



SAM ENGINEERING & EQUIPMENT (M) BERHAD

(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT FOR QUARTER ENDED 30 SEPTEMBER 2018

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SAM ENGINEERING & EQUIPMENT (M) BERHAD

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2018

(The figures have not been audited)

	Note	As at 30-Sep-18 RM'000	As at 31-Mar-18 RM'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment		271,683	240,654
Intangible assets		15,234	14,640
Deferred tax assets		2,166	2,326
Derivative financial assets	24	12	441
Current assets			
Trade and other receivables		222,883	196,235
Contract assets		126,630	100,871
Inventories		98,060	93,127
Derivative financial assets	24	119	2,994
Current tax assets		3,569	3,387
Cash and cash equivalents		25,434	21,556
		476,695	418,170
Assets held for sale		5,221	-
TOTAL ASSETS		771,011	676,231
EQUITY AND LIABILITIES			
Share capital		212,731	212,731
Reserves		290,325	260,407
Total equity		503,056	473,138
Non-current liabilities			
Loans and borrowings	23	32,343	12,120
Deferred income		945	892
Provisions		763	719
Deferred tax liabilities		7,218	5,083
Derivative financial liabilities	24	37	-
Current liabilities			
Loans and borrowings	23	70,889	6,292
Deferred income		50	87
Trade and other payables		138,183	164,434
Derivative financial liabilities	24	746	81
Provisions		6,941	6,186
Current tax liabilities		9,840	7,199
		226,649	184,279
TOTAL EQUITY AND LIABILITIES		771,011	676,231
Net assets per share (sen)		372	350

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements 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 SEPTEMBER 2018

(The figures have not been audited)

	Current Quarter 3 months ended		Cumulative Quarter 6 months ended	
	30-Sep-18	30-Sep-17	30-Sep-18	30-Sep-17
Note	RM'000	RM'000	RM'000	RM'000
	(Restated)		(Restated)	
Revenue	189,168	154,316	367,935	295,631
Cost of sales	(160,814)	(128,608)	(313,622)	(251,313)
Gross profit	28,354	25,708	54,313	44,318
Other operating income	2,795	3,211	6,654	6,377
Other operating expenses	(339)	(1,380)	(2,262)	(3,048)
Distribution and administrative expenses	(7,226)	(6,751)	(12,654)	(14,098)
Finance costs	(663)	(14)	(959)	(28)
Profit before tax	22,921	20,774	45,092	33,521
Income tax expense	21 (4,590)	(4,534)	(9,170)	(7,895)
Profit for the year	9 18,331	16,240	35,922	25,626
Other comprehensive income/(loss), net of tax				
Items that may be reclassified subsequently to profit and loss				
Foreign currency translation differences for foreign operations	17,925	(3,974)	28,756	(18,603)
Cash flow hedge	307	1,944	(3,185)	3,467
Total comprehensive income for the year	36,563	14,210	61,493	10,490
Profit attributable to:				
Owners of the Company	18,331	16,240	35,922	25,626
Profit for the year	18,331	16,240	35,922	25,626
Total comprehensive income attributable to:				
Owners of the Company	36,563	14,210	61,493	10,490
Total comprehensive income for the year	36,563	14,210	61,493	10,490
Earnings per share				
Basic earnings per share (sen)	27 13.56	12.77	26.58	20.26

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements 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 SEPTEMBER 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)	80,162	15,628	178,455	465,719
Total comprehensive income/(loss) for the period	-	3,467	(18,603)	-	25,626	10,490
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	61,559	-	178,534	454,515
As at 1.4.2018	212,731	2,572	39,437	-	218,398	473,138
Total comprehensive (loss)/income for the period	-	(3,185)	28,756	-	35,922	61,493
Dividends paid to owners	-	-	-	-	(31,575)	(31,575)
As at 30.09.2018	212,731	(613)	68,193	-	222,745	503,056

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements 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 SEPTEMBER 2018**

(The figures have not been audited)

