



SAM ENGINEERING & EQUIPMENT (M) BERHAD

(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT FOR QUARTER ENDED 31 MARCH 2018

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018 (The figures have not been audited)

	Note	As at 31-Mar-18 RM'000	As at 31-Mar-17 RM'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		240,654	148,688
Intangible assets		14,640	3,706
Deferred tax assets		2,326	2,883
Derivative financial assets	24	441	-
Current assets			
Trade and other receivables		196,243	182,811
Inventories		178,959	141,871
Derivative financial assets	24	2,994	480
Current tax assets		3,387	1,489
Cash and cash equivalents		21,556	99,001
		403,139	425,652
TOTAL ASSETS		661,200	580,929
EQUITY AND LIABILITIES			
Share capital		212,731	193,250
Reserves		248,342	261,782
Total equity		461,073	455,032
Non-current liabilities			
Loans and borrowings	23	12,120	-
Deferred income		892	778
Provisions		719	-
Deferred tax liabilities		5,083	2,791
Current liabilities			
Loans and borrowings	23	6,292	352
Deferred income		87	98
Trade and other payables		163,990	103,214
Derivative financial liabilities	24	81	636
Provisions		6,186	8,789
Current tax liabilities		4,677	9,239
		181,313	122,328
TOTAL EQUITY AND LIABILITIES		661,200	580,929
Net assets per share (sen)		341	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 31 DECEMBER 2017

(The figures have not been audited)

	Note	Current Quarter 3 months ended		Cumulative Quarter 12 months ended	
		31-Mar-18 RM'000	31-Mar-17 RM'000	31-Mar-18 RM'000	31-Mar-17 RM'000
Revenue		175,711	156,183	598,164	537,397
Cost of support services and goods sold		(139,518)	(129,230)	(494,898)	(458,095)
Gross profit		36,193	26,953	103,266	79,302
Other operating income		3,862	(1,536)	12,332	9,362
Other operating expenses		(5,961)	2,898	(8,681)	(5,209)
Distribution and administrative expenses		(11,906)	(6,913)	(33,660)	(28,017)
Finance costs		(42)	(15)	(70)	(84)
Profit before tax		22,146	21,387	73,187	55,354
Income tax expense	21	(1,221)	(2,968)	(10,043)	(11,747)
Profit for the year	9	20,925	18,419	63,144	43,607
Other comprehensive (loss)/income, net of tax					
Items that may be reclassified subsequently to profit and loss					
Foreign currency translation differences for foreign operations		(13,136)	493	(39,757)	20,447
Cash flow hedge		750	646	4,348	(2,446)
Total comprehensive income for the year		8,539	19,558	27,735	61,608
Profit attributable to:					
Owners of the Company		20,925	18,419	63,144	43,607
Profit for the year		20,925	18,419	63,144	43,607
Total comprehensive income attributable to:					
Owners of the Company		8,539	19,558	27,735	61,608
Total comprehensive income for the year		8,539	19,558	27,735	61,608
Earnings per share					
Basic earnings per share (sen)	27	15.48	14.63	46.72	36.33

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	-	-	(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
As at 1.4.2017	193,250	-	(1,776)	80,168	15,628	167,762	455,032
Total comprehensive income/(loss) for the period	-	-	4,348	(39,757)	-	63,144	27,735
Conversion of ICULS	19,481	-	-	-	(15,628)	(3,853)	-
Dividends paid to owners	-	-	-	-	-	(21,694)	(21,694)
As at 31.03.2018	212,731	-	2,572	40,411	-	205,359	461,073

*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 MARCH 2018**

(The figures have not been audited)

	31-Mar-18	31-Mar-17
	RM'000	RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax from continuing operations	73,187	55,354
Adjustment for:		
Depreciation of property, plant and equipment	20,571	16,393
Amortisation of intangible assets	2,013	527
Net fair value (gain)/ loss on derivatives	(1,991)	1,181
Gain on disposal of plant and equipment	-	(81)
Impairment of property, plant and equipment	254	-
Impairment of intangible assets	254	-
Interest income	(164)	(447)
Plant and equipment written off	-	8
Interest expenses	70	84
Operating profit before changes in working capital	<u>94,194</u>	<u>73,019</u>
Changes in working capital:		
Receivables	(16,844)	(13,387)
Inventories	(35,469)	(18,442)
Payables and provisions	68,141	10,310
Cash generated from operations	<u>110,022</u>	<u>51,500</u>
Income tax paid	<u>(12,474)</u>	<u>(12,953)</u>
Net cash generated from operating activities	<u>97,548</u>	<u>38,547</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(122,246)	(78,885)
Purchase of intangible assets	(12,225)	(3,890)
Proceeds from disposal of property, plant and equipment	-	134
Interest received	164	447
Net cash used in investing activities	<u>(134,307)</u>	<u>(82,194)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	(21,694)	(50,744)
Interest paid	(388)	(725)
Proceeds from bank borrowing	18,412	-
Net cash used in financing activities	<u>(3,670)</u>	<u>(51,469)</u>

