



# **SAM ENGINEERING & EQUIPMENT (M) BERHAD**

(Incorporated in Malaysia)

## **UNAUDITED INTERIM FINANCIAL REPORT FOR QUARTER ENDED 31 DECEMBER 2019**

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**SAM ENGINEERING & EQUIPMENT (M) BERHAD**

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019**

(The figures have not been audited)

	Note	As at 31-Dec-19 RM'000	As at 31-Mar-19 RM'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		307,120	277,080
Right-of-use assets		35,227	-
Intangible assets		13,454	15,094
Deferred tax assets		2,242	2,504
Other receivables		20,526	25,517
<b>Current assets</b>			
Inventories		133,652	116,622
Contract assets		129,700	126,430
Trade and other receivables		244,664	199,788
Derivative financial assets	24	406	506
Current tax assets		30	3,187
Cash and bank balances		20,608	23,992
		529,060	470,525
<b>TOTAL ASSETS</b>		<b>907,629</b>	<b>790,720</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital		212,731	212,731
Reserves		356,839	322,899
<b>Total equity</b>		<b>569,570</b>	<b>535,630</b>
<b>Non-current liabilities</b>			
Loans and borrowings	23	20,671	25,958
Deferred income		1,875	1,342
Lease liabilities		32,210	-
Derivative financial liabilities	24	16	-
Provisions		662	671
Deferred tax liabilities		6,961	6,970
<b>Current liabilities</b>			
Loans and borrowings	23	94,756	73,850
Deferred income		289	188
Trade and other payables		152,469	126,731
Contract liabilities		1,684	462
Lease liabilities		3,819	-
Derivative financial liabilities	24	211	1,365
Provisions		8,727	6,900
Current tax liabilities		13,709	10,653
		275,664	220,149
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>907,629</b>	<b>790,720</b>
Net assets per share (sen)		421	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 31 DECEMBER 2019**

(The figures have not been audited)

	Note	Current Quarter		Cumulative Quarter	
		3 months ended		9 months ended	
		31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
		RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>		<b>279,381</b>	<b>191,270</b>	<b>685,009</b>	<b>559,205</b>
Cost of sales		(234,207)	(159,857)	(574,659)	(473,479)
<b>Gross profit</b>		<b>45,174</b>	<b>31,413</b>	<b>110,350</b>	<b>85,726</b>
Other operating income		2,453	1,878	10,944	8,532
Other operating expenses		(931)	(741)	(5,443)	(3,003)
Distribution and administrative expenses		(11,913)	(7,968)	(31,094)	(20,622)
Finance costs		(1,161)	(722)	(3,636)	(1,681)
<b>Profit before tax</b>		<b>33,622</b>	<b>23,860</b>	<b>81,121</b>	<b>68,952</b>
Income tax expense	21	(7,478)	(3,713)	(16,216)	(12,883)
<b>Profit for the year</b>	9	<b>26,144</b>	<b>20,147</b>	<b>64,905</b>	<b>56,069</b>
<b>Other comprehensive income, net of tax</b>					
<b>Items that may be reclassified subsequently to profit and loss</b>					
Foreign currency translation differences for foreign operations		(3,367)	4,235	6,706	32,991
Cash flow hedge		255	(808)	1,080	(3,993)
Expenses related to Employees' Share Grant Scheme		165	-	515	-
<b>Total comprehensive income for the year</b>		<b>23,197</b>	<b>23,574</b>	<b>73,206</b>	<b>85,067</b>
<b>Profit attributable to:</b>					
Owners of the Company		26,144	20,147	64,905	56,069
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		23,197	23,574	73,206	85,067
<b>Earnings per share</b>					
Basic earnings per share (sen)	27	19.34	14.91	48.02	41.48

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 31 DECEMBER 2019**

(The figures have not been audited)

	Share Capital	<----- Non Distributable ----->			Distributable	Total Equity
		Hedging Reserve	Translation Reserve	Employees' Share Grant Scheme Reserve	Retained Earnings	
<u>(Restated)</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>As at 1.4.2018</b>	212,731	2,572	39,477	-	215,763	470,543
Total comprehensive (loss)/income for the period	-	(3,993)	32,991	-	56,069	85,067
Dividends to owners	-	-	-	-	(31,575)	(31,575)
<b>As at 31.12.2018</b>	<b>212,731</b>	<b>(1,421)</b>	<b>72,468</b>	<b>-</b>	<b>240,257</b>	<b>524,035</b>
<b>As at 1.4.2019</b>	212,731	(1,393)	61,591	-	262,701	535,630
Total comprehensive income for the period	-	1,080	6,706	515	64,905	73,206
Dividends to owners	-	-	-	-	(39,266)	(39,266)
<b>As at 31.12.2019</b>	<b>212,731</b>	<b>(313)</b>	<b>68,297</b>	<b>515</b>	<b>288,340</b>	<b>569,570</b>

