



SAM ENGINEERING & EQUIPMENT (M) BERHAD

Company Registration No. 199401012509 (298188-A)

(Incorporated in Malaysia)

Summary of key matters discussed at the Twenty-Sixth Annual General Meeting ("**26th AGM**" or "**the Meeting**") of the Company (or "**SAMEE**") conducted on a fully virtual basis via Remote Participation and Voting facilities ("**RPV**") at the Broadcast Venue at Gallery 1, Level 3, New World Petaling Jaya Hotel, Paradigm, 1 Jalan SS7/26A, Kelana Jaya, 47301 Petaling Jaya, Selangor on Wednesday, 2 September 2020 at 10.00 am.

Members of the Board of Directors present:

1. Mr. Lee Hock Chye, Independent Non-Executive Director ("**INED**")
– Chairman of the meeting
Present at the broadcast venue
2. Mr. Tan Kai Hoe, Non-Independent Non-Executive Chairman
Joined via video-conferencing
3. Mr. Jeffrey Goh Wee Keng, Chief Executive Officer
Joined via video-conferencing
4. Mr. Shum Sze Keong, Non-Independent Non-Executive Director
Joined via video-conferencing
5. Dato' Seri Wong Siew Hai, **INED**
Present at the broadcast venue
6. Datuk Dr. Wong Lai Sum, **INED**
Present at the broadcast venue
7. YM Tunku Afwida Binti Dato' Tunku Abdul Malek, **INED**
Present at the broadcast venue
8. Datuk Mohamed Salleh Bin Bajuri, **INED**
Present at the broadcast venue
9. Mr. Suresh Natarajan, **INED**
Joined via video-conferencing

In attendance :

Ms. Chew Peck Kheng, Company Secretary
Present at the broadcast venue

Chairman, Poll Administrator and Scrutineer

The Meeting noted that the Chairman of the Board, Mr. Tan Kai Hoe was unable to be physically present at the broadcast venue of the 26th AGM and thus, Mr. Lee Hock Chye was appointed as the Chairman of the Meeting ("**Chairman**").

The Chairman welcomed all participants to the 26th AGM of the Company.

The Chairman also informed that pursuant to the Paragraph 8.29 (A) (1) of the Main Market Listing Requirements ("**MMLR**") of Bursa Malaysia Securities Berhad, such resolution contained in the notice of general meeting would be voted on by poll and these would be conducted electronically via the Remote Participation and Voting ("**RPV**") facility provided by SS E Solutions Sdn. Bhd., the appointed poll administrator. The results would thereafter be verified by Commercial Quest Sdn. Bhd., the appointed Scrutineer.



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Resolutions passed in 26th AGM

All the resolutions tabled at the 26th AGM of the Company held on 2 September 2020 (other than the resolution No. 10 that has been withdrawn) were duly passed by the shareholders, as set out in the Notice of 26th AGM. The shareholders also received the Audited Financial Statements of the Company and of the Group, together with the Reports of the Directors and Auditors thereon, for the financial year ended 31 March 2020. The poll results are annexed herewith as "**Appendix A**".

Questions and Answers

The Chairman informed that the Company had received several questions from the shareholders prior to and during the 26th AGM. The Company had also received some questions from the Minority Shareholders Watch Group ("MSWG") via their letter dated 21 August 2020.

A summary of questions raised by MSWG and the shareholders together with the summarized responses by the Company, is as follows: -

	Questions raised by the shareholders prior to the 26th AGM	Company's reply
	<p align="center">Queries Raised by Minority Shareholders Watch Group ("MSWG")</p> <p align="center"><i>Strategy / Financial Queries</i></p>	
1.	<p>Under the aerospace segment, with the lower revenue and higher impairment of receivables and contract assets due to potentially higher forward default rate arising from the COVID-19 situation, PBT decreased 18.2% to RM37.3m compared to previous year. (Page 19 of Annual Report - AR)</p> <p>What were the reasons for the higher impairment? What is the probability of recovery? How much of the impaired amounts have been recovered to- date?</p>	<p>This was a general provision made in compliance with MFRS 9. This accounting standard requires that we increase provision for impairment due to the more difficult business environment caused by the COVID-19 crisis.</p> <p>98% of the outstanding Aerospace Trade Receivables as at 31 March 2020 have been collected to date. We do not foresee any issues collecting the balance 2%.</p>



