



SAM ENGINEERING & EQUIPMENT (M) BERHAD

(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT FOR QUARTER ENDED 30 JUNE 2018

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SAM ENGINEERING & EQUIPMENT (M) BERHAD

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

(The figures have not been audited)

	Note	As at 30-Jun-18 RM'000	As at 31-Mar-18 RM'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment		245,954	240,654
Intangible assets		15,094	14,640
Deferred tax assets		2,025	2,326
Derivative financial assets	24	-	441
Current assets			
Trade and other receivables		238,344	196,235
Contract assets		110,849	100,871
Inventories		92,836	93,127
Derivative financial assets	24	92	2,994
Current tax assets		4,014	3,387
Cash and cash equivalents		18,869	21,556
		465,004	418,170
TOTAL ASSETS		728,077	676,231
EQUITY AND LIABILITIES			
Share capital		212,731	212,731
Reserves		285,337	260,407
Total equity		498,068	473,138
Non-current liabilities			
Loans and borrowings	23	12,409	12,120
Deferred income		911	892
Provisions		895	719
Deferred tax liabilities		7,597	5,083
Derivative financial liabilities	24	108	-
Current liabilities			
Loans and borrowings	23	53,320	6,292
Deferred income		76	87
Trade and other payables		138,816	164,434
Derivative financial liabilities	24	1,423	81
Provisions		6,382	6,186
Current tax liabilities		8,072	7,199
		208,089	184,279
TOTAL EQUITY AND LIABILITIES		728,077	676,231
Net assets per share (sen)		368	325

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Report for the financial year ended 31 March 2018.

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 2018

(The figures have not been audited)

	Note	Current Quarter 3 months ended		Cumulative Quarter 12 months ended	
		30-Jun-18 RM'000	30-Jun-17 RM'000 (Restated)	30-Jun-18 RM'000	30-Jun-17 RM'000 (Restated)
Revenue		178,767	141,315	178,767	141,315
Cost of sales		(152,808)	(122,705)	(152,808)	(122,705)
Gross profit		25,959	18,610	25,959	18,610
Other operating income		3,859	3,166	3,859	3,166
Other operating expenses		(1,923)	(1,668)	(1,923)	(1,668)
Distribution and administrative expenses		(5,428)	(7,347)	(5,428)	(7,347)
Finance costs		(296)	(14)	(296)	(14)
Profit before tax		22,171	12,747	22,171	12,747
Income tax expense	21	(4,580)	(3,361)	(4,580)	(3,361)
Profit for the period	9	17,591	9,386	17,591	9,386
Other comprehensive income/(loss), net of tax					
Items that may be reclassified subsequently to profit and loss					
Foreign currency translation differences for foreign operations		10,831	(14,629)	10,831	(14,629)
Cash flow hedge		(3,492)	1,523	(3,492)	1,523
Total comprehensive income/(loss) for the period		24,930	(3,720)	24,930	(3,720)
Profit attributable to:					
Owners of the Company		17,591	9,386	17,591	9,386
Profit for the period		17,591	9,386	17,591	9,386
Total comprehensive income/(loss) attributable to:					
Owners of the Company		24,930	(3,720)	24,930	(3,720)
Total comprehensive income/(loss) for the period		24,930	(3,720)	24,930	(3,720)
Earnings per share					
Basic earnings per share (sen)	27	13.01	7.46	13.01	7.46

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Report for the year ended 31 March 2018.

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 2018

(The figures have not been audited)

	Share Capital	<----- Non Distributable ----->			Distributable	Total Equity
		Hedging Reserve	Translation Reserve	Capital Reserve	Retained Earnings	
<u>Restated</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1.4.2017	193,250	(1,776)	80,168	15,628	178,427	465,697
Total comprehensive income/(loss) for the period	-	1,523	(14,629)	-	9,386	(3,720)
Conversion of ICULS	25	-	-	(20)	(5)	-
As at 30.06.2017	193,275	(253)	65,539	15,608	187,808	461,977
As at 1.4.2018	212,731	2,572	39,437	-	218,398	473,138
Total comprehensive (loss)/income for the period	-	(3,492)	10,831	-	17,591	24,930
As at 30.06.2018	212,731	(920)	50,268	-	235,989	498,068

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 2018.

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

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD
 ENDED 30 JUNE 2018**

(The figures have not been audited)

	30-Jun-18 RM'000	30-Jun-17 RM'000 (Restated)
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax from continuing operations	22,171	12,747
Adjustments for:		
Depreciation of property, plant and equipment	7,894	4,239
Amortisation of intangible assets	512	317
Amortisation of government grant	16	-
Net fair value loss/(gain) on derivatives	1,396	(87)
Interest income	(12)	(50)
Plant and equipment written off	-	4
Interest expenses	296	14
Provision for warranties	280	-
Reversal of provision for warranties	(71)	-
Operating profit before changes in working capital	32,482	17,184
Changes in working capital :		
Receivables	(24,930)	(4,721)
Contract assets	(9,978)	(7,924)
Inventories	128	(585)
Payables and provisions	(26,535)	5,091
Cash (used in)/ generated from operations	(28,833)	9,045
Income tax paid	(1,455)	(3,355)
Net cash (used in)/generated from operating activities	(30,288)	5,690
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(25,472)	(14,428)
Purchase of intangible assets	(680)	(8,573)
Interest received	12	50
Net cash used in investing activities	(26,140)	(22,951)

