



SAM ENGINEERING & EQUIPMENT (M) BERHAD

(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT

FOR QUARTER ENDED 30 JUNE 2023

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SAM ENGINEERING & EQUIPMENT (M) BERHAD

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT
30 JUNE 2023**

(The figures have not been audited)

	Note	As at 30-Jun-23 RM'000	As at 31-Mar-23 RM'000 (Audited)
Assets			
Property, plant and equipment		499,305	476,786
Right-of-use assets		36,689	38,003
Intangible assets		12,369	12,311
Deferred tax assets		16,916	13,310
Prepayments		20,880	23,570
Total non-current assets		<u>586,159</u>	<u>563,980</u>
Inventories		498,167	481,113
Contract assets		218,193	191,841
Trade and other receivables		332,549	342,067
Derivative financial assets	24	1,927	2,370
Current tax assets		5,032	5,221
Cash and bank balances		30,161	21,045
Total current assets		<u>1,086,029</u>	<u>1,043,657</u>
Total assets		<u>1,672,188</u>	<u>1,607,637</u>
Equity			
Share capital		214,784	214,784
Reserves		645,105	600,080
Equity attributable to owners of the Company		<u>859,889</u>	<u>814,864</u>
Liabilities			
Loans and borrowings	23	80,284	74,920
Lease liabilities		18,167	19,267
Deferred income		592	627
Provisions		74	812
Deferred tax liabilities		17,520	17,523
Total non-current liabilities		<u>116,637</u>	<u>113,149</u>
Loans and borrowings	23	426,823	404,601
Lease liabilities		10,421	10,885
Deferred income		213	207
Trade and other payables		230,732	241,177
Derivative financial liabilities	24	3,687	959
Provisions		7,651	8,151
Current tax liabilities		16,135	13,644
Total current liabilities		<u>695,662</u>	<u>679,624</u>
Total liabilities		<u>812,299</u>	<u>792,773</u>
Total equity and liabilities		<u>1,672,188</u>	<u>1,607,637</u>
Net assets per share (sen)		<u>159</u>	<u>150</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 March 2023.

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 2023

(The figures have not been audited)

	Note	Current Quarter 3 months ended		Cumulative Quarter 3 months ended	
		30-Jun-23 RM'000	30-Jun-22 RM'000	30-Jun-23 RM'000	30-Jun-22 RM'000
Revenue		307,890	353,967	307,890	353,967
Cost of sales		(270,592)	(315,378)	(270,592)	(315,378)
Gross profit		37,298	38,589	37,298	38,589
Other operating income		13,393	5,658	13,393	5,658
Distribution and administrative expenses		(14,322)	(13,072)	(14,322)	(13,072)
Net (loss)/gain on impairment of financial instruments and contract assets		(389)	949	(389)	949
Other operating expenses		(4,560)	(1,172)	(4,560)	(1,172)
Net finance costs		(6,346)	(1,143)	(6,346)	(1,143)
Profit before tax		25,074	29,809	25,074	29,809
Income tax expense	21	(4,540)	(6,281)	(4,540)	(6,281)
Profit for the year	9	20,534	23,528	20,534	23,528
Items that are or may be reclassified subsequently to profit and loss					
Cash flow hedge		(185)	(2,894)	(185)	(2,894)
Foreign currency translation differences		24,345	36,354	24,345	36,354
		24,160	33,460	24,160	33,460
Total comprehensive income for the period		44,694	56,988	44,694	56,988
Profit attributable to:					
Owners of the Company		20,534	23,528	20,534	23,528
Total comprehensive income attributable to:					
Owners of the Company		44,694	56,988	44,694	56,988
Earnings per share					
Basic/Diluted earnings per ordinary share (sen)	27	3.79	4.35	3.79	4.35

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 March 2023.

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 2023

(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 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
At 1 April 2023	214,784	106	1,333	125,209	473,432	814,864
Total comprehensive (expense)/income for the period	-	-	(185)	24,345	20,534	44,694
Transactions with owners of the Company						
- Share-based payment transactions	-	331	-	-	-	331
At 30 June 2023	214,784	437	1,148	149,554	493,966	859,889

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 2023.