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2.	<p>The Equipment business achieved 65.6% higher revenue than the last financial year at RM489.1m. The increase was mainly due to stronger demand in the semiconductor and data storage device industries. (Page 19 of AR)</p> <p>What is the current utilization rate of the Equipment business and what is the planned optimal rate? Is there any capacity expansion planned?</p>	<p>Our CAPEX has always been, and will continue to be, sized according to our business volume. We are currently expanding our production space and buying new equipment to support existing and new projects as highlighted in the Business Presentation.</p>
3.	<p>The Group invested RM61.8m in capital expenditure during FY2020, of which RM55.4m was for capacity expansion in the Aerospace business. (Page 19 of AR)</p> <p>What is the current utilization rate of the Aerospace business? With the capex of RM55.4 million spent, what would be the increase in capacity? What is the planned utilization rate after the expansion?</p>	<p>Our investment has been sized to Pre-COVID demand. The drop in revenue has led to a corresponding drop in utilization.</p> <p>As highlighted in the Business Presentation, the demand for the Aerospace Industry is forecasted to reduce by approximately 50% in 2020, with recovery projected to start from 2021.</p>
4.	<p>Demand for aerospace products was relatively strong in FY2020, except for products being used on the Boeing 737Max aircraft. This aircraft family was grounded by the Federal Aviation Administration in March 2019 following two air crashes in October 2018 and March 2019. (Page 22 of AR)</p> <p>Will the strong demand from other aircraft models be able to offset the setback suffered by the Boeing 737Max aircraft? To what extent can this setback be mitigated? What is the outlook for FY2021 for the Aerospace business?</p>	<p>737Max contributes less than 10% to the Group's revenue.</p> <p>As highlighted in the Business Presentation, the demand for the Aerospace Industry is forecasted to reduce by approximately 50% in 2020, with recovery projected to start from 2021.</p>



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5.	<p>Due to the demand growth of several new products in FY2020, the Group has achieved higher sales than previous financial year. (Page 22 of AR). Semiconductor Equipment and Material International (SEMI) expects 2021 to be a record year with a growth of 24% or US\$67.7B beating the last record year in 2018, largely driven by investments for leading-edge Memory, Foundry and leading-edge logic. (Page 23 of AR)</p> <p>(a) Will the Group be introducing new products in FY2021?</p> <p>(b) How will the Group capitalize on the bullish outlook in 2021 in regard to existing customers and new prospects?</p>	<p>As stated in the Business Presentation, we have secured new projects from our equipment division's customers. We are constantly pursuing new opportunities.</p>
6.	<p>The Group's businesses are anchored on both the Aerospace and the Equipment industries. Both businesses are dependent on the state of global economy, which currently remains uncertain amidst COVID-19 and the trade tensions between US and China. (Page 23 of AR)</p> <p>To what extent has, or will, the US and China trade war benefit the Group?</p>	<p>A trade war generally increases the costs and risks for businesses. Many industries, including the ones we are in, have global supply chains and global customer base. In the long term a trade war will probably not benefit anyone.</p>
7.	<p>What percentage of the Group revenue and costs are denominated in US dollars?</p>	<p>About 90% of revenue and 60% of costs are denominated in US dollars.</p>