SAM ENGINEERING & EQUIPMENT (M) BERHAD

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD
ENDED 30 JUNE 2018 (CONT'D)**

(The figures have not been audited)

	30-Jun-18 RM'000	30-Jun-17 RM'000 (Restated)
CASH FLOW FROM FINANCING ACTIVITIES		
Interest paid	(296)	(14)
Drawdown of term loan	6,669	-
Drawdown of other borrowings, net	40,648	-
Net cash generated from financing activities	<u>47,021</u>	<u>(14)</u>
Net change in cash and cash equivalents	(9,407)	(17,275)
Effect of foreign exchange fluctuations	6,720	(12,637)
Cash and cash equivalents brought forward	<u>21,556</u>	<u>99,001</u>
Cash and cash equivalents carried forward	<u>18,869</u>	<u>69,089</u>

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

Cash and bank balances	<u>18,869</u>	<u>69,089</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 2018.

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 2018. 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 2018.

2. Significant accounting policies

The accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted for the audited consolidated financial statements of the Group for the financial year ended 31 March 2018, except for the adoption of the following amendments to MFRSs during the financial period:

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

2. Significant accounting policies (Cont'd)

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 impact upon adoption of MFRS 15 are as follows:-

Statement of financial position as at 31 March 2018

	As previously reported RM'000	Restated RM'000
Inventories	178,959	93,127
Contract assets	-	100,871
Trade & other payable	163,990	164,434
Retained earnings	205,359	218,398

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

	As previously reported RM'000	Restated RM'000
Revenue	598,164	618,959
Cost of sales	(494,898)	(513,130)
Profit for the year	63,144	65,490
Earnings per share - Basic (sen)	48.26	50.06

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (“MASB”) but have not been adopted by the Group and the Company:

MFRSs, Interpretations 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 MFRS 119	Employee Benefits: Plan Amendments, Curtailment or Settlement

3. Significant accounting policies (Cont'd)

MFRSs, Interpretations 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, Interpretations 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

3. Audit opinion

The audit report for the audited financial statements of the Group for the financial year ended 31 March 2018 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 June 2018.

8. Dividends paid

A single tier first interim dividend of 14.01 sen and a single tier special dividend of 9.35 sen per ordinary share totaling RM31.6 million for the financial year ended 31 March 2018 was paid on 10 August 2018.

In the preceding year, 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.

9. Profit for the year

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

	Current Quarter 3 months ended		Cumulative Quarter 3 months ended	
	30-Jun-18 RM'000	30-Jun-17 RM'000	30-Jun-18 RM'000	30-Jun-17 RM'000
Depreciation and amortisation	8,406	4,556	8,406	4,556
Foreign exchange gain	1,396	(87)	1,396	(87)
Interest expense	(1,506)	(78)	(1,506)	(78)
Interest income	296	14	296	14
Inventories written down	(12)	(50)	(12)	(50)
Loss on derivatives	386	2,077	386	2,077
Other income	(2,341)	(1,816)	(2,341)	(1,816)

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	101,706	77,061	-	178,767
Inter segment sales	435	-	(435)	-
	<u>102,141</u>	<u>77,061</u>	<u>(435)</u>	<u>178,767</u>
Results				
Segment result (external)	10,749	11,706		22,455
Interest income				12
Finance costs				(296)
Profit before taxation				<u>22,171</u>
Tax expense				(4,580)
Profit for the period				<u>17,591</u>
Total assets	539,801	188,276		728,077
Total liabilities	150,034	79,975		230,009

11. Property, plant and equipment

Property, plant and equipment amounting to RM25.5 million were acquired during the financial period (financial period ended 30 June 2017: RM14.4 million).

There was no disposal of property, plant and equipment during the current & previous financial period.

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-18 RM'000	30-Jun-17 RM'000
Contracted but not provided for	45,860	57,660

16. Significant related party transaction

Significant transactions with related parties are as follows:

	3 months ended 30-Jun-18 RM'000
<u>Provision of goods/ services to related parties</u>	
Sale of aerospace parts	24,110
Sale of fabrication/ machining services	4,864
Provision of engineering & administrative services	210
<u>Purchase of goods/ services from related parties</u>	
Purchase of fabrication/ machining services / special services	4,180
Rental of office and factory premises	1,380
Provision of engineering & administrative services	823
Provision of corporate management services	506

17. Review of performance

	Current Quarter Ended	Immediate Preceding Quarter Ended	Changes
	30-Jun-18	31-Mar-18	
	RM'000	RM'000 (Restated)	RM'000
Revenue	178,767	168,526	10,241
Operating profit	22,455	18,666	3,789
Profit before interest and tax	22,467	18,696	3,771
Profit before tax	22,171	18,654	3,517
Profit for the period	17,591	18,077	(486)
Profit attributable to Owners of the Company	17,591	18,077	(486)

The increase in Group revenue of RM10.2 million was due to the increase in revenue from the Aerospace and Equipment segments by RM7.2 million and RM3.0 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 increase in Group profit before tax of RM3.5million was attributable to the higher profit contribution from Equipment segment of RM4.9million as a result of higher revenue, favourable product mix and foreign exchange gain being offsetted by lower profit of RM1.4 million from Aerospace segment as a result of unfavourable foreign exchange movement and higher depreciation expenses for the start up projects.

