



SAM ENGINEERING & EQUIPMENT (M) BERHAD

(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT

FOR QUARTER ENDED 30 JUNE 2020

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SAM ENGINEERING & EQUIPMENT (M) BERHAD

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

(The figures have not been audited)

	Note	As at 30-Jun-20 RM'000	As at 31-Mar-20 RM'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		292,676	306,605
Right-of-use assets		50,770	53,179
Intangible assets		13,222	13,901
Deferred tax assets		3,894	4,104
Prepayments		17,407	15,250
Current assets			
Inventories		167,636	144,930
Contract assets		146,026	139,359
Trade and other receivables		211,085	222,371
Derivative financial assets	24	646	111
Current tax assets		7	7
Cash and bank balances		19,402	14,792
		544,802	521,570
TOTAL ASSETS		922,771	914,609
EQUITY AND LIABILITIES			
Share capital		212,731	212,731
Reserves		378,029	397,157
Total equity		590,760	609,888
Non-current liabilities			
Loans and borrowings	23	17,938	19,916
Lease liabilities		31,541	35,658
Deferred income		1,523	1,569
Derivative financial liabilities	24	13	48
Provisions		264	268
Deferred tax liabilities		11,081	11,308
Current liabilities			
Loans and borrowings	23	71,118	62,323
Lease liabilities		9,245	7,193
Deferred income		372	2,297
Trade and other payables		170,660	138,624
Contract liabilities		261	4,569
Derivative financial liabilities	24	384	3,880
Provisions		8,332	8,387
Current tax liabilities		9,279	8,681
		269,651	235,954
TOTAL EQUITY AND LIABILITIES		922,771	914,609
Net assets per share (sen)		437	451

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 March 2020.

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 2020

(The figures have not been audited)

	Current Quarter		Cumulative Quarter	
	3 months ended		3 months ended	
	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19
Note	RM'000	RM'000	RM'000	RM'000
Revenue	170,980	195,165	170,980	195,165
Cost of sales	(157,227)	(164,833)	(157,227)	(164,833)
Gross profit	13,753	30,332	13,753	30,332
Other operating income	11,158	5,192	11,158	5,192
Other operating expenses	(4,880)	(2,991)	(4,880)	(2,991)
Distribution and administrative expenses	(7,243)	(8,542)	(7,243)	(8,542)
Net loss on impairment of financial instruments and contract assets	-	(168)	-	(168)
Finance costs	(1,049)	(1,231)	(1,049)	(1,231)
Profit before tax	11,739	22,592	11,739	22,592
Income tax expense	21 (4,533)	(4,385)	(4,533)	(4,385)
Profit for the year	9 7,206	18,207	7,206	18,207
Items that are or may be reclassified subsequently to profit and loss				
Cash flow hedge	515	744	515	744
Foreign currency translation differences for foreign operations	(7,065)	9,306	(7,065)	9,306
	(6,550)	10,050	(6,550)	10,050
Total comprehensive income for the year	656	28,257	656	28,257
Profit attributable to:				
Owners of the Company	7,206	18,207	7,206	18,207
Total comprehensive income attributable to:				
Owners of the Company	656	28,257	656	28,257
Earnings per share				
Basic earnings per share (sen)	27 5.33	13.47	5.33	13.47

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 March 2020.
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 2020

(The figures have not been audited)

	<----- Non Distributable ----->				Distributable	Total Equity
	Share Capital	Employees' Share Grant Scheme Reserve	Hedging Reserve	Translation Reserve	Retained Earnings	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1.4.2019	212,731	-	(1,393)	61,591	262,701	535,630
Total comprehensive income for the period	-	-	744	9,306	18,207	28,257
Transaction with owners of the Company						
- Share-based payment transactions	-	174	-	-	-	174
As at 30.6.2019	<u>212,731</u>	<u>174</u>	<u>(649)</u>	<u>70,897</u>	<u>280,908</u>	<u>564,061</u>
As at 1.4.2020	212,731	664	(637)	93,872	303,258	609,888
Total comprehensive income/(loss) for the period	-	-	515	(7,065)	7,206	656
Transaction with owners of the Company						
- Dividends to owners of the Company (Note 8)	-	-	-	-	(19,951)	(19,951)
- Share-based payment transactions	-	167	-	-	-	167
	-	167	-	-	(19,951)	(19,784)
As at 30.6.2020	<u>212,731</u>	<u>831</u>	<u>(122)</u>	<u>86,807</u>	<u>290,513</u>	<u>590,760</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 2020.