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 31 DECEMBER 2019**

(The figures have not been audited)

	Period Ended	
	31-Dec-19 RM'000	31-Dec-18 RM'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before tax	81,121	68,952
Adjustments for:		
Depreciation of property, plant and equipment	28,985	24,337
Depreciation of right-of-use assets	5,699	-
Amortisation of intangible assets	1,913	1,658
Amortisation of government grants	(150)	(69)
Fair value loss on derivatives	26	1,206
Loss on disposal of plant and equipment	4	-
Interest income	(97)	(56)
Property, plant and equipment written off	1,349	-
Interest expenses	2,601	1,681
Interest on lease liabilities	1,035	-
Employees' share grant expenses	515	-
Provision for warranties	2,043	769
Reversal of provision for warranties	(291)	(138)
Operating profit before changes in working capital	<u>124,753</u>	<u>98,340</u>
Changes in working capital :		
Receivables	(44,917)	(51,353)
Contract assets	(3,270)	(11,424)
Inventories	(18,561)	(7,547)
Contract liabilities	1,222	-
Payables and provisions	<u>25,937</u>	<u>(12,029)</u>
Cash generated from operations	85,164	15,987
Income tax paid	(9,732)	(7,411)
Repayment of lease liabilities	(5,896)	-
Net cash generated from operating activities	<u>69,536</u>	<u>8,576</u>

**SAM ENGINEERING & EQUIPMENT (M) BERHAD**

(Incorporated in Malaysia)

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

(The figures have not been audited)

	Period Ended	
	31-Dec-19 RM'000	31-Dec-18 RM'000
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(51,717)	(68,948)
Purchase of intangible assets	(97)	(336)
Interest received	97	56
Net cash used in investing activities	<u>(51,717)</u>	<u>(69,228)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Dividends paid	(39,266)	(31,575)
Interest paid	(2,601)	(1,681)
Drawdown of other borrowings, net	20,225	55,365
(Repayment)/Drawdown of term loans	(4,606)	33,440
Net cash (used in)/generated from financing activities	<u>(26,248)</u>	<u>55,549</u>
Net change in cash and cash equivalents	(8,429)	(5,103)
Cash and cash equivalents at beginning of period	23,992	21,556
Effect of exchange rate fluctuations on cash and cash equivalents	5,045	17,779
Cash and cash equivalents at end of period	<u><u>20,608</u></u>	<u><u>34,232</u></u>

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

Cash and bank balances	<u>20,608</u>	<u>34,232</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 statements 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.

## **2. Significant accounting policies (Cont'd)**

### **MFRS 16 Leases (Cont'd)**

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 RM35.2 million of right-of use assets and RM36.0 million of lease liabilities as at 31 December 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 nine months ended 31 December 2019, the Group recognized RM5.7 million of depreciation charges and RM1.0 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  
Amendments to MFRS 7 Financial Instruments: Disclosures, MFRS 9 Financial Instruments and MFRS 139 Financial Instruments: Recognition and Measurement - Interest Rate Benchmark Reform

### **MFRSs, Interpretations and Amendments effective for annual periods beginning on or after 1 January 2021**

MFRS 17 Insurance Contracts

### **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 period ended 31 December 2019.

## 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 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		9 months ended	
	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
	RM'000	RM'000	RM'000	RM'000
Amortisation of intangible assets	653	577	1,913	1,658
Depreciation of property, plant and equipment	9,655	8,529	28,985	24,337
Depreciation of right-of-use assets	2,157	-	5,699	-
Fair value (gain)/loss on derivatives	(570)	43	26	1,206
Foreign exchange loss/(gain)	184	173	761	(1,484)
Interest expense	794	722	2,601	1,681
Interest income	(58)	(22)	(97)	(56)
Interest on lease liabilities	367	-	1,035	-
Inventories written (back)/down	(134)	153	3,108	1,630
Loss on disposal of property, plant and equipment	-	-	4	-
Other income	(2,564)	(2,029)	(10,149)	(6,992)
Property, plant and equipment written (back)/off	(5)	-	1,349	-
Impairment loss on financial instruments and contract assets	962	-	1,014	-