SAM ENGINEERING & EQUIPMENT (M) BERHAD

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD
ENDED 31 MARCH 2018**

(The figures have not been audited)

	31-Mar-18	31-Mar-17
	RM'000	RM'000
Net change in cash and cash equivalents	(40,429)	(95,116)
Effect of foreign exchange fluctuations	(37,016)	20,473
Cash and cash equivalents brought forward	99,001	173,644
Cash and cash equivalents carried forward	<u>21,556</u>	<u>99,001</u>

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

Cash and bank balances	<u>21,556</u>	<u>99,001</u>
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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-based 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 (Annual 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 MFRS119	Employee Benefits: Plan Amendments, Curtailment or Settlement

2. Significant accounting policies (Cont'd)

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

Amendments to MFRS 123	Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)
Amendments to MFRS 128	Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures

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 possible impact upon adoption of MFRS 15 are as follows:-

Statement of financial position as at 31 March 2018

	As currently stated RM'000	Expected restatement RM'000
Inventories	178,959	88,936
Trade & other receivables	196,243	299,891
Deferred tax assets	2,326	2,163
Deferred tax liabilities	5,083	4,821
Trade & other payable	163,990	152,484
Retained earnings	205,359	206,964

Statement of profit or loss and comprehensive income for the year ended 31 March 2018

	As currently stated RM'000	Expected restatement RM'000
Revenue	598,164	612,760
Cost of sales	(494,898)	(507,987)
Profit for the year	63,144	64,749
Earnings per share - Basic (sen)	48.26	49.49

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 2018 except for the conversion of RM19,481,184 nominal value of ICULS into 9,276,691 ordinary shares on the basis of one ICULS for approximately 0.476 ordinary shares.

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 year

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

	Current Quarter		Cumulative Quarter	
	3 months ended		12 months ended	
	31-Mar-18	31-Mar-17	31-Mar-18	31-Mar-17
	RM'000	RM'000	RM'000	RM'000
Depreciation and amortisation	7,241	4,415	22,584	16,920
(Gain)/Loss on derivatives	(562)	(1,695)	(1,991)	1,181
Foreign exchange gain	(346)	(1,489)	(786)	(576)
Impairment of property, plant & equipment	254	-	254	-
Impairment of intangible assets	254	-	254	-
Interest expense	42	15	70	84
Interest income	(30)	(72)	(164)	(447)
Inventories written (down)/back	(236)	(2,847)	1,662	(2,198)
Other income	(1,968)	(1,431)	(7,321)	(5,725)
Provision for doubtful debts written off/(back)	2	-	(320)	-

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	353,483	244,681	-	598,164
Inter segment sales	271	89	(360)	-
	<u>353,754</u>	<u>244,770</u>	<u>(360)</u>	<u>598,164</u>
Results				
Segment result (external)	34,908	38,185		73,093
Interest income				164
Finance costs				(70)
Profit before taxation				<u>73,187</u>
Tax expense				<u>(10,043)</u>
Profit for the period				<u>63,144</u>

11. Property, plant and equipment

Property, plant and equipment amounting to RM122.25 million were acquired during the financial year (financial year ended 31 March 2017: RM79.97 million).

There was no disposal of property, plant and equipment during the financial year (financial year ended 31 March 2017: RM0.05 million).

12. Subsequent events

A subsidiary, SAM Technologies (M) Sdn. Bhd., has ceased operation subsequent to the financial year ended 31 March 2018 and will remain dormant.

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-18 RM'000	31-Mar-17 RM'000
Contracted but not provided for	57,446	39,750

16. Significant related party transaction

Significant transactions with related parties are as follows:

	12 months ended 31-Mar-18 RM'000
<u>Provision of goods/ services to related parties</u>	
Sale of aerospace parts	123,761
Provision of engineering & administrative services	593
<u>Purchase of goods/ services from related parties</u>	
Purchase of fabrication/ machining services	24,018
Provision of engineering & administrative services	4,180
Rental of office and factory premises	4,321
Provision of corporate management services	2,153

17. Review of performance

	Current Quarter	Immediate	Changes
	Ended	Preceding Quarter	
	31-Mar-18	31-Dec-17	
	RM'000	RM'000	RM'000
Revenue	175,711	143,491	32,220
Operating profit	22,158	18,539	3,619
Profit before interest and tax	22,188	18,572	3,616
Profit before tax	22,146	18,572	3,574
Profit for the period	20,925	17,589	3,336
Profit attributable to Owners of the Company	20,925	17,589	3,336

The increase in Group revenue of RM32.2 million was due to the increase in revenue from the Aerospace and Equipment segments by RM13.9 million and RM18.3 million respectively. The higher revenue from the Aerospace segment was due to the higher demand from customers. For the Equipment segment, the increase in HDD businesses contributed to the higher revenue.