SAM ENGINEERING & EQUIPMENT (M) BERHAD

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD
 ENDED 30 JUNE 2020**

(The figures have not been audited)

	Period Ended	
	30-Jun-20 RM'000	30-Jun-19 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	11,739	22,592
Adjustments for:		
Depreciation of property, plant and equipment	10,238	9,714
Depreciation of right-of-use assets	1,974	1,692
Amortisation of intangible assets	533	641
Amortisation of government grants	(1,938)	(25)
Fair value (gain)/loss on derivatives	(3,551)	636
Interest income	(10)	(14)
Property, plant and equipment written off	-	1,339
Interest expenses	332	904
Accretion from interest on lease liabilities	717	327
Employees' share grant expenses	167	174
Provision for warranties	535	685
Reversal of provision for onerous contract	-	(17)
Reversal of provision for warranties	(479)	-
Operating profit before changes in working capital	20,257	38,648
Changes in working capital :		
Receivables	11,275	(50,429)
Inventories	(24,712)	(303)
Contract assets	(6,667)	(1,748)
Payables and provisions	12,364	16,955
Contract liabilities	(4,308)	827
Cash generated from operations	8,209	3,950
Income tax paid	(3,832)	(2,348)
Net cash generated from operating activities	4,377	1,602

SAM ENGINEERING & EQUIPMENT (M) BERHAD

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2020 (CONT'D)

(The figures have not been audited)

	Period Ended	
	30-Jun-20 RM'000	30-Jun-19 RM'000
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,635)	(22,106)
Purchase of intangible assets	(27)	(4)
Interest received	10	14
Net cash used in investing activities	<u>(2,652)</u>	<u>(22,096)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Interest paid	(1,049)	(1,231)
Repayment of term loans	(7,117)	(1,120)
Drawdown of other borrowings, net	13,934	9,464
Repayment of lease liabilities	(1,505)	(1,432)
Net cash generated from financing activities	<u>4,263</u>	<u>5,681</u>
Net change in cash and cash equivalents	5,988	(14,813)
Cash and cash equivalents at beginning of period	14,792	23,992
Effect of exchange rate fluctuations on cash and cash equivalents	(1,378)	6,561
Cash and cash equivalents at end of period	<u>19,402</u>	<u>15,740</u>

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

Cash and bank balances	<u>19,402</u>	<u>15,740</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 2020.

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 2020. 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 2020.

2. Significant accounting policies

The interim report of the Group has been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The following are accounting standards, interpretations and amendments of the MFRSs 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 June 2020

Amendment to MFRS 16, Leases - Covid-19-Related Rent Concessions

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

MFRS 17 Insurance Contracts

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2022

Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)

Amendments to MFRS 3, Business Combinations – Reference to the Conceptual Framework

Amendments to MFRS 9, Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)

Amendments to Illustrative Examples accompanying MFRS 16, Leases (Annual Improvements to MFRS Standards 2018–2020)

Amendments to MFRS101, Presentation of Financial Statements – Classification of Liabilities as Current or Non-current

Amendments to MFRS 116, Property, Plant and Equipment – Proceeds before Intended Use

Amendments to MFRS 137, Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract

Amendments to MFRS 141, Agriculture (Annual Improvements to MFRS Standards 2018–2020)

2. Significant accounting policies (Cont'd)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

Amendments to MFRS 10, Consolidated Financial Statements and 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 2020 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 2020.

8. Dividends

A single tier first interim dividend of 14.76 sen per ordinary share totaling RM20.0 million for the financial year ended 31 March 2020 will be paid on 26 August 2020.

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.

