



SAM ENGINEERING & EQUIPMENT (M) BERHAD

(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT

FOR QUARTER ENDED 30 JUNE 2022

CONTENTS

	Page
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	2
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME	3
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY	4
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS	5
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT	7

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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT
30 JUNE 2022**

(The figures have not been audited)

	Note	As at 30-Jun-22 RM'000	As at 31-Mar-22 RM'000 (Audited)
Assets			
Property, plant and equipment		320,109	295,907
Right-of-use assets		38,479	35,315
Intangible assets		11,117	10,706
Deferred tax assets		7,568	4,796
Prepayments		24,910	22,712
Total non-current assets		402,183	369,436
Inventories		375,311	335,095
Contract assets		162,402	150,335
Trade and other receivables		385,798	316,639
Derivative financial assets	24	54	147
Current tax assets		5,149	4,446
Cash and bank balances		31,630	31,063
Total current assets		960,344	837,725
Total assets		1,362,527	1,207,161
Equity			
Share capital		213,967	213,967
Reserves		518,810	480,718
Equity attributable to owners of the Company		732,777	694,685
Liabilities			
Loans and borrowings	23	4,383	5,852
Lease liabilities		20,488	20,408
Deferred income		8,305	8,266
Provisions		287	193
Deferred tax liabilities		15,146	13,471
Total non-current liabilities		48,609	48,190
Loans and borrowings	23	279,731	205,188
Lease liabilities		9,891	7,059
Deferred income		1,610	1,606
Trade and other payables		261,397	230,013
Contract liabilities		2,487	615
Derivative financial liabilities	24	4,028	872
Provisions		8,206	7,767
Current tax liabilities		13,791	11,166
Total current liabilities		581,141	464,286
Total liabilities		629,750	512,476
Total equity and liabilities		1,362,527	1,207,161
Net assets per share (sen)		135	128

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 March 2022.

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 2022**

(The figures have not been audited)

	Note	Current Quarter 3 months ended		Cumulative Quarter 3 months ended	
		30-Jun-22 RM'000	30-Jun-21 RM'000	30-Jun-22 RM'000	30-Jun-21 RM'000
Revenue		353,967	202,775	353,967	202,775
Cost of sales		(315,378)	(180,525)	(315,378)	(180,525)
Gross profit		38,589	22,250	38,589	22,250
Other operating income		5,658	4,834	5,658	4,834
Distribution and administrative expenses		(13,072)	(8,234)	(13,072)	(8,234)
Net gain on impairment of financial instruments and contract assets		949	310	949	310
Other operating expenses		(1,172)	(2,652)	(1,172)	(2,652)
Net finance costs		(1,143)	(536)	(1,143)	(536)
Profit before tax		29,809	15,972	29,809	15,972
Income tax expense	21	(6,281)	(3,994)	(6,281)	(3,994)
Profit for the period	9	23,528	11,978	23,528	11,978
Items that are or may be reclassified subsequently to profit and loss					
Cash flow hedge		(2,894)	50	(2,894)	50
Foreign currency translation differences		36,354	(5,370)	36,354	(5,370)
		33,460	(5,320)	33,460	(5,320)
Total comprehensive income for the period		56,988	6,658	56,988	6,658
Profit attributable to:					
Owners of the Company		23,528	11,978	23,528	11,978
Total comprehensive income attributable to:					
Owners of the Company		56,988	6,658	56,988	6,658
Earnings per share					
Basic/Diluted earnings per ordinary share (sen) *	27	4.35	2.21	4.35	2.21

* Comparative figures are adjusted to reflect the bonus issue which was completed on 3 March 2022.

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 March 2022.
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 2022

(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
At 1 April 2021	212,731	1,483	(36)	69,260	343,006	626,444
Total comprehensive income/(expense) for the period	-	-	50	(5,370)	11,978	6,658
Transactions with owners of the Company						
- Issuance of shares pursuant to Employees' Share Grant Scheme	1,236	(1,236)	-	-	-	-
- Dividends to owners of the Company (Note 8)	-	-	-	-	(14,929)	(14,929)
- Share-based payment transactions	-	148	-	-	-	148
	1,236	(1,088)	-	-	(14,929)	(14,781)
At 30 June 2021	213,967	395	14	63,890	340,055	618,321
At 1 April 2022	213,967	693	(1,255)	77,748	403,532	694,685
Total comprehensive (expense)/income for the period	-	-	(2,894)	36,354	23,528	56,988
Transactions with owners of the Company						
- Dividends to owners of the Company (Note 8)	-	-	-	-	(18,949)	(18,949)
- Share-based payment transactions	-	53	-	-	-	53
	-	53	-	-	(18,949)	(18,896)
At 30 June 2022	213,967	746	(4,149)	114,102	408,111	732,777

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 2022.