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	<u>Corporate Governance Query</u>	
8.	<p>Practice 12.3 of Malaysian Code on Corporate Governance stipulates that listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate –</p> <ul style="list-style-type: none"> • including voting in absentia; and • remote shareholders’ participation at General Meetings. <p>In its Corporate Governance Report, the Company reported that it has departed from the Practice but the general meeting was not held at a remote place and shareholders were allowed to appoint any person(s) as their proxies to attend, participate, speak and vote in his/her stead at the general meeting.</p> <p>The Practice does not relate to mainly location of general meeting or allowing shareholders to vote by proxy but more towards the leveraging of technology to facilitate voting in absentia and remote shareholders’ participation at general meetings.</p>	<p>Thank you for your comment. This year we are leveraging technology to facilitate shareholders’ remote participation for the AGM and the Business Presentation.</p>
	Queries Raised by Yap Shong Waey	
9.	<p>In AR 2019, it had stated that new facility at Penang Science Park had been opened at February 2019 and fully operational. Why company still incurs high CAPEX of RM 61 million in FY 2020? This high CAPEX trend going to continue for how long? Is this the new norm (high CAPEX) as a result of venturing/expanding into Aerospace industrial?</p>	<p>Our CAPEX has always been sized according to our business volume. We are currently expanding our production space and buying new equipment to support existing and new projects as presented in the Business Presentation. In this particular case, the CAPEX incurred in FY2020 is primarily for facilities other than the Penang Science Park plant.</p>



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10.	The company had become a net debt (cash - all borrowings) company due to high CAPEX of recent years, when will the company turn around and become a net cash (cash more than borrowing) company again?	<p>Our company's policy is to pursue business opportunities with good returns. If necessary, we will borrow money to do so, as long as we are convinced of the business vs the risks.</p> <p>In the past years, we have been prudent and kept our gearing low (FY2020 gearing 0.1), compared to the industry norm.</p> <p>Our company also generated RM25m positive net cashflow (Free Cashflow after interest expense and lease payment) for FY 2020.</p>
	Queries Raised by Raphael Wong	
11.	1QFY21: The above result showed a significant drop in profits but the revenue showed only a marginal decrease. What are the reasons and will it be rectified in the coming quarters?	The drop in profit is due to under-utilization of aerospace capacity.
	Queries Raised by Amundi	
12.	Does management anticipate further weakness from the aerospace business going forward?	As highlighted in the Business Presentation, the demand for the Aerospace Industry is forecasted to reduce by approximately 50% in 2020, with recovery projected to start from 2021.
13.	Is the company able to reconfigure its production space to cater for the equipment demand and does the increase in equipment demand able to fully offset the weakness from the aerospace business (~RM120m pq) during FY2021?	As mentioned in the Business Presentation, we are expanding our space and capacity to cater to existing and new projects secured. If there is increased demand in the equipment business, we will expand accordingly.



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		As highlighted in the Business Presentation, the Semiconductor Industry is projected to grow 6% in 2020 and 11% in 2021. The Aerospace Industry is forecasted to decline by approximately 50% in 2020, with recovery projected to commence from 2021.
	Queries Raised by Kumpulan Sentiasa Cemerlang	
14.	What is the outlook for Aerospace segment revenue and earnings in the coming year, what kind of quantum of decline should shareholders expect? Would the revenue run rate recover to RM80-100m level?	As highlighted in the Business Presentation, the demand for the Aerospace Industry is forecasted to reduce by approximately 50% in 2020, with recovery projected to start from 2021.
15.	Can the CAPEX put in Aerospace segment in the past 3 years be used for Semiconductor equipment? Equipment margin compared to local peers seems inferior, are there room for improvement and if yes, what is the limit?	Generally, our assets can be used for both our Aerospace & Equipment divisions. We believe that our profit margins are comparable with industry peers. Our Equipment division's margin depends on the nature of our business and product mix.
16.	Contribution from Customer B revealed in FY20 annual report more than tripled, can management give shareholders some colour on how this client relationship was established.	We always established business relationships with our customers based on our Core Values. We offer quality products and services at competitive prices.