## 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.

	<b>Aerospace</b>	<b>Equipment</b>	<b>Eliminations</b>	<b>Consolidated</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Revenue</b>				
Revenue from external customers	353,664	331,345	-	685,009
Inter-segment revenue	602	-	(602)	-
	<u>354,266</u>	<u>331,345</u>	<u>(602)</u>	<u>685,009</u>
<b>Results</b>				
Profit before tax (segment profit)	<u>38,421</u>	<u>42,700</u>	-	<u>81,121</u>
Included in the measure of segment profit are:				
- Inventories written down	(2,566)	(542)	-	(3,108)
- Depreciation of property, plant and equipment	(24,055)	(4,930)	-	(28,985)
- Amortisation of intangible assets	(1,611)	(302)	-	(1,913)
- Depreciation of right-of-use assets	(5,699)	-	-	(5,699)
- Amortisation of government grant	150	-	-	150
- Loss on disposal of property, plant and equipment	(4)	-	-	(4)

## 11. Property, plant and equipment

Property, plant and equipment amounting to RM51.7 million were acquired during the financial period ended 31 December 2019 (financial period ended 31 December 2018: RM68.9 million).

## 12. Subsequent events

There were no material events subsequent to the end of the current quarter.

## 13. Changes in the composition of the Group

There were no changes in the composition of the Group during the current quarter.

## 14. Contingent liabilities

There is no contingent liability since the date of the last annual statement of financial position.

**15. Capital commitments**

	31-Dec-19 RM'000	31-Dec-18 RM'000
Contracted but not provided for	8,325	57,708

**16. Significant related party transaction**

Significant transactions with related parties are as follows:

	9 months ended 31-Dec-19 RM'000
<u>Provision of goods/ services to related parties</u>	
Sale of aerospace parts	57,700
Sale of fabrication/ machining services	7,295
Provision of engineering & administrative services	432
Provision of corporate management services	402
<u>Purchase of goods/ services from related parties</u>	
Rental of office, machine and factory premises	4,437
Purchase of fabrication/ machining services / special services	3,777
Purchase of corporate management services	2,281
Purchase of equipment	494
Purchase of engineering & administrative services	367

## 17. Review of performance

	Current Quarter Ended	Immediate Preceding Quarter Ended	Changes
	31-Dec-19	30-Sep-19	
	RM'000	RM'000	RM'000
Revenue	279,381	210,463	68,918
Operating profit	34,725	26,126	8,599
Profit before interest and tax	34,783	26,151	8,632
Profit before tax	33,622	24,907	8,715
Profit for the period	26,144	20,554	5,590
Profit attributable to Owners of the Company	26,144	20,554	5,590

The increase in Group revenue of RM68.9 million was due to the increase in revenue from the Aerospace and Equipment segments by RM2.1 million and RM66.8 million respectively. The higher revenue from the Aerospace segment was due to the increase of sales of casing products for B787, A320neo, A330, business jets and industrial gas turbine offsetted by decrease in sales of casing products for B737max and aerostructures products for A320neo. For the Equipment segment, the surge in demand from the data storage and semiconductor customers contributed to the higher revenue.

The increase in Group profit before tax of RM8.7 million was attributable to the higher profit contribution from the Equipment segment of RM10.4 million as a result of higher revenue. However, there was a lower profit contribution from Aerospace segment of RM1.7 million despite higher revenue was mainly due to unfavourable sales mix, higher repair and maintenance expenses and lower production utilisation.

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

	Current Quarter 3 months ended			Cumulative Quarter 9 months ended		
	31-Dec-19	31-Dec-18	Changes	31-Dec-19	31-Dec-18	Changes
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	279,381	191,270	88,111	685,009	559,205	125,804
Operating profit	34,725	24,560	10,165	84,660	70,577	14,083
Profit before interest and tax	34,783	24,582	10,201	84,757	70,633	14,124
Profit before tax	33,622	23,860	9,762	81,121	68,952	12,169
Profit for the period/year	26,144	20,147	5,997	64,905	56,069	8,836
Profit attributable to Owners of the Company	26,144	20,147	5,997	64,905	56,069	8,836

Current quarter compared with immediate preceding year's corresponding quarter

The increase in Group revenue of RM88.1 million was due to the increase in revenue from the Aerospace and Equipment segments by RM5.6 million and RM82.5 million respectively. The higher revenue from the Aerospace segment was due to the increase of sales of casing products for B787, B737max, A320neo, A330, business jets and industrial gas turbine offsetted by lower deliveries of casing products for older aircraft programs. For the Equipment segment, the increase in demand from the data storage and semiconductor customers contributed to the higher revenue.