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

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD
 ENDED 30 JUNE 2022**

(The figures have not been audited)

	Period Ended	
	30-Jun-22 RM'000	30-Jun-21 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	29,809	15,972
Adjustments for:		
Accretion of interest on lease liabilities	391	343
Amortisation of intangible assets	635	708
Amortisation of government grants	(461)	(112)
Depreciation of property, plant and equipment	13,313	11,600
Depreciation of right-of-use assets	2,611	2,164
Employees' Share Grant Scheme expenses	54	148
Fair value loss/(gain) on derivatives	355	(634)
Gain on disposal of plant and equipment	-	(128)
Interest expenses	752	198
Interest income	-	(5)
Net gain on impairment on		
- trade receivables	(472)	(244)
- contract assets	(477)	(66)
Provision for warranties	254	244
Reversal of provision for warranties	(137)	(347)
Reversal of provision for onerous contract	-	(33)
Operating profit before changes in working capital	46,627	29,808
Changes in working capital :		
Trade and other receivables	(68,735)	13,544
Inventories	(41,238)	(36,388)
Contract assets	(11,590)	3,976
Trade and other payables	13,003	5,284
Contract liabilities	1,872	1,531
Provisions	254	(50)
Cash (used in)/generated from operations	(59,807)	17,705
Income tax paid	(6,216)	(6,884)
Net cash (used in)/generated from operating activities	(66,023)	10,821

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

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD
 ENDED 30 JUNE 2022 (CONT'D)**

(The figures have not been audited)

	Period Ended	
	30-Jun-22 RM'000	30-Jun-21 RM'000
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(25,622)	(741)
Purchase of intangible assets	(516)	(238)
Interest received	-	5
Proceeds from disposal of plant and equipment	8	128
Net cash used in investing activities	<u>(26,130)</u>	<u>(846)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Interest paid	(1,143)	(541)
Repayment of term loans	(4,667)	(1,812)
Drawdown/(Repayment) of other borrowings	77,741	(2,469)
Payment of lease liabilities	(1,998)	(1,885)
Net cash generated from/(used in) financing activities	<u>69,933</u>	<u>(6,707)</u>
Net (decrease)/increase in cash and cash equivalents	(22,220)	3,268
Cash and cash equivalents at beginning of year	31,063	16,107
Effect of exchange rate fluctuations	22,787	(2,754)
Cash and cash equivalents at end of period	<u>31,630</u>	<u>16,621</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 March 2022.
 The accompanying notes form an integral part of this interim report.

SAM ENGINEERING & EQUIPMENT (M) BERHAD
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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, 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 2022. 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 2022.

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 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 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 and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, Insurance Contracts
- Amendments to MFRS 17, Insurance Contracts – Initial Application of MFRS 17 and MFRS 9 – Comparative Information
- Amendments to MFRS 101, Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies
- Amendments to MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates
- Amendments to MFRS 112, Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

MFRSs 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

The Group plan to apply the abovementioned amendments, where applicable, in the respective financial years when the abovementioned amendments become effective.

The Group do not plan to apply MFRS 17, Insurance Contracts that is effective for annual periods beginning on or after 1 January 2023 as it is not applicable to the Group.

The initial application of the amendments is not expected to have any material financial impacts to the current period and prior period financial statements of the Group.

3. Audit opinion

The audit report for the audited financial statements of the Group for the financial year ended 31 March 2022 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.

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 2022.

8. Dividends

A single tier first interim dividend of 3.50 sen per ordinary share totaling RM18.9 million for the financial year ended 31 March 2022 was paid on 18 August 2022.

In preceding year, a single tier first interim dividend of 2.76 sen per ordinary share (after adjusting for bonus issue exercise on 3 March 2022) totaling RM14.9 million for the financial year ended 31 March 2021 was paid on 18 August 2021.