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17.	<p>On Customer B:</p> <ul style="list-style-type: none"> • What is the total addressable market for this specific client? • What types of equipment does Customer B supply and for what application? • What is SAM's wallet share from Customer B based on FY20 revenue? 	Unfortunately, we are not able to disclose this information.
18.	<p>Similar questions On Customer D:</p> <ul style="list-style-type: none"> • What is the total addressable market for this specific client? • What types of equipment does Customer B[sic] supply and for what application? • What is SAM's wallet share from Customer B[sic] based on FY20 revenue? 	Unfortunately, we are not able to disclose this information.
19.	What management's outlook or target for the overall Equipment segment?	As highlighted in the Business Presentation, the Semiconductor Equipment Industry is projected to grow 6% in 2020 and 11% in 2021. Based on this, the outlook for our Equipment division is positive.
20.	SAM's earnings profile have switched from Aerospace-centric to now Semiconductor Equipment-centric, what is management's strategy and direction for SAM in the coming 3-5 years?	Our focus has always been the continuous growth of our businesses. The revenue split between Aerospace and Equipment divisions are dependent on the prevailing market conditions.
21.	Any plans for M&A, if yes, what would be a segment which interests SAM?	We are always open to new opportunities in the existing and related sectors.
22.	Engagement with investors is very low at the rate of once a year via AGM, would management consider a more frequent public briefing to improve disclosure, be it half-yearly or quarterly investor briefing, in line with industry standard?	We have met up with investors twice in the past financial year; once during the August 2019 AGM and a separate meeting with investors in May 2019 in Petaling Jaya.



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In addition to the above the shareholders also submitted some questions through e-Portal during meeting and key pertinent points were as follows: -

	Key matter raised by the shareholders	Response from the Board/Management
1.	<p>In the First Quarter for Financial Year 2021 ("FY2021"), the results for period ended 30 June 2020 had showed a big drop in revenue from the Aerospace segment.</p> <p>(a) What are the status of the current order received from clients and will these orders be delivered in FY2021 in view of the impact from COVID-19?</p>	<p>The orders from Aerospace segment has dramatically dropped 40% to 50%. The Company is able to meet and deliver the orders to clients regardless of number of orders received from clients.</p>
	<p>(b) What are the actions taken by the Board and Management to mitigate the reduction in orders for the Aerospace segment?</p>	<p>The following are the actions taken by the Company to mitigate the reduction in orders for the Aerospace segment: -</p> <ul style="list-style-type: none"> i. At the group level, the senior management had taken 5 to 10 % voluntary pay cut. ii. The Company controlled and managed its cash flow cautiously. iii. Wage and hiring freeze. iv. Reallocating the manpower from Aerospace segment to support Equipment segment. v. To push-out raw material contract from Aerospace segment.
2.	<p>Is there a dividend policy? Is there a dividend reinvestment scheme?</p>	<p>The Company does not have a formalised dividend policy, however, the Company would take a balance between the cash required to support its business operations and a fair return to shareholders by way of dividend payout to shareholders every year.</p>



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		The Company does not have a formalised dividend reinvestment scheme. Nevertheless, shareholders are welcomed to reinvest their dividends into the Company by purchasing the Company's shares from the market.
3.	In 2020 Annual Report, you reported RM856.346mil of "inventories recognised as cost of sales", but why is this figure more than your cost of sales at RM790.9mil? Where is the discrepancy in between?	The Company apologised for the error in the disclosure note. The "inventories recognized as cost of sales" should be RM771mil instead of RM856.346mil. In view that it is a disclosure note to the Audited Financial Statements, it does not have any impact to the Group's and the Company's financial position as at 31 March 2020.
4.	Will you consider to pay interim dividend as well instead of only once a year final dividend? Because this will attract more value investors looking into SAM shares.	As each dividend payout would incur some transaction costs, the Management was of the view that the current annual dividend payout arrangement was adequate for the time being. However, the Management would take this suggestion into consideration.
5.	Inventories has gone up from RM144.930mil to RM167.636mil as at 30 June 2020. What are the reasons for the increase despite lower demand from the Aerospace segment and production disruption due to COVID-19?	The increase is contributed by both the aerospace (80%) and equipment (20%) segments. Higher inventory for the aerospace segment was due to the committed purchases of raw material from suppliers before COVID-19 which the Company could not defer.