The increase in Group profit before tax of RM9.8 million was attributable to the higher profit contribution from the Equipment segment of RM10.2 million as a result of higher revenue offsetted by unfavourable sales mix. However, there was a lower profit contribution from Aerospace segment of RM0.4 million despite higher revenue was mainly due to unfavourable sales mix, higher repair and maintenance expenses and higher inventory provisions.

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

The increase in Group revenue of RM125.8 million was due to the increase in revenue from the Aerospace and Equipment segments by RM18.1 million and RM107.7 million respectively. The higher revenue from the Aerospace segment was due to the increase of sales of casing products for A320neo, B737max, B787, A330, business jets and industrial gas turbine and favourable foreign exchange translation offsetted by lower deliveries of casing products for older aircraft programs. For the Equipment segment, the increase in demand from the data storage and semiconductor customers and favourable foreign exchange translation contributed to the higher revenue.

The higher Group profit before tax of RM12.2 million was attributable to the higher profit from the Aerospace and Equipment segments of RM3.4 million and RM8.8 million respectively. The higher profit before tax from the Aerospace segment was mainly due to higher revenue, higher production utilisation and tooling income offsetted by unfavourable sales mix, higher interest expenses and higher repair and maintenance expenses. For Equipment segment, the higher profit contribution was mainly due to higher revenue offsetted by unfavourable sales mix.

## 19. Current year prospects

We expect the revenue from the Aerospace segment to decrease mainly due to the drop in delivery of casing products for B737max resulted from the announcement of Boeing to suspend the production of B737max aircraft and the pull-in of deliveries of casing products for the legacy programs in current quarter resulting in reduced deliveries in next quarter. Backed by orders from both semiconductor and data storage customers, revenue from the Equipment segment will not be significantly affected by the coronavirus pandemic. However, going forward, it is not possible to anticipate the eventual impact.

## 20. Profit forecast and profit guarantee

No profit forecast or profit guarantee has been issued by the Group.

## 21. Taxation

	3 months ended		9 months ended	
	31-Dec-19 RM'000	31-Dec-18 RM'000	31-Dec-19 RM'000	31-Dec-18 RM'000
Current period				
- income tax	7,709	3,713	16,393	10,715
- deferred tax	(1,524)	61	(1,526)	2,229
	<u>6,185</u>	<u>3,774</u>	<u>14,867</u>	<u>12,944</u>
Prior period				
- provision for taxation	(433)	861	(433)	861
- deferred tax	1,726	(922)	1,782	(922)
	<u>7,478</u>	<u>3,713</u>	<u>16,216</u>	<u>12,883</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 31 December 2019 are as follows: -

	As at 31-Dec-19		As at 31-Dec-18	
	Unsecured RM'000	Total RM'000	Unsecured RM'000	Total RM'000
<b>Short term borrowings</b>				
Revolving credits	88,128	88,128	73,777	73,777
Term loan - variable rate	6,628	6,628	-	-
<b>Long term borrowings</b>				
Term loan - variable rate	20,671	20,671	33,440	33,440
<b>Total borrowings</b>	<u>115,427</u>	<u>115,427</u>	<u>107,217</u>	<u>107,217</u>

	As at 31-Dec-19			As at 31-Dec-18		
		Foreign Currency '000	RM Equivalent RM'000		Foreign Currency '000	RM Equivalent RM'000
<b>Short Term Borrowings</b>						
Unsecured	USD	22,902	94,756	USD	17,650	73,777
<b>Long term borrowings</b>						
Unsecured	USD	4,996	20,671	USD	8,000	33,440
<b>Total borrowings</b>			<u>115,427</u>			<u>107,217</u>

The Group's total borrowings increased to RM115.4 million as at 31 December 2019 as compared to RM107.2 million as at 31 December 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	
	31-Dec-19	
	Contract/ Notional RM'000	Fair value RM'000
Foreign exchange contracts		
- Less than 1 year	50,937	195
- 1 to 3 years	6,243	(16)
	<u>57,180</u>	<u>179</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		Cumulative Quarter	
	3 months ended	3 months ended	6 months ended	6 months ended
	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
Net profit attributable to ordinary shareholders (RM'000)	26,144	20,147	64,905	56,069
Weighted average no. of shares ('000)	135,167	135,167	135,167	135,167
Basic earnings per share (sen)	<u>19.34</u>	<u>14.91</u>	<u>48.02</u>	<u>41.48</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**  
**Registration No: 199401012509 (298188-A)**

Thum Sook Fun (MIA 24701)  
Chew Peck Kheng (LS 0009559)  
Company Secretaries  
Penang  
28 February 2020