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-22 RM'000	30-Jun-21 RM'000	30-Jun-22 RM'000	30-Jun-21 RM'000
Accretion of interest on lease liabilities	391	343	391	343
Amortisation of intangible assets	635	708	635	708
Depreciation of property, plant and equipment	13,313	11,600	13,313	11,600
Depreciation of right-of-use assets	2,611	2,164	2,611	2,164
Fair value loss/(gain) on derivatives	355	(634)	355	(634)
Foreign exchange loss	553	1,404	553	1,404
Gain on disposal of property, plant and equipment	-	(128)	-	(128)
Government grants and subsidies	(1,714)	(2,889)	(1,714)	(2,889)
Interest expense	752	198	752	198
Interest income	-	(5)	-	(5)
Net gain on impairment of financial instruments and contract assets	(949)	(310)	(949)	(310)
Other income	(3,944)	(1,183)	(3,944)	(1,183)
Write back/(down) of inventories	(1,201)	581	(1,201)	581

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	64,655	289,312	-	353,967
Inter-segment revenue	906	-	(906)	-
	<u>65,561</u>	<u>289,312</u>	<u>(906)</u>	<u>353,967</u>
Results				
(Loss)/Profit before tax (segment profit)	<u>(1,695)</u>	<u>31,504</u>	<u>-</u>	<u>29,809</u>
Included in the measure of segment (loss)/profit are:				
- Write back of inventories	665	536	-	1,201
- Depreciation and amortisation	(12,798)	(3,761)	-	(16,559)
- Amortisation of government grants	(461)	-	-	(461)
- Net gain on impairment of financial instruments and contract assets	908	41	-	949

11. Property, plant and equipment

Property, plant and equipment amounting to RM25.6 million were acquired during the financial period ended 30 June 2022 (financial period ended 30 June 2021: RM0.7 million).

There were no disposals of property, plant and equipment in the current quarter. In the immediate preceding year's correspondence quarter, there were disposals of property, plant and equipment with net book value of RM Nil.

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-22 RM'000	30-Jun-21 RM'000
Contracted but not provided for	70,178	5,658

16. Significant related party transaction

Significant transactions with related parties are as follows:

	3 months ended 30-Jun-22 RM'000
<u>Provision of goods/ services to related parties</u>	
Sale of aerospace parts and other precision tools	3,366
Sale of fabrication, machining services and special process services	893
Provision of corporate management services, engineering and administrative services	314
<u>Purchase of goods/ services from related parties</u>	
Rental of office, factory premises and machines	1,454
Purchase of fabrication/ machining services / special process services	1,020
Purchase of corporate management services, engineering & administrative services	824

17. Review of performance

	Current Quarter Ended	Immediate Preceding Quarter Ended	Changes
	30-Jun-22	31-Mar-22	
	RM'000	RM'000	RM'000
Revenue	353,967	358,928	(4,961)
Operating profit	30,952	30,356	596
Profit before interest and tax	30,952	30,361	591
Profit before tax	29,809	29,651	158
Profit for the period	23,528	21,762	1,766
Profit attributable to Owners of the Company	23,528	21,762	1,766

The decrease in Group revenue of RM5.0 million was due to the decrease in revenue from the Aerospace segments of RM8.5 million and offset with increase of revenue from Equipment segment by RM3.5 million. The decrease in revenue from Aerospace segment was due to decrease in sales of casing and aerospace products. For the Equipment segment, the higher revenue mainly due to increase in demand from semiconductor and data storage from customers and favourable foreign exchange translation.

The increase in Group profit before tax of RM0.2 million was attributable to a smaller loss from the Aerospace segment of RM1.0 million. The better performance from Aerospace segment was mainly due to lower inventory provision and reversal of provision for expected credit loss arising from trade receivables and contract assets. Profit from Equipment segment was lower by RM0.8 million mainly due to higher sales of lower margin products and start-up cost in Thailand.

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-22 RM'000	30-Jun-21 RM'000	Changes RM'000	30-Jun-22 RM'000	30-Jun-21 RM'000	Changes RM'000
Revenue	353,967	202,775	151,192	353,967	202,775	151,192
Operating profit	30,952	16,508	14,444	30,952	16,508	14,444
Profit before interest and tax	30,952	16,513	14,439	30,952	16,513	14,439
Profit before tax	29,809	15,972	13,837	29,809	15,972	13,837
Profit for the period/year	23,528	11,978	11,550	23,528	11,978	11,550
Profit attributable to Owners of the Company	23,528	11,978	11,550	23,528	11,978	11,550

Current quarter compared with immediate preceding year's corresponding quarter

The increase in Group revenue of RM151.2 million was due to the increase in revenue from the Aerospace and Equipment segments of RM17.8 million and RM133.4 million respectively. The higher revenue from the Aerospace segment was mainly due to increase in sales of casing and sale of aerostructures products. For the Equipment segment, the higher revenue was mainly due to increase in demand from the semiconductor and data storage customers and favourable foreign exchange translation.