		Since then, the Management had discussed with its suppliers to defer the delivery of materials as much as possible which it continued to use the
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		stock. The Company expects its inventories to return to normal levels in the coming months.
6.	With the major shareholder holding 71.67% of the Company's paid-up shares and with 46 shareholders holding 88.77% of the existing number of shares issued, what are the steps the Board taking to increase the free float as the Company's shares are not very liquid on Bursa Malaysia.	<p>The Board's main purpose is to look after its shareholders' interests through driving the company's business strategies and ensuring proper governance.</p> <p>The Board does not have control over its shareholders' decision to buy, hold or sell their shares, be they majority of minority shareholders.</p> <p>The continued support for the Company's shares by institutional investors could be seen as a show of confidence in the future of the Company's business.</p> <p>Based on the current public spread of the Company's shareholdings, there is still sufficient free float in the market.</p>

There being no other business, the Chairman concluded the Meeting and thanked all participants for their attendance. The Meeting ended at 11:18 am with a vote of thanks to the Chair.



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APPENDIX A

<u>Resolutions</u>	<u>Voted in Favour</u>		<u>Voted Against</u>		<u>Results</u>
	<u>No. of Shares</u>	<u>%</u>	<u>No. of shares</u>	<u>%</u>	
<u>Ordinary Resolution 1</u> To re-elect Datuk Dr. Wong Lai Sum who retires by rotation in accordance with Regulation 95 of the Company's Constitution and being eligible, offered herself for re-election.	106,541,907	99.9895	11,200	0.0105	Carried
<u>Ordinary Resolution 2</u> To re-elect YM Tunku Afwida Binti Dato' Tunku Abdul Malek who retires in accordance with Regulation 102 of the Company's Constitution and being eligible, offered herself for re-election.	106,539,907	99.9895	11,200	0.0105	Carried
<u>Ordinary Resolution 3</u> To re-elect Mr. Suresh Natarajan who retires in accordance with Regulation 102 of the Company's Constitution and being eligible, offered himself for re-election.	106,539,907	99.9895	11,200	0.0105	Carried
<u>Ordinary Resolution 4</u> To approve the payment of Directors' fee for period from 3 September 2020 until the next AGM of the Company.	106,538,907	99.9998	200	0.0002	Carried



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	<u>No. of Shares</u>	<u>%</u>	<u>No. of shares</u>	<u>%</u>	
<u>Ordinary Resolution 5</u> To approve the payment of the benefits to Directors for the period from 3 September 2020 until the next AGM of the Company.	106,538,842	99.9997	300	0.0003	Carried
<u>Ordinary Resolution 6</u> To re-appoint Messrs. KPMG PLT as the Auditors of the Company, to hold office until the conclusion of the next AGM, at a remuneration to be determined by the Directors	106,540,907	99.9998	200	0.0002	Carried
<u>Ordinary Resolution 7</u> Authority to issue and allot shares pursuant to Section 75 of the Companies Act 2016.	106,541,007	99.9999	100	0.0001	Carried
<u>Ordinary Resolution 8</u> Proposed renewal of existing shareholders' mandate for recurrent related party transactions.	8,425,039	100	0	0	Carried



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	<u>No. of Shares</u>	<u>%</u>	<u>No. of shares</u>	<u>%</u>	
<u>Ordinary Resolution 9 (Tier-1)</u> Mandate to retain Dato' Seri Wong Siew Hai as an Independent Non-Executive Director of the Company.	96,867,526	100	0	0	Carried
<u>Ordinary Resolution 9 (Tier-2)</u> Mandate to retain Dato' Seri Wong Siew Hai as an Independent Non-Executive Director of the Company.	8,172,281	99.9963	300	0.0037	Carried
<u>Ordinary Resolution 10</u> Mandate to retain Dato' Sri Lee Tuck Fook as an Independent Non-Executive Director of the Company.	0	0	0	0	Withdrawn
<u>Ordinary Resolution 11 (Tier-1)</u> Mandate to retain Mr. Lee Hock Chye as an Independent Non-Executive Director of the Company.	96,867,526	100	0	0	Carried