The accompanying notes form an integral part of this interim report.

SAM ENGINEERING & EQUIPMENT (M) BERHAD

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2023

(The figures have not been audited)

	Period Ended	
	30-Jun-23 RM'000	30-Jun-22 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	25,074	29,809
Adjustments for:		
Accretion of interest on lease liabilities	13	391
Amortisation of intangible assets	762	635
Amortisation of government grants	(54)	(461)
Depreciation of property, plant and equipment	14,647	13,313
Depreciation of right-of-use assets	2,878	2,611
Employees' Share Grant Scheme expenses	331	54
Fair value loss on derivatives	2,986	355
Gain on disposal of plant and equipment	(49)	-
Interest expenses	6,346	752
Interest income	(13)	-
Net loss/(gain) on impairment on		
- trade receivables	93	(472)
- contract assets	296	(477)
Provision for warranties	11	254
Reversal of provision for warranties	(398)	(137)
Reversal of provision for onerous contract	(1,115)	-
Operating profit before changes in working capital	51,808	46,627
Changes in working capital:		
Trade and other receivables	9,147	(68,735)
Inventories	(17,811)	(41,238)
Contract assets	(20,953)	(11,590)
Trade and other payables	34,744	13,003
Contract liabilities	(615)	1,872
Provisions	11	254
Cash generated from/(used in) operations	56,331	(59,807)
Income tax paid	(5,946)	(6,216)
Net cash generated from/(used in) operating activities	50,385	(66,023)

SAM ENGINEERING & EQUIPMENT (M) BERHAD

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2023 (CONT'D)

(The figures have not been audited)

	Period Ended	
	30-Jun-23 RM'000	30-Jun-22 RM'000
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(21,120)	(25,622)
Purchase of intangible assets	(508)	(516)
Interest received	13	-
Proceeds from disposal of plant and equipment	53	8
Net cash used in investing activities	<u>(21,562)</u>	<u>(26,130)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Interest paid	(6,359)	(1,143)
Drawdown/(Repayment) of term loans	2,922	(4,667)
Drawdown of other borrowings	24,664	77,741
Repayment of lease liabilities	(2,972)	(1,998)
Net cash generated from financing activities	<u>18,255</u>	<u>69,933</u>
Net increase/(decrease) in cash and cash equivalents	47,078	(22,220)
Cash and cash equivalents at beginning of year	21,045	31,063
Effect of exchange rate fluctuations	(37,962)	22,787
Cash and cash equivalents at end of period	<u>30,161</u>	<u>31,630</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 March 2023.

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, 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 2023. 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 2023.

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 2024

- Amendments to MFRS 16, Leases – Lease Liability in a Sale and Leaseback
- Amendments to MFRS 101, Presentation of Financial Statements – Non-current Liabilities with Covenants
- Amendments to MFRS 112, Income Taxes – International Tax Reform-Pillar Two Model Rules
- Amendments to MFRS 107 Statement of Cash Flows and MFRS 7 Financial Instruments: Disclosures – Supplier Finance Arrangements

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 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 2023 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 2023.

8. Dividends

A single tier first interim dividend of 2.50 sen per ordinary share totaling RM13.5 million for the financial year ended 31 March 2023 was paid on 8 August 2023.

In preceding year, 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.

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-23	30-Jun-22	30-Jun-23	30-Jun-22
	RM'000	RM'000	RM'000	RM'000
Accretion of interest on lease liabilities	13	391	13	391
Amortisation of intangible assets	762	635	762	635
Depreciation of property, plant and equipment	14,647	13,313	14,647	13,313
Depreciation of right-of-use assets	2,878	2,611	2,878	2,611
Fair value loss/(gain) on derivatives	2,986	355	2,986	355
Foreign exchange loss/(gain)	342	553	342	553
Gain on disposal of property, plant and equipment	(49)	-	(49)	-
Government grants and subsidies	(9,066)	(1,714)	(9,066)	(1,714)
Interest expense	6,346	752	6,346	752
Interest income	(13)	-	(13)	-
Net loss/(gain) on impairment of financial instruments and contract assets	389	(949)	389	(949)
Other income	(4,278)	(3,944)	(4,278)	(3,944)
Write down/(back) of inventories	2,100	(1,201)	2,100	(1,201)

