in working capital:		
Receivables	13,234	(89,663)
Inventories	(29,378)	(18,113)
Payables and provisions	26,877	27,963
Cash generated from/(used in) operations	<u>75,601</u>	<u>(30,453)</u>
Income tax paid	(9,428)	(7,959)
Net cash generated from/(used in) operating activities	<u>66,173</u>	<u>(38,412)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(71,173)	(12,520)
Purchase of intangible assets	(10,262)	(152)
Proceeds from disposal of property, plant and equipment	-	(271)
Interest received	134	375
Net cash used in investing activities	<u>(81,301)</u>	<u>(12,568)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	(21,694)	(50,744)
Interest paid	(388)	(358)
Net cash used in financing activities	<u>(22,082)</u>	<u>(51,102)</u>

SAM ENGINEERING & EQUIPMENT (M) BERHAD

(Incorporated in Malaysia)

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

(The figures have not been audited)

	31-Dec-17	31-Dec-16
	RM'000	RM'000
Net change in cash and cash equivalents	(37,210)	(102,082)
Effect of foreign exchange fluctuations	(24,015)	19,604
Cash and cash equivalents brought forward	99,001	173,644
Cash and cash equivalents carried forward	<u>37,776</u>	<u>91,166</u>
Cash and cash equivalents at the end of the financial period comprise the following:		
Cash and bank balances	37,776	87,606
Deposits with licensed banks	-	3,560
	<u>37,776</u>	<u>91,166</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 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 (Annual Improvements to MFRS Standards 2014-2016 Cycle)
Amendments to MFRS 2	Share-based Payment – Classification and Measurement of Share-base Payment Transactions
Amendments to MFRS 4	Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
Amendments to MFRS 128	Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)
Amendments to MFRS 140	Investment Property – Transfers of 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
Amendments to MFRS 3	Business Combinations 9Annual Improvements to MFRS Standards 2015-2017 Cycle)
Amendments to MFRS 9	Financial Instruments – Prepayment Features with Negative Compensation
Amendments to MFRS 11	Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)
Amendments to MFRS 112	Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)
Amendments to MFRS 123	Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)

2. Significant accounting policies (Cont'd)

MFRSs and Amendments effective annual periods beginning on or after 1 January 2019 (Cont'd)

Amendments to MFRS 128	Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures
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MFRSs and Amendments effective annual periods beginning on or after 1 January 2021

MFRS 17	Insurance Contracts
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MFRSs, Interpretation and amendments effective for annual periods beginning on or after a date yet to be confirmed

Amendments to MFRS 10	Consolidated Financial Statements
MFRS 128	Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associates or Joint Venture

Other than MFRS 15 Revenue from Contracts with Customers, the adoption of the above standards and amendments is not expected to have any material financial impact to the Group upon their first adoption. The Group is still assessing the financial impact that may arise from the adoption of MFRS 15. It has reviewed its contracts with customers to determine the related performance obligations and to identify those impacted contracts. The Group has also formed a working committee and engaged a consultant to customise reports in the accounting system.

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 31 December 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		Cumulative Quarter	
	3 months ended		9 months ended	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
	RM'000	RM'000	RM'000	RM'000
Depreciation and amortisation	6,480	4,328	15,342	12,508
(Gain)/Loss on derivatives	(1,068)	926	(1,429)	2,876
Foreign exchange gain	(98)	(615)	(440)	(2,065)
Interest expense	-	14	28	69
Interest income	(33)	61	(134)	(375)
Inventories written down	1,028	316	2,568	649
Other income	(1,764)	(1,583)	(5,353)	(4,334)
Provision for doubtful debts written off/(back)	2	-	(322)	-

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	Equipment	Eliminations	Consolidated
	RM'000	RM'000	RM'000	RM'000
Revenue				
External sales	255,503	166,950	-	422,453
Inter segment sales	214	88	(302)	-
	<u>255,717</u>	<u>167,038</u>	<u>(302)</u>	<u>422,453</u>
Results				
Segment result (external)	22,163	28,772		50,935
Interest income				134
Finance costs				<u>(28)</u>
Profit before taxation				51,041
Tax expense				<u>(8,822)</u>
Profit for the period				<u>42,219</u>

11. Property, plant and equipment

Property, plant and equipment amounting to RM71.17 million were acquired during the current period-to-date (9 months ended 31 December 2016: RM12.52 million).

There was no disposal of property, plant and equipment during the current period-to-date (9 months ended 31 December 2016: RM0.27 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-Dec-17 RM'000	31-Dec-16 RM'000
Contracted but not provided for	69,819	32,510

16. Significant related party transaction

Significant transactions with related parties are as follows:

	9 months ended 31-Dec-17 RM'000
<u>Provision of goods/ services to related parties</u>	
Sale of aerospace parts	98,704
Provision of engineering & administrative services	461
<u>Purchase of goods/ services from related parties</u>	
Purchase of fabrication/ machining services	19,445
Provision of engineering & administrative services	3,510
Rental of office and factory premises	3,325
Provision of corporate management services	1,423

17. Review of performance

	Current Quarter	Immediate	Changes
	Ended	Preceding Quarter	
	31-Dec-17	30-Sep-17	
	RM'000	RM'000	RM'000
Revenue	143,491	145,605	(2,114)
Operating profit	18,539	19,277	(738)
Profit before interest and tax	18,572	19,328	(756)
Profit before tax	18,572	19,314	(742)
Profit for the period	17,589	14,958	2,631
Profit attributable to Owners of the Company	17,589	14,958	2,631

The decrease in Group revenue of RM2.1 million was due to the decrease in revenue from the Aerospace segment by RM4.4 million and an increase in revenue from the Equipment segment by RM2.3 million. The lower revenue from the Aerospace segment was due to the lower demand from customers and timing difference. For the Equipment segment, the increase in factory automation and HDD businesses contributed to the higher revenue.