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<u>Resolutions</u>	<u>Voted in Favour</u>		<u>Voted Against</u>		<u>Results</u>
	<u>No. of Shares</u>	<u>%</u>	<u>No. of shares</u>	<u>%</u>	
<u>Ordinary Resolution 11 (Tier-2)</u> Mandate to retain Lee Hock Chye as an Independent Non-Executive Director of the Company.	8,162,281	99.9963	300	0.0037	Carried



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	Additional Questions submitted by the shareholders during the 26th AGM	Company’s response
1.	I would like to provide feedback that the level of disclosure is not what I would expect from a company with such a renowned shareholder. Your peers have been providing a lot more information. There has been very little information given to us to enable us to assess the company's prospects.	Some information could not be released due to customer confidentiality. In addition, the current situation is very fluid and we would want to avoid misguiding our investors.
2.	Besides providing the industry growth expected for the semicon sector, can you please provide us with other data to help us assess the future prospects of SAM's equipment division. What is the outlook for the equipment division's profit before tax (PBT) margins?	All the information are presented in Business Presentation. Our Equipment division’s margin depends on the prevailing market conditions and product mix.
3.	Has SAM Engineering seen the worst quarter in terms of the aerospace division as revenue has already dropped to 1/3rd of pre-covid levels?	It depends on how the COVID-19 situation impact the global economy. We are unable to answer this question
4.	What does precision accuracy of 20-30 micron mean and how advanced does your technology need to be to produce this level of accuracy? How difficult is it to replicate this and are peers like UWC and Kobay able to do so?	We are unable to comment for other companies.



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5.	<p>5.1 Are there still any supply change disruption currently?</p> <p>5.2 In the event of vendor facing financial distress, do we have any alternative replacement bearing in mind some could be supply critical components?</p> <p>5.3 Has there been any operations disrupted by loss time injury?</p> <p>5.4 Please clarify the least liability by RM35.6M in year Balance Sheet.</p> <p>5.5 Hope this Live Streaming of AGM will be continued in coming years even without the MCO.</p>	<p>With regard to Question 5.1, 5.2 and 5.3, the company has taken actions to reduce raw materials for the aerospace segment whenever possible to mitigate the reduction in orders.</p> <p>With regard to the question 5.4, please refer to note 33 of audited financial statement (page 161 of FY2020 Annual Report). With regard to question</p> <p>5.5 We noted your comment.</p>
6.	<p>Since SAM has invested a lot of capex into aerospace and equipment, what is your expected optimal revenue level to achieve economies of scale which eventually leads to better margins?</p>	<p>The business volume will fluctuate according to prevailing market conditions.</p>
7.	<p>Since the equipment revenue from Customer B and Customer C gained a lot of traction in a short span of time and most of these are recognised at a point in time. What is the quantum of the order book secured for the equipment segment at the moment?</p>	<p>As highlighted in the Business Presentation, our total order backlog is RM2.4B.</p>
8.	<p>With existing orders in hand, would SAM's aerospace division be able to at least breakeven in 2H calendar year 2020?</p>	<p>It depends on how the COVID-19 situation impact the global economy.</p>
9.	<p>How much does HDD contribute to SAM REVENUE/PROFIT?</p>	<p>Please refer to note 27, page 138 of FY2020 Annual Report.</p>



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10.	HDD see big recovery?	In its Global StorageSphere forecast published in May 2020, IDC estimates that the installed base of storage capacity worldwide will grow to 6.8 zettabytes (ZB) this year, an increase of 16.6% over 2019. Over the course of the 2019-2024 forecast, IDC expects the installed base of storage capacity to achieve a compound annual growth rate (CAGR) of 17.8%.
11.	Contribution from Customer B revealed in FY20 annual report more than tripled, can management give shareholders some colour on how this client relationship was established. What kind of product is this (i.e. frontend or backend and what application)? Is this the blue equipment shown in the presentation earlier?	Unfortunately, we are not able to disclose these information. As highlighted in the Business Presentation, the blue equipment is one of the manufacturing equipment that we are bringing in to support our manufacturing operations.
12.	Can you share with us, what kind of new equipment will SAM be assembling as shown in the slides earlier?	We are unable to answer this question due to customer confidentiality.