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	Equipment	Eliminations	Consolidated
	RM'000	RM'000	RM'000	RM'000
Revenue				
Revenue from external customers	96,018	211,872	-	307,890
Inter-segment revenue	375	-	(375)	-
	<u>96,393</u>	<u>211,872</u>	<u>(375)</u>	<u>307,890</u>
Results				
Profit before tax (segment profit)	<u>8,474</u>	<u>16,600</u>	<u>-</u>	<u>25,074</u>
Included in the measure of segment profit are:				
- Write down of inventories	(1,466)	(634)	-	(2,100)
- Depreciation and amortisation	(12,793)	(5,494)	-	(18,287)
- Amortisation of government grants	54	-	-	54
- Gain on disposal of property, plant and equipment	-	49	-	49
- Net loss on impairment of financial instruments and contract assets	(332)	(57)	-	(389)

11. Property, plant and equipment

Property, plant and equipment amounting to RM21.1 million were acquired during the financial period ended 30 June 2023 (financial period ended 30 June 2022: RM25.6 million).

There were disposals of property, plant and equipment with net book value of RM4,000 in the current quarter. In the immediate preceding year's correspondence quarter, there were no disposals of property, plant and equipment.

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 material contingent liability since the date of the last annual statement of financial position.

15. Capital commitments

	30-Jun-23 RM'000	30-Jun-22 RM'000
Contracted but not provided for	71,511	70,178

16. Significant related party transaction

Significant transactions with related parties are as follows:

	3 months ended 30-Jun-23 RM'000
<u>Provision of goods/ services to related parties</u>	
Sale of aerospace parts and other precision tools	2,560
Sale of fabrication, machining services and special process services	1,026
Provision of corporate management services, engineering and administrative services	407
<u>Purchase of goods/ services from related parties</u>	
Rental of office, factory premises and machines	1,665
Purchase of fabrication/ machining services/ special process services	2,973
Purchase of corporate management services, engineering & administrative services	1,796

17. Review of performance

	Current Quarter Ended	Immediate Preceding Quarter Ended	Changes
	30-Jun-23	31-Mar-23	
	RM'000	RM'000	RM'000
Revenue	307,890	337,655	(29,765)
Operating profit	31,420	33,363	(1,943)
Profit before interest and tax	31,433	33,432	(1,999)
Profit before tax	25,074	25,727	(653)
Profit for the period	20,534	19,193	1,341
Profit attributable to Owners of the Company	20,534	19,193	1,341

The decrease in Group revenue of RM29.8 million was due to the decrease in revenue from Equipment segment of RM30.9 million offset with increase in revenue from Aerospace segment of RM1.1 million. The lower revenue from Equipment segment was mainly due to decrease in demand from the semiconductor and data storage customers. For the Aerospace segment, the higher revenue was mainly due to favourable foreign exchange translation.

The decrease in Group profit before tax of RM0.7 million was attributable to the higher profit contribution from Aerospace segment of RM4.6 million mainly due to higher sales and offset with lower profit contribution from the Equipment segment of RM5.3 million 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-23	30-Jun-22	Changes	30-Jun-23	30-Jun-22	Changes
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	307,890	353,967	(46,077)	307,890	353,967	(46,077)
Operating profit	31,420	30,952	468	31,420	30,952	468
Profit before interest and tax	31,433	30,952	481	31,433	30,952	481
Profit before tax	25,074	29,809	(4,735)	25,074	29,809	(4,735)
Profit for the period/year	20,534	23,528	(2,994)	20,534	23,528	(2,994)
Profit attributable to Owners of the Company	20,534	23,528	(2,994)	20,534	23,528	(2,994)

Current quarter compared with immediate preceding year's corresponding quarter

The decrease in Group revenue of RM46.1 million was due to the decrease in revenue from Equipment segment of RM77.4 million offset with increase in revenue from the Aerospace segment of RM31.3 million. For the Equipment segment, the lower revenue was mainly due to decrease in demand from the semiconductor and data storage customers. The higher revenue from Aerospace segment was mainly due to increase in sales of casing products.