	30-Sep-18 RM'000	30-Sep-17 RM'000 (Restated)
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax from continuing operations	45,092	33,521
Adjustments for:		
Depreciation of property, plant and equipment	15,808	8,081
Amortisation of intangible assets	1,081	781
Amortisation of government grant	44	-
Fair value loss/(gain) on derivatives	1,163	(361)
Interest income	(34)	(101)
Plant and equipment written off	-	8
Interest expenses	959	28
Provision for warranties	498	-
Reversal of provision for warranties	(137)	(442)
Operating profit before changes in working capital	<u>64,474</u>	<u>41,515</u>
Changes in working capital :		
Receivables	(27,385)	2,535
Contract assets	(25,759)	(12,260)
Inventories	(6,350)	(5,523)
Payables and provisions	(4,485)	(1,684)
Cash generated from operations	<u>495</u>	<u>24,583</u>
Income tax paid	(4,870)	(6,348)
Net cash (used in)/generated from operating activities	<u>(4,375)</u>	<u>18,235</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(60,988)	(32,417)
Purchase of intangible assets	(865)	(1,587)
Interest received	34	101
Net cash used in investing activities	<u>(61,819)</u>	<u>(33,903)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Dividends paid	(31,575)	(21,694)
Interest paid	(959)	(388)
Drawdown of other borrowings, net	52,476	-
Drawdown of term loans	32,344	-
Net cash generated from/(used in) financing activities	<u>52,286</u>	<u>(22,082)</u>

SAM ENGINEERING & EQUIPMENT (M) BERHAD

(Incorporated in Malaysia)

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

(The figures have not been audited)

	30-Sep-18 RM'000	30-Sep-17 RM'000 (Restated)
Net change in cash and cash equivalents	(13,908)	(37,750)
Cash and cash equivalents brought forward	21,556	99,001
Effect of exchange rate fluctuations on cash and cash equivalents	17,786	(16,631)
Cash and cash equivalents carried forward	<u>25,434</u>	<u>44,620</u>

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

Cash and bank balances	<u>25,434</u>	<u>44,620</u>
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The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements 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 report 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 report 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	-	100,863
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 MFRS 128	Consolidated Financial Statements Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associates or Joint Venture
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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 semiconductors and electronics 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 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 6 months ended	
	30-Sep-18 RM'000	30-Sep-17 RM'000	30-Sep-18 RM'000	30-Sep-17 RM'000
Depreciation and amortisation	8,483	4,306	16,889	8,862
Foreign exchange gain	(151)	(264)	(1,657)	(342)
Interest expense	663	14	959	28
Interest income	(22)	(51)	(34)	(101)
Inventories written down/(back)	1,091	(537)	1,477	1,540
Fair value loss/(gain) on derivatives	(233)	(274)	1,163	(361)
Other income	(2,622)	(1,773)	(4,963)	(3,589)
Provision for doubtful debts written back	-	(463)	-	(324)

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	218,335	149,600	-	367,935
Inter segment sales	1,200	-	(1,200)	-
	<u>219,535</u>	<u>149,600</u>	<u>(1,200)</u>	<u>367,935</u>
Results				
Segment result (external)	22,980	23,037		46,017
Interest income				34
Finance costs				(959)
Profit before taxation				<u>45,092</u>
Tax expense				<u>(9,170)</u>
Profit for the period				<u>35,922</u>

11. Property, plant and equipment

Property, plant and equipment amounting to RM61.0 million were acquired during the financial period (financial period ended 30 September 2017: RM32.4 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-Sep-18 RM'000	30-Sep-17 RM'000
Contracted but not provided for	<u>57,790</u>	<u>69,067</u>

16. Significant related party transaction

Significant transactions with related parties are as follows:

	6 months ended 30-Sep-18 RM'000
<u>Provision of goods/ services to related parties</u>	
Sale of aerospace parts	47,857
Sale of fabrication/ machining services	7,354
Provision of engineering & administrative services	350
<u>Purchase of goods/ services from related parties</u>	
Purchase of fabrication/ machining services / special services	8,363
Rental of office, machine and factory premises	2,860
Provision of engineering & administrative services	1,132
Provision of corporate management services	969

17. Review of performance

	Current	Immediate	Changes
	Quarter Ended	Preceding Quarter Ended	
	30-Sep-18	30-Jun-18	
	RM'000	RM'000 (Restated)	RM'000
Revenue	189,168	178,767	10,401
Operating profit	23,562	22,455	1,107
Profit before interest and tax	23,584	22,467	1,117
Profit before tax	22,921	22,171	750
Profit for the period	18,331	17,591	740
Profit attributable to Owners of the Company	18,331	17,591	740

The increase in Group revenue of RM10.4 million was due to the increase in revenue from the Aerospace segment by RM14.9 million and a decrease in revenue from the Equipment segment by RM4.5 million. The higher revenue from the Aerospace segment was due to the ramp up in production for the casing products for the new aircraft platforms – A320neo and B737max and the ramp up in production for aerostructures products for A320neo and pull in by customer for the casing products for business jets and favourable foreign exchange translation. For the Equipment segment, the decrease in HDD businesses contributed to the lower revenue.