The increase in Group profit before tax of RM13.8 million was attributable to the higher profit contribution from the Aerospace and Equipment segment of RM4.2 million and RM9.6 million respectively as a result of higher sales and favourable foreign exchange translation.

19. Current year prospects

The International Air Transport Association (IATA) reported that global air travel in June 2022 has recovered to around 71% of pre-pandemic (2019) levels. The opening of borders to vaccinated travellers by many countries has boosted the recovery of international travel to 65% of 2019 levels and contributed significantly to the overall air travel recovery. We continue to see increasing demand for our A320neo, B737Max and A220 aircraft products.

SEMI estimated that global sales of semiconductor equipment will top USD 117B in 2022 and will cross USD 120B in 2023. We are investing in production capacities in Malaysia and Thailand to meet our customers' increasing needs. However, the on-going Russia-Ukraine conflict, rising inflation, COVID lockdowns in select economies and supply chain disruptions might weigh on the growth of the semiconductor industry. We are monitoring the situation and are working closely with our customers and suppliers to mitigate the related risks.

20. Profit forecast and profit guarantee

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

21. Taxation

	Current Quarter 3 months ended		Cumulative Quarter 3 months ended	
	30-Jun-22 RM'000	30-Jun-21 RM'000	30-Jun-22 RM'000	30-Jun-21 RM'000
Current period				
- income tax	7,700	6,095	7,700	6,095
- deferred tax	(1,458)	(2,085)	(1,458)	(2,085)
	<u>6,242</u>	<u>4,010</u>	<u>6,242</u>	<u>4,010</u>
Prior period				
- deferred tax	39	(16)	39	(16)
	<u>6,281</u>	<u>3,994</u>	<u>6,281</u>	<u>3,994</u>

The effective tax rate excluding prior period provision or reversal of the Group and is lower than the statutory tax rate mainly due to the non-taxable income and tax incentives.

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 2022 are as follows: -

	As at 30-Jun-22		As at 30-Jun-21	
	Unsecured RM'000	Total RM'000	Unsecured RM'000	Total RM'000
Short term borrowings				
Revolving credits	276,193	276,193	68,721	68,721
Term loan - variable rate	3,538	3,538	6,592	6,592
Long term borrowings				
Term loan - variable rate	4,383	4,383	10,674	10,674
Total borrowings	<u>284,114</u>	<u>284,114</u>	<u>85,987</u>	<u>85,987</u>

	As at 30-Jun-22			As at 30-Jun-21		
		Foreign Currency '000	RM Equivalent RM'000		Foreign Currency '000	RM Equivalent RM'000
Short Term Borrowings						
Unsecured	USD	63,252	279,731	USD	18,302	75,313
Long term borrowings						
Unsecured	USD	991	4,383	USD	2,594	10,674
Total borrowings			<u>284,114</u>			<u>85,987</u>

The Group's total borrowings increased to RM284.1 million as at 30 June 2022 as compared to RM86.0 million as at 30 June 2021 mainly due to the increase in utilization of short term banking facilities to finance the increase in working capital.

24. Derivative financial instruments

	As at 30-Jun-22	
	Contract/ Notional RM'000	Fair value RM'000
Foreign exchange contracts		
- Less than 1 year	157,535	(3,920)

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 ordinary share

The basic earnings per ordinary share has been calculated based on the Group's net profit attributable to ordinary shareholders over the weighted average number of ordinary shares.

	Current Quarter		Cumulative Quarter	
	30-Jun-22	30-Jun-21	30-Jun-22	30-Jun-21
Net profit attributable to ordinary shareholders (RM'000)	23,528	11,978	23,528	11,978
Weighted average no. of ordinary shares ('000)	541,400	541,351	541,400	541,351
Basic earnings per ordinary share (sen)	<u>4.35</u>	<u>2.21</u>	<u>4.35</u>	<u>2.21</u>

The diluted earnings per ordinary share is the same as basic earnings per ordinary share as there are no dilutive potential ordinary shares.

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 (SSM PC No. 201908000139, MIA 24701)
Chew Peck Kheng (SSM PC No. 202008001118, LS 0009559)
Company Secretaries
Penang
24 August 2022