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-20 RM'000	30-Jun-19 RM'000	30-Jun-20 RM'000	30-Jun-19 RM'000
Amortisation of intangible assets	533	641	533	641
Depreciation of property, plant and equipment	10,238	9,714	10,238	9,714
Depreciation of right-of-use assets	1,974	1,692	1,974	1,692
Fair value (gain)/loss on derivatives	(3,551)	636	(3,551)	636
Foreign exchange loss/(gain)	3,576	(86)	3,576	(86)
Interest expense	332	904	332	904
Interest income	(10)	(14)	(10)	(14)
Accretion from interest on lease liabilities	717	327	717	327
Inventories written (back)/down	(276)	1,626	(276)	1,626
Other income	(7,596)	(4,639)	(7,596)	(4,639)
Property, plant and equipment written off	-	1,339	-	1,339
Impairment loss on financial instruments and contract assets	-	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				
Revenue from external customers	39,470	131,510	-	170,980
Inter-segment revenue	728	-	(728)	-
	<u>40,198</u>	<u>131,510</u>	<u>(728)</u>	<u>170,980</u>
Results				
Profit before tax (segment profit)	<u>(5,215)</u>	<u>16,954</u>	<u>-</u>	<u>11,739</u>
Included in the measure of segment profit are:				
- Inventories written back/(off)	406	(130)	-	276
- Depreciation and amortisation	(10,864)	(1,881)	-	(12,745)
- Amortisation of government grant	1,938	-	-	1,938

11. Property, plant and equipment

Property, plant and equipment amounting to RM2.6 million were acquired during the financial period ended 30 June 2020 (financial period ended 30 June 2019: RM22.1 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-20 RM'000	30-Jun-19 RM'000
Contracted but not provided for	48,701	29,730

16. Significant related party transaction

Significant transactions with related parties are as follows:

	3 months ended 30-Jun-20 RM'000
<u>Provision of goods/ services to related parties</u>	
Sale of aerospace parts	12,098
Sale of fabrication/ machining services	298
Provision of engineering & administrative services	285
Provision of corporate management services	56
<u>Purchase of goods/ services from related parties</u>	
Rental of office and factory premises	1,370
Purchase of fabrication/ machining services / special services	365
Purchase of corporate management services	1,146
Purchase of engineering & administrative services	119

17. Review of performance

	Current	Immediate	Changes
	Quarter Ended	Preceding Quarter Ended	
	30-Jun-20	31-Mar-20	
	RM'000	RM'000	RM'000
Revenue	170,980	253,658	(82,678)
Operating profit	12,778	19,441	(6,663)
Profit before interest and tax	12,788	19,428	(6,640)
Profit before tax	11,739	18,530	(6,791)
Profit for the period	7,206	14,918	(7,712)
Profit attributable to Owners of the Company	7,206	14,918	(7,712)

The decrease in Group revenue of RM82.7 million was due to the decrease in revenue from the Aerospace and Equipment segments of RM56.5mil and RM26.2mil respectively. The lower revenue from the Aerospace segment was due to the reduction of aircraft production rate due to the disruption and decrease in air travel as a result of Covid-19. For the Equipment segment, the lower sales in current quarter was due to lower deliveries as a result of lower production during Movement Order Control in Malaysia and the pull in of quantities by the customers in the preceding quarter.

The decrease in Group profit before tax of RM6.8 million was attributable to the lower profit contribution from the Aerospace and Equipment segments of RM4.1 million and RM2.7 million respectively. The lower profit from Aerospace and Equipment segments was mainly 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 3 months ended		
	30-Jun-20	30-Jun-19	Changes	30-Jun-20	30-Jun-19	Changes
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	170,980	195,165	(24,185)	170,980	195,165	(24,185)
Operating profit	12,778	23,809	(11,031)	12,778	23,809	(11,031)
Profit before interest and tax	12,788	23,823	(11,035)	12,788	23,823	(11,035)
Profit before tax	11,739	22,592	(10,853)	11,739	22,592	(10,853)
Profit for the period/year	7,206	18,207	(11,001)	7,206	18,207	(11,001)
Profit attributable to Owners of the Company	7,206	18,207	(11,001)	7,206	18,207	(11,001)

Current quarter compared with immediate preceding year's corresponding quarter

The decrease in Group revenue of RM24.2 million was due to the decrease in revenue from the Aerospace segment of RM70.8mil offsetted by higher sales from Equipment segment of RM46.6 million. The lower revenue from the Aerospace segment was due to the reduction of aircraft production rate due to the disruption and decrease in air travel as a result of Covid-19. For the Equipment segment, the increase in demand from the data storage and semiconductor customers and favourable foreign currency translation contributed to the higher revenue.

