



SAM ENGINEERING & EQUIPMENT (M) BERHAD

(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT

FOR QUARTER ENDED 30 JUNE 2019

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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT
30 JUNE 2019**

(The figures have not been audited)

	Note	As at 30-Jun-19 RM'000	As at 31-Mar-19 RM'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		281,398	277,080
Right-of-use assets		33,846	-
Intangible assets		14,703	15,094
Deferred tax assets		2,527	2,504
Other receivables		36,820	25,517
Current assets			
Inventories		115,183	116,622
Contract assets		128,178	126,430
Trade and other receivables		214,674	199,788
Derivative financial assets	24	291	506
Current tax assets		2,930	3,187
Cash and bank balances		15,740	23,992
		476,996	470,525
TOTAL ASSETS		846,290	790,720
EQUITY AND LIABILITIES			
Share capital		212,731	212,731
Reserves		351,330	322,899
Total equity		564,061	535,630
Non-current liabilities			
Loans and borrowings	23	24,733	25,958
Deferred income		1,348	1,342
Lease liability		29,811	-
Provisions		682	671
Deferred tax liabilities		7,384	6,970
Current liabilities			
Loans and borrowings	23	83,419	73,850
Deferred income		153	188
Trade and other payables		108,349	126,731
Contract liabilities		1,289	462
Lease liability		4,297	-
Derivative financial liabilities	24	1,042	1,365
Provisions		7,687	6,900
Current tax liabilities		12,035	10,653
		218,271	220,149
TOTAL EQUITY AND LIABILITIES		846,290	790,720
Net assets per share (sen)		417	396

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 March 2019.

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 2019

(The figures have not been audited)

	Note	Current Quarter 3 months ended		Cumulative Quarter 3 months ended	
		30-Jun-19 RM'000	30-Jun-18 RM'000	30-Jun-19 RM'000	30-Jun-18 RM'000
Revenue		195,165	178,767	195,165	178,767
Cost of sales		(164,833)	(152,808)	(164,833)	(152,808)
Gross profit		30,332	25,959	30,332	25,959
Other operating income		5,192	3,859	5,192	3,859
Other operating expenses		(3,159)	(1,923)	(3,159)	(1,923)
Distribution and administrative expenses		(8,542)	(5,428)	(8,542)	(5,428)
Finance costs		(1,231)	(296)	(1,231)	(296)
Profit before tax		22,592	22,171	22,592	22,171
Income tax expense	21	(4,385)	(4,580)	(4,385)	(4,580)
Profit for the year	9	18,207	17,591	18,207	17,591
Other comprehensive income, net of tax					
Items that may be reclassified subsequently to profit and loss					
Foreign currency translation differences for foreign operations		9,306	10,831	9,306	10,831
Cash flow hedge		744	(3,492)	744	(3,492)
Expenses related to Employees' Share Grant Scheme		174	-	174	-
Total comprehensive income for the year		28,431	24,930	28,431	24,930
Profit attributable to:					
Owners of the Company		18,207	17,591	18,207	17,591
Profit for the year		18,207	17,591	18,207	17,591
Total comprehensive income attributable to:					
Owners of the Company		28,431	24,930	28,431	24,930
Total comprehensive income for the year		28,431	24,930	28,431	24,930
Earnings per share					
Basic earnings per share (sen)	27	13.47	13.01	13.47	13.01

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 March 2019.
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 2019

(The figures have not been audited)

	<----- Non Distributable ----->				Distributable	
	Share Capital	Hedging Reserve	Translation Reserve	Employees' Share Grant Scheme Reserve	Retained Earnings	Total Equity
<u>Restated</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1.4.2018	212,731	2,572	39,477	-	217,096	471,876
Total comprehensive (loss)/income for the period	-	(3,492)	10,831	-	17,591	24,930
As at 30.6.2018	<u>212,731</u>	<u>(920)</u>	<u>50,308</u>		<u>234,687</u>	<u>496,806</u>
As at 1.4.2019	212,731	(1,393)	61,591	-	262,701	535,630
Total comprehensive income for the period	-	744	9,306	174	18,207	28,431
As at 30.6.2019	<u>212,731</u>	<u>(649)</u>	<u>70,897</u>	<u>174</u>	<u>280,908</u>	<u>564,061</u>

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 2019.