The higher Group profit before tax of RM3.6 million was attributable to the higher profit of RM5.2mil from the Aerospace segment as a result of the increase in revenue being offsetted by the lower profit contribution from Equipment segment of RM1.6 million as a result of unfavourable product mix and foreign exchange loss.

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

	Current Quarter 3 months ended			Cumulative Quarter 12 months ended		
	31-Mar-18	31-Mar-17	Changes	31-Mar-18	31-Mar-17	Changes
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	175,711	156,183	19,528	598,164	537,397	60,767
Operating profit	22,158	21,330	828	73,093	54,991	18,102
Profit before interest and tax	22,188	21,402	786	73,257	55,438	17,819
Profit before tax	22,146	21,387	759	73,187	55,354	17,833
Profit for the period/year	20,925	18,419	2,506	63,144	43,607	19,537
Profit attributable to Owners of the Company	20,925	18,419	2,506	63,144	43,607	19,537

Current quarter compared with immediate preceding year's corresponding quarter

The increase in Group revenue of RM19.5 million was due to the increase in revenue from the Aerospace and Equipment segments of RM2.3 million and RM17.2 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 aerospace machined parts and beams. The higher revenue from the Equipment segment was due to the increase in the sales to customer from the HDD and semiconductor industry.

The higher Group profit before tax of RM0.8 million was attributable to the higher profit of RM3.8 million from the Aerospace segment as a result of its higher revenue. However, there was a lower profit contribution from Equipment segment of RM3 million due to foreign exchange loss, unfavourable foreign exchange translation difference and unfavourable product mix.

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

The increase in Group revenue of RM60.8 million was due to the increase in revenue from the Aerospace and Equipment segments of RM43.3 million and RM17.5 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 - A320neo and Boeing 737max, the new aerospace machined parts and beams. The higher revenue from the Equipment segment was due to the increase in the sales to customer from the semiconductor industry.

The higher Group profit before tax of RM17.8 million was due to the higher profit from the Aerospace and Equipment segments of RM11.6 million and RM6.2 million respectively as a result of higher revenue.

19. Current year prospects

We expect the revenue from the aerospace industry which accounts for about 59% 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		12 months ended	
	31-Mar-18 RM'000	31-Mar-17 RM'000	31-Mar-18 RM'000	31-Mar-17 RM'000
Current period				
- provision for taxation	(78)	5,708	10,330	13,859
- deferred taxation	2,084	(2,363)	3,536	(2,855)
	<u>2,006</u>	<u>3,345</u>	<u>13,866</u>	<u>11,004</u>
Prior period				
- provision for taxation	(152)	236	(3,164)	741
- deferred taxation	(633)	(613)	(659)	2
	<u>1,221</u>	<u>2,968</u>	<u>10,043</u>	<u>11,747</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

The Group's total bank borrowings as at March 31, 2018 are as follows:-

	As at 31-Mar-18		As at 31-Mar-17	
	Unsecured RM'000	Total RM'000	Unsecured RM'000	Total RM'000
Short term borrowings				
Onshore foreign currency loans	6,292	6,292	-	-
ICULS	-	-	352	352
	<u>6,292</u>	<u>6,292</u>	<u>352</u>	<u>352</u>
Long term borrowings				
Term loan - variable rate	12,120	12,120	-	-
Total borrowings	<u>18,412</u>	<u>18,412</u>	<u>352</u>	<u>352</u>

23. Borrowings and debt securities (Cont'd)

	As at 31-Mar-18		As at 31-Mar-17	
	Foreign Currency '000	RM Equivalent RM'000	Foreign Currency '000	RM Equivalent RM'000
Short Term Borrowings				
Unsecured	USD 1,613	<u>6,292</u>	RM -	<u>352</u>
Long term borrowings				
Unsecured	USD 3,107	<u>12,120</u>	USD -	<u>-</u>
Total borrowings		<u><u>18,412</u></u>		<u><u>352</u></u>

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

The Group's total borrowings increased to RM18.4 million during the quarter under review as compared to RM0.35 million recorded in the financial year ended March 31, 2017 mainly due to the increase in utilization of banking facilities to finance the purchase of plant, property and equipment and increase in working capital.

24. Derivative financial instruments

	As at 31-Mar-18	
	Contract/ Notional Value RM'000	Fair value RM'000
Foreign exchange contracts		
- Less than 1 year	110,319	2,913
- 1 to 3 years	9,019	441
	<u>119,338</u>	<u>3,354</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		Cumulative Quarter	
	3 months ended		12 months ended	
	31-Mar-18	31-Mar-17	31-Mar-18	31-Mar-17
Net profit attributable to ordinary shareholders (RM'000)	20,925	18,419	63,144	43,607
Weighted average no. of shares ('000)	135,167	125,890	135,167	120,033
Basic earnings per share (sen)	<u>15.48</u>	<u>14.63</u>	<u>46.72</u>	<u>36.33</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
24 May 2018