The lower Group profit before tax of RM0.7 million was attributable to the lower profit of RM1.4mil from the Aerospace segment as a result of the decrease in revenue being offsetted by the higher profit contribution from Equipment segment of RM0.7 million as a result of higher sales.

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

	Current Quarter 3 months ended			Cumulative Quarter 9 months ended		
	31-Dec-17	31-Dec-16	Changes	31-Dec-17	31-Dec-16	Changes
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	143,491	132,490	11,001	422,453	381,214	41,239
Operating profit	18,539	15,294	3,245	50,935	33,661	17,274
Profit before interest and tax	18,572	15,233	3,339	51,069	34,036	17,033
Profit before tax	18,572	15,219	3,353	51,041	33,967	17,074
Profit for the period	17,589	9,704	7,885	42,219	25,188	17,031
Profit attributable to Owners of the Company	17,589	9,704	7,885	42,219	25,188	17,031

Current quarter compared with immediate preceding year's corresponding quarter

The increase in Group revenue of RM11.0 million was due to the increase in revenue from the Aerospace segment of RM14.5 million and a decrease in revenue from the Equipment segment of RM3.5 million. The higher revenue from the Aerospace segment was due to the increase in deliveries for the casing products for the new aircraft platforms – A320neo and Boeing 737max, the new prismatic parts and beams. The lower revenue from the Equipment segment was due to the decrease in the sales to customer from the HDD industry.

The higher Group profit before tax of RM3.4 million was attributable to the higher profit of RM4.2 million from the Aerospace segment as a result of its higher revenue. However, there was a lower profit contribution from Equipment segment of RM0.8 million due to lower sales.

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

The increase in Group revenue of RM41.2 million was due to the increase in revenue from the Aerospace and Equipment segments of RM41.0 million and RM0.2 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 - A320neo and Boeing 737max, the new prismatic parts and beams.

The higher Group profit before tax of RM17.1 million was due to the higher profit of RM7.9 million from the Aerospace segment on account of its higher revenue. There was also a higher profit contribution of RM9.2 million from the Equipment segment as a result of favorable product mix.

19. Current year prospects

We expect the revenue from the aerospace industry which accounts for about 60% of our Group revenue to remain stable.

We expect revenue from the equipment business to be maintained for the next quarter 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		9 months ended	
	31-Dec		31-Dec	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Current period				
- provision for taxation	3,766	4,721	10,408	8,151
- deferred taxation	225	315	1,452	(492)
	<u>3,991</u>	<u>5,036</u>	<u>11,860</u>	<u>7,659</u>
Prior period				
- provision for taxation	(3,012)	479	(3,012)	505
- deferred taxation	4	-	(26)	615
	<u>983</u>	<u>5,515</u>	<u>8,822</u>	<u>8,779</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-17	31-Dec-16
	RM'000	RM'000
Short term borrowings		
Unsecured - ICULS	<u>-</u>	<u>530</u>

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

24. Derivative financial instruments

	As at 31-Dec-17	
	Contract/ Notional value RM'000	Fair value RM'000
Foreign exchange contracts		
- Less than 1 year	98,538	1,620
- 1 to 3 years	26,744	381
	<u>125,282</u>	<u>2,001</u>

The foreign exchange contracts were entered into to hedge exposures to currency risk on working capital and capital expenditure requirements.

There is no significant change in the associated credit, market and liquidity risks and the policies for mitigating or controlling these risks. Furthermore, there is no significant change in the cash requirement and accounting policies relating to derivative financial instruments.

The fair value of the derivative financial instruments is estimated using inputs other than quoted prices that are observable for the derivative financial instruments. The gain/loss arising from the fair value changes of the derivative financial instruments as a result of fluctuation in these inputs is as disclosed in Note 9 above.

25. Material litigation

There were no pending material litigation as at the date of this report.

26. Proposed dividend

No dividend has been recommended in respect of the current quarter.

27. Earnings per share

The basic 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-17	31-Dec-16	31-Dec-17	31-Dec-16
Net profit attributable to ordinary shareholders (RM'000)	17,589	9,704	42,219	25,188
Weighted average no. of shares ('000)	135,167	125,889	129,407	118,116
Basic earnings per share (sen)	<u>13.01</u>	<u>7.71</u>	<u>32.62</u>	<u>21.32</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)

Thum Sook Fun (MIA 24701)
Chew Peck Kheng (LS 0009559)
Chin Lee Phing (MAICSA 7057836)
Company Secretaries
Penang
22 February 2018