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

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD
 ENDED 30 JUNE 2019**

(The figures have not been audited)

	30-Jun-19 RM'000	30-Jun-18 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax from continuing operations	22,592	22,171
Adjustments for:		
Depreciation of property, plant and equipment	9,714	7,894
Depreciation of right-of-use assets	1,692	-
Amortisation of intangible assets	641	512
Amortisation of government grant	(25)	(16)
Fair value loss on derivatives	636	1,396
Interest income	(14)	(12)
Plant and equipment written off	1,339	-
Interest expenses	904	296
Interest on lease liability	327	-
Employees' share grant expenses	174	-
Provision for		
- warranties	685	280
- onerous contract	(17)	-
Reversal of provision for		
- warranties	-	(71)
Operating profit before changes in working capital	<u>38,648</u>	<u>32,450</u>
Changes in working capital :		
Receivables	(50,429)	(24,930)
Contract assets	(1,748)	(9,978)
Inventories	(303)	128
Contract liabilities	827	-
Payables and provisions	17,282	(26,503)
Cash generated from operations	<u>4,277</u>	<u>(28,833)</u>
Income tax paid	(2,348)	(1,455)
Repayment of lease liability	(1,759)	-
Net cash generated from/(used in) operating activities	<u>170</u>	<u>(30,288)</u>

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

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD
 ENDED 31 MARCH 2019 (CONT'D)**

(The figures have not been audited)

	30-Jun-19 RM'000	30-Jun-18 RM'000
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(22,106)	(25,472)
Purchase of intangible assets	(4)	(680)
Interest received	14	12
Net cash used in investing activities	<u>(22,096)</u>	<u>(26,140)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Interest paid	(1,231)	(296)
Drawdown of other borrowings, net	9,464	6,669
(Repayment)/Drawdown of term loans	(1,120)	40,648
Net cash generated from financing activities	<u>7,113</u>	<u>47,021</u>
Net change in cash and cash equivalents	(14,813)	(9,407)
Cash and cash equivalents brought forward	23,992	6,720
Effect of exchange rate fluctuations on cash and cash equivalents	6,561	21,556
Cash and cash equivalents carried forward	<u>15,740</u>	<u>18,869</u>

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

Cash and bank balances	<u>15,740</u>	<u>18,869</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 2019.

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 2019. 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 2019.

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 2019, except for the adoption of the following MFRS and amendments to MFRSs during the financial period:

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 Amendment, Curtailment or Settlement
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

The adoption of the above standards and amendments is not expected to have any material financial impact to the Group except the following:

MFRS 16 Leases

MFRS 16 replaces the guidance in MFRS 117, Leases, IC Interpretation 4, Determining whether an Arrangement contains a Lease, IC Interpretation 115, Operating Leases – Incentives and IC Interpretation 127, Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

As a result of initially applying MFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognized RM33.8 million of right-of use assets and RM34.1 million of lease liabilities as at 30 June 2019.

Also in relation to those leases under MFRS 16, the Group has recognized depreciation and interest costs, instead of operating lease expense. During the three months ended 30 June 2019, the Group recognized RM 1.7 million of depreciation charges and RM0.3 million of interest costs from these leases.

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 for annual periods beginning on or after 1 January 2020

Amendments to MFRS 3	Business Combinations – Definition of a Business
Amendments to MFRS 101	Presentation of Financial Statements and MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material

MFRSs, Interpretations and Amendments effective for 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 2019 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 year-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 2019.

8. Dividends paid

A single tier first interim dividend of 17.43 sen and a single tier special dividend of 11.62 sen per ordinary share totaling RM39.3 million for the financial year ended 31 March 2019 was paid on 13 August 2019.