The decrease in Group profit before tax of RM10.8 million was attributable to the lower profit contribution from the Aerospace segment of RM17.9 million. However, there was higher profit contribution from Equipment segment of RM7.1 million. The lower profit contribution from Aerospace segment was due to lower sales . The higher profit contribution from Equipment segment was mainly due to higher revenue.

19. Current year prospects

The COVID-19 pandemic has significantly impacted air travel since March 2020.

Airbus and Boeing have announced reductions in their aircraft production rates in April and May 2020 respectively to align with the reduced new aircraft demands from the airlines. The good news is that FAA has completed B737 Max certification flight tests in July 2020 and is in the midst of evaluating the test results. Boeing continues to work closely with airworthiness regulators towards safe return of the B737 Max aircraft to service. It plans to ramp up the B737 Max production to 31 aircraft per month by 2022.

The combined order backlog of Airbus and Boeing (as of June 2020) is approximately 12,800 aircraft, which translates to 9.5 years and 6.5 years of order backlog for Airbus and Boeing respectively, based on 2018 delivery rates which were not affected by the grounding of B737 Max.

The overall situation in the Aerospace industry remains uncertain. We are actively monitoring the trends and have also begun taking actions to preserve capital, mitigate costs and protect the long-term needs of our business. We will continue to monitor the environment closely and are prepared to take further actions if necessary.

On the other hand, the outlook for our Equipment business remains strong backed by orders from both semiconductor and data storage customers. In addition, we were awarded with new projects from our customers and expect some will commence mass production in this financial year.

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-20	30-Jun-19	30-Jun-20	30-Jun-19
	RM'000	RM'000	RM'000	RM'000
Current period				
- income tax	4,484	3,869	4,484	3,869
- deferred tax	62	460	62	460
	<u>4,546</u>	<u>4,329</u>	<u>4,546</u>	<u>4,329</u>
Prior period				
- deferred tax	(13)	56	(13)	56
	<u>4,533</u>	<u>4,385</u>	<u>4,533</u>	<u>4,385</u>

The effective tax rate for the Group is higher than the statutory tax rate mainly due to the subsidiaries which are enjoying tax incentives or lower tax rate suffered losses in the current quarter.

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 2020 are as follows: -

	As at 30-Jun-20		As at 30-Jun-19	
	Unsecured RM'000	Total RM'000	Unsecured RM'000	Total RM'000
Short term borrowings				
Revolving credits	64,268	64,268	77,367	77,367
Term loan - variable rate	6,850	6,850	6,052	6,052
Long term borrowings				
Term loan - variable rate	17,938	17,938	24,733	24,733
Total borrowings	<u>89,056</u>	<u>89,056</u>	<u>108,152</u>	<u>108,152</u>

	As at 30-Jun-20			As at 30-Jun-19		
		Foreign Currency '000	RM Equivalent RM'000		Foreign Currency '000	RM Equivalent RM'000
Short Term Borrowings						
Unsecured	USD	16,632	71,118	USD	20,055	83,419
Long term borrowings						
Unsecured	USD	4,195	17,938	USD	5,946	24,733
Total borrowings			<u>89,056</u>			<u>108,152</u>

The Group's total borrowings decreased to RM89.1 million as at 30 June 2020 as compared to RM108.2 million as at 30 June 2019 mainly due to the Group generated net cash from operating activities to repay bank borrowings.

24. Derivative financial instruments

	As at 30-Jun-20	
	Contract/ Notional RM'000	Fair value RM'000
Foreign exchange contracts		
- Less than 1 year	109,733	262
- 1 to 3 years	812	(13)
	<u>110,545</u>	<u>249</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-20	30-Jun-19	30-Jun-20	30-Jun-19
Net profit attributable to ordinary shareholders (RM'000)	7,206	18,207	7,206	18,207
Weighted average no. of shares ('000)	135,167	135,167	135,167	135,167
Basic earnings per share (sen)	<u>5.33</u>	<u>13.47</u>	<u>5.33</u>	<u>13.47</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
19 August 2020