The increase in Group profit before tax of RM0.8 million was attributable to the higher profit contribution from Aerospace segment of RM1.3 million as a result of higher revenue. However, there was a lower profit contribution from Equipment segment of RM0.5 million due to lower 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-18	30-Sep-17	Changes	30-Sep-18	30-Sep-17	Changes
	RM'000	RM'000 (Restated)	RM'000	RM'000	RM'000 (Restated)	RM'000
Revenue	189,168	154,316	34,852	367,935	295,631	72,304
Operating profit	23,562	20,737	2,825	46,017	33,448	12,569
Profit before interest and tax	23,584	20,788	2,796	46,051	33,549	12,502
Profit before tax	22,921	20,774	2,147	45,092	33,521	11,571
Profit for the period/year	18,331	16,240	2,091	35,922	25,626	10,296
Profit attributable to Owners of the Company	18,331	16,240	2,091	35,922	25,626	10,296

Current quarter compared with immediate preceding year's corresponding quarter

The increase in Group revenue of RM34.9 million was due to the increase in revenue from the Aerospace and Equipment segments of RM19.3 million and RM15.6 million respectively. The higher revenue from the Aerospace segment was due to the ramp up in production for the casing products for the new aircraft platforms – A320neo and B737max and the ramp up in production for aerostructures products for A320neo. 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 RM2.1 million was attributable to the higher profit from the Equipment segments of RM2.4 million as a result of higher revenue. However, there was a lower profit contribution from Aerospace segment of RM0.3 million despite higher revenue due to higher cost incurred for the production ramp up for the manufacturing launch of the casing products and unfavourable foreign exchange translation.

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

The increase in Group revenue of RM72.3 million was due to the increase in revenue from the Aerospace and Equipment segments of RM35.6 million and RM36.7 million respectively. The higher revenue from the Aerospace segment was due to the ramp up in production for the casing products for the new aircraft platforms – A320neo and Boeing 737max and the ramp up in production for aerostructures products for A320neo. 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 RM11.6 million was due to the higher profit from the Aerospace and Equipment segment of RM 7.7 million and RM3.9 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 the revenue from the equipment business to decrease marginally for the next quarter due to short term market adjustment of the semiconductor industry. However, the outlook for semiconductor industry remains strong for next year. We also expect the demand from the hard disk drive storage segment to recover next year.

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-18 RM'000	30-Sep-17 RM'000 (Restated)	30-Sep-18 RM'000	30-Sep-17 RM'000 (Restated)
Current period				
- income tax	4,562	4,404	7,002	6,698
- deferred tax	28	131	2,168	1,227
	<u>4,590</u>	<u>4,535</u>	<u>9,170</u>	<u>7,925</u>
Prior period				
- deferred tax	-	(1)	-	(30)
	<u>4,590</u>	<u>4,534</u>	<u>9,170</u>	<u>7,895</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 Sep 2018 are as follows:-

	As at 30-Sep-18		As at 30-Sep-17	
	Unsecured RM'000	Total RM'000	Unsecured RM'000	Total RM'000
Short term borrowings				
Revolving credits	70,889	70,889	-	-
Long term borrowings				
Term loan - variable rate	32,343	32,343	-	-
Total borrowings	<u>103,232</u>	<u>103,232</u>	-	-

	As at 30-Sep-18			As at 30-Sep-17		
	Foreign Currency '000	RM Equivalent RM'000		Foreign Currency '000	RM Equivalent RM'000	
Short Term Borrowings						
Unsecured	USD 17,100	<u>70,889</u>	RM	-	-	-
Long term borrowings						
Unsecured	USD 7,802	<u>32,343</u>	USD	-	-	-
Total borrowings		<u>103,232</u>			-	-

The Group's total borrowings increased to RM103.2 million as at 30 September 2018 as compared to RM Nil as at 30 September 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-Sep-18	
	Contract/ Notional Value RM'000	Fair value RM'000
Foreign exchange contracts		
- Less than 1 year	16,236	(627)
- 1 to 3 years	2,467	(25)
	<u>18,703</u>	<u>(652)</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 was 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 6 months ended	
	30-Sep-18	30-Sep-17 (Restated)	30-Sep-18	30-Sep-17 (Restated)
Net profit attributable to ordinary shareholders (RM'000)	18,331	16,240	35,922	25,626
Weighted average no. of shares ('000)	135,167	127,125	135,167	126,512
Basic earnings per share (sen)	<u>13.56</u>	<u>12.77</u>	<u>26.58</u>	<u>20.26</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
29 November 2018