In the preceding year, 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.

9. Profit for the year

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

	Current Quarter		Cumulative Quarter	
	3 months ended		3 months ended	
	30-Jun-19	30-Jun-18	30-Jun-19	30-Jun-18
	RM'000	RM'000	RM'000	RM'000
Depreciation and amortisation	12,047	8,406	12,047	8,406
Foreign exchange gain	(86)	(1,506)	(86)	(1,506)
Interest expense	1,231	296	1,231	296
Interest income	(14)	(12)	(14)	(12)
Inventories written down	1,626	386	1,626	386
Fair value loss on derivatives	636	1,396	636	1,396
Other income	(3,304)	(2,341)	(3,304)	(2,341)
Provision for doubtful debts written down	168	-	168	-

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	110,255	84,910	-	195,165
Inter segment sales	142	-	(142)	-
	<u>110,397</u>	<u>84,910</u>	<u>(142)</u>	<u>195,165</u>
Results				
Segment result (external)	13,479	10,330		23,809
Interest income				14
Finance costs				(1,231)
Profit before taxation				<u>22,592</u>
Tax expense				(4,385)
Profit for the period				<u>18,207</u>

11. Property, plant and equipment

Property, plant and equipment amounting to RM22.1 million were acquired during the financial period (financial period ended 30 June 2018: RM25.5 million).

There was no disposal of property, plant and equipment during the current quarter.

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-19 RM'000	30-Jun-18 RM'000
Contracted but not provided for	<u>29,730</u>	<u>45,860</u>

16. Significant related party transaction

Significant transactions with related parties are as follows:

	3 months ended 30-Jun-19 RM'000
<u>Provision of goods/ services to related parties</u>	
Sale of aerospace parts	18,300
Sale of fabrication/ machining services	2,869
Provision of engineering & administrative services	144
Provision of corporate management services	107
<u>Purchase of goods/ services from related parties</u>	
Purchase of fabrication/ machining services / special services	1,163
Rental of office, machine and factory premises	1,491
Purchase of engineering & administrative services	117
Purchase of corporate management services	843

17. Review of performance

	Current Quarter Ended	Immediate Preceding Quarter Ended	Changes
	30-Jun-19	31-Mar-19	
	RM'000	RM'000	RM'000
Revenue	195,165	195,761	(596)
Operating profit	23,809	26,877	(3,068)
Profit before interest and tax	23,823	26,918	(3,095)
Profit before tax	22,592	25,845	(3,253)
Profit for the period	18,207	22,444	(4,237)
Profit attributable to Owners of the Company	18,207	22,444	(4,237)

The decrease in Group revenue of RM0.6 million was due to the decrease in revenue from the Aerospace segment of RM13.8 million and an increase in revenue from the Equipment segment by RM13.2 million. The lower revenue from the Aerospace segment was due to the decrease of sales of casing products for A320neo and business jets and decrease in sales of aerostructures products for A320neo offsetted by favourable foreign exchange translation. For the Equipment segment, the increase in Data Storage businesses and favourable foreign exchange translation contributed to the higher revenue.

In the immediate preceding quarter, the Group sold certain land and buildings and enjoyed a net gain of RM7.3 million on account of this sale. If this net gain is taken into consideration, the profit before tax reduced by RM3.3 million. However, if this net gain is not taken into consideration, the profit before tax would have increased by RM4.0 million. The higher profit before tax was due to higher profit contribution from Aerospace and Equipment segments of RM2.0 million and RM2.0 million respectively. The higher profit contribution from Aerospace segment despite lower sales was mainly due to lower operating cost and tooling income. The higher profit contribution from Equipment segment was due to higher revenue.