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

	Current Quarter 3 months ended			Cumulative Quarter 3 months ended		
	30-Jun-18	30-Jun-17	Changes	30-Jun-18	30-Jun-17	Changes
	RM'000	RM'000 (Restated)	RM'000	RM'000	RM'000 (Restated)	RM'000
Revenue	178,767	141,315	37,452	178,767	141,315	37,452
Operating profit	22,455	12,711	9,744	22,455	12,711	9,744
Profit before interest and tax	22,467	12,761	9,706	22,467	12,761	9,706
Profit before tax	22,171	12,747	9,424	22,171	12,747	9,424
Profit for the period/year	17,591	9,386	8,205	17,591	9,386	8,205
Profit attributable to Owners of the Company	17,591	9,386	8,205	17,591	9,386	8,205

The increase in Group revenue of RM37.5 million was due to the increase in revenue from the Aerospace and Equipment segments of RM16.3 million and RM21.2 million respectively. The higher revenue from the Aerospace segment was due to the increase in deliveries for the casing and beam products. The higher revenue from the Equipment segment was due to the increase in the sales to customers from the HDD and semiconductor industry.

The higher Group profit before tax of RM9.4 million was attributable to the higher profit from the Aerospace and Equipment segments of RM7.9 million and RM1.5 million respectively as a result of higher revenue.

19. Current year prospects

We expect the revenue from the aerospace industry which accounts for about 57% of our Group revenue to remain stable.

We expect revenue from the equipment business to be maintained for the next quarter as the semiconductor industry remain strong 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		3 months ended	
	30-Jun-18	30-Jun-17	30-Jun-18	30-Jun-17
	RM'000	RM'000	RM'000	RM'000
Current period		(Restated)		(Restated)
- provision for taxation	2,440	2,294	2,440	2,294
- deferred taxation	2,140	1,096	2,140	1,096
	<u>4,580</u>	<u>3,390</u>	<u>4,580</u>	<u>3,390</u>
Prior period				
- deferred taxation	-	(29)	-	(29)
	<u>4,580</u>	<u>3,361</u>	<u>4,580</u>	<u>3,361</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 30 June 2018 are as follows:-

	As at 30-Jun-18		As at 30-Jun-17	
	Unsecured RM'000	Total RM'000	Unsecured RM'000	Total RM'000
Short term borrowings				
Onshore foreign currency loans	53,320	53,320	-	-
ICULS	-	-	172	172
	<u>53,320</u>	<u>53,320</u>	<u>172</u>	<u>172</u>
Long term borrowings				
Term loan - variable rate	12,409	12,409	-	-
Total borrowings	<u>65,729</u>	<u>65,729</u>	<u>172</u>	<u>172</u>

23. Borrowings and debt securities (Cont'd)

	As at 30-Jun-18		As at 30-Jun-17	
	Foreign Currency '000	RM Equivalent RM'000	Foreign Currency '000	RM Equivalent RM'000
Short Term Borrowings				
Unsecured	USD 13,350	<u>53,320</u>	RM -	<u>172</u>
Long term borrowings				
Unsecured	USD 3,107	<u>12,409</u>	USD -	<u>-</u>
Total borrowings		<u><u>65,729</u></u>		<u><u>172</u></u>

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

The Group's total borrowings increased to RM65.7 million as at 30 June 2018 as compared to RM0.2 million as at 30 June 2017 mainly due to the increase in utilisation of banking facilities to finance the increase in working capital and purchase of plant, property and equipment.

24. Derivative financial instruments

	As at 30-Jun-18	
	Contract/ Notional Value RM'000	Fair value RM'000
Foreign exchange contracts		
- Less than 1 year	67,512	(1,331)
- 1 to 3 years	<u>5,300</u>	<u>(108)</u>
	<u>72,812</u>	<u>(1,439)</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 3 months ended	
	30-Jun-18	30-Jun-17 (Restated)	30-Jun-18	30-Jun-17 (Restated)
Net profit attributable to ordinary shareholders (RM'000)	17,591	9,386	17,591	9,386
Weighted average no. of shares ('000)	135,167	125,892	135,167	125,892
Basic earnings per share (sen)	<u>13.01</u>	<u>7.46</u>	<u>13.01</u>	<u>7.46</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
15 August 2018