The decrease in Group profit before tax of RM4.7 million was attributable to lower profit contribution from the Equipment of RM14.9 million offset with higher profit contribution from the Aerospace segment RM10.2 million. The lower profit contribution from Equipment segment was mainly due to lower sales and higher interest expense. For the Aerospace segment, the higher profit contribution was mainly due to increase in sales and government grant received.

19. Current year prospects

The World Health Organisation had declared end to COVID-19 as a global health emergency in May 2023, after 3 years of intense battle against the pandemic. The International Air Transport Association (IATA) reported that air passenger travel has recovered to 96% of pre-pandemic (2019) levels as of May 2023. During the Paris Airshow in June 2023, Airbus and Boeing added another 1,000 aircraft into their order backlog. Based on pre-pandemic production rates, Airbus and Boeing have about 10 years and 7 years of order backlog respectively. Our products are used in a majority of these aircrafts. We are increasing production rates at a steady pace as the aerospace industry works to overcome the supply chain constraints to recover to pre-pandemic levels by 2024/ 2025.

The Semiconductor Equipment and Materials International (SEMI), in its July 2023 report, forecasted that global sales of total semiconductor manufacturing equipment by OEMs will bounce back to close to USD 100 billion in 2024 from a projected contraction to USD 87.4 billion in 2023, following the industry record of USD107.4 billion in 2022. The recovery will be driven by both the front-end and back-end segments, with growing focus on electrification for sustainability, shifting to cloud-based services and the increased demand for AI solutions.

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-23 RM'000	30-Jun-22 RM'000	30-Jun-23 RM'000	30-Jun-22 RM'000
Current period				
- income tax	8,181	7,700	8,181	7,700
- deferred tax	(3,151)	(1,458)	(3,151)	(1,458)
	5,030	6,242	5,030	6,242
Prior period				
- deferred tax	(490)	39	(490)	39
	4,540	6,281	4,540	6,281

The effective tax rate exclude prior period provisions for the Group is lower than the statutory tax rate mainly due to the government grant received is not taxable.

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 2023 are as follows: -

	As at 30-Jun-23		As at 30-Jun-22	
	Unsecured RM'000	Total RM'000	Unsecured RM'000	Total RM'000
Short term borrowings				
Revolving credits	417,635	417,635	276,193	276,193
Term loan - variable rate	9,188	9,188	3,538	3,538
Long term borrowings				
Term loan - variable rate	80,284	80,284	4,383	4,383
Total borrowings	<u>507,107</u>	<u>507,107</u>	<u>284,114</u>	<u>284,114</u>

	As at 30-Jun-23			As at 30-Jun-22		
		Foreign Currency '000	RM Equivalent RM'000		Foreign Currency '000	RM Equivalent RM'000
Short Term Borrowings						
Unsecured	USD	92,356	426,823	USD	63,252	279,731
Long term borrowings						
Unsecured	USD	17,372	80,284	USD	991	4,383
Total borrowings			<u>507,107</u>			<u>284,114</u>

The Group's total borrowings increased to RM507.1 million as at 30 June 2023 as compared to RM284.1 million as at 30 June 2022 mainly due to the increase in utilisation of banking facilities to finance the purchase of property, plant and equipment and increase in working capital.

24. Derivative financial instruments

	As at 30-Jun-23	
	Contract/ Notional RM'000	Fair value RM'000
Foreign exchange contracts		
- Less than 1 year	149,736	(1,760)

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 3 months ended		Cumulative Quarter 3 months ended	
	30-Jun-23	30-Jun-22	30-Jun-23	30-Jun-22
Net profit attributable to ordinary shareholders (RM'000)	20,534	23,528	20,534	23,528
Weighted average no. of ordinary shares ('000)	541,590	541,400	541,590	541,400
Basic earnings per ordinary share (sen)	<u>3.79</u>	<u>4.35</u>	<u>3.79</u>	<u>4.35</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)

Yeoh Sze Min (SSM PC No. 201908003120, MAICSA 7065735)
Chew Peck Kheng (SSM PC No. 202008001118, LS 0009559)
Company Secretaries
Penang
16 August 2023