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-19 RM'000	30-Jun-18 RM'000	Changes RM'000	30-Jun-19 RM'000	30-Jun-18 RM'000	Changes RM'000
Revenue	195,165	178,767	16,398	195,165	178,767	16,398
Operating profit	23,809	22,455	1,354	23,809	22,455	1,354
Profit before interest and tax	23,823	22,467	1,356	23,823	22,467	1,356
Profit before tax	22,592	22,171	421	22,592	22,171	421
Profit for the period/year	18,207	17,591	616	18,207	17,591	616
Profit attributable to Owners of the Company	18,207	17,591	616	18,207	17,591	616

The increase in Group revenue of RM16.4 million was due to the increase in revenue from the Aerospace and Equipment segments of RM8.6 million and RM7.8 million respectively. The higher revenue from the Aerospace segment was due to the increase of sales of casing products for B737max and business jets, increase in sales for aerostructures products for A320neo and favourable foreign exchange translation. For the Equipment segment, the increase in Data Storage business and favourable foreign exchange translation contributed to the higher revenue.

The higher Group profit before tax of RM0.4 million was attributable to the higher profit of RM2.0 million from the Aerospace segment as a result of higher revenue, tooling income and favourable foreign exchange translation. However, there was a lower profit contribution from Equipment segment of RM1.6 million despite higher sales due to unfavourable sales mix.

19. Current year prospects

We expect the revenue from the aerospace industry which accounts for about 56% of our Group revenue to remain relatively stable.

We expect the revenue from the equipment business to remain flat from semiconductor industry while the demand from the data storage will improve next quarter.

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-19	30-Jun-18	30-Jun-19	30-Jun-18
	RM'000	RM'000	RM'000	RM'000
Current period				
- income tax	3,869	2,440	3,869	2,440
- deferred tax	460	2,140	460	2,140
	<u>4,329</u>	<u>4,580</u>	<u>4,329</u>	<u>4,580</u>
Prior period				
- deferred tax	56	-	56	-
	<u>4,385</u>	<u>4,580</u>	<u>4,385</u>	<u>4,580</u>

The effective tax rate for the Group is lower than the statutory tax rate mainly due to the tax incentives enjoyed by certain subsidiaries in the Group.

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 2019 are as follows: -

	As at 30-Jun-19		As at 30-Jun-18	
	Unsecured	Total	Unsecured	Total
	RM'000	RM'000	RM'000	RM'000
Short term borrowings				
Onshore foreign currency loans	-	-	53,320	53,320
Revolving credits	77,367	77,367	-	-
Term loan - variable rate	6,052	6,052	-	-
Long term borrowings				
Term loan - variable rate	24,733	24,733	12,409	12,409
Total borrowings	<u>108,152</u>	<u>108,152</u>	<u>65,729</u>	<u>65,729</u>

23. Borrowings and debt securities (Cont'd)

	As at 30-Jun-19			As at 30-Jun-18		
		Foreign Currency '000	RM Equivalent RM'000		Foreign Currency '000	RM Equivalent RM'000
Short Term Borrowings						
Unsecured	USD	20,055	83,419	USD	13,350	53,320
Long term borrowings						
Unsecured	USD	5,946	24,733	USD	3,107	12,409
Total borrowings			<u>108,152</u>			<u>65,729</u>

The Group's total borrowings increased to RM108.2 million as at 30 June 2019 as compared to RM65.7 million as at 30 June 2018 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-19	
	Contract/ Notional Value RM'000	Fair value RM'000
Foreign exchange contracts		
- Less than 1 year	28,281	(751)
- 1 to 3 years	-	-
	<u>28,281</u>	<u>(751)</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 3 months ended	
	30-Jun-19	30-Jun-18	30-Jun-19	30-Jun-18
Net profit attributable to ordinary shareholders (RM'000)	18,207	17,591	18,207	17,591
Weighted average no. of shares ('000)	135,167	135,167	135,167	135,167
Basic earnings per share (sen)	<u>13.47</u>	<u>13.01</u>	<u>13.47</u>	<u>13.01</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)
Company Secretaries
Penang
29 August 2019