

**1. CORPORATE DIRECTORY****BOARD OF DIRECTORS**

<b>Name</b>	<b>Address</b>	<b>Occupation</b>	<b>Nationality</b>
Dato' Dr Pang Chow Huat (Chairman / Managing Director)	No. 44, Jalan Indah 2/3 Taman Bukit Indah 81200 Johor Bahru Johor Darul Takzim	Company Director	Malaysian
Datin Chen Choon Lee (Executive Director)	No. 44, Jalan Indah 2/3 Taman Bukit Indah 81200 Johor Bahru Johor Darul Takzim	Company Director	Malaysian
Gwee Kok Ling (Executive Director)	No.17, Jalan Bentara 5 Taman Iskandar 80050 Johor Bahru Johor Darul Takzim	Company Director	Malaysian
Tan Sri Dato' Sri Abdul Halil bin Abdul Mutalif (Independent Non-Executive Director)	147, Jalan Seraya Kg Melayu 68000 Ampang Selangor Darul Ehsan	Company Director	Malaysian
Lee Tuck Mun (Independent Non-Executive Director)	No. 9, Jalan Indah 19/2 Taman Bukit Indah 81200 Johor Bahru Johor Darul Takzim	Company Director	Malaysian

**AUDIT COMMITTEE**

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Tan Sri Dato' Sri Abdul Halil bin Abdul Mutalif	Chairman	Independent Non-Executive Director
Lee Tuck Mun	Member	Independent Non-Executive Director
Gwee Kok Ling	Member	Executive Director

**REMUNERATION COMMITTEE**

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Dato' Dr Pang Chow Huat	Chairman	Chairman / Managing Director
Tan Sri Dato' Sri Abdul Halil bin Abdul Mutalif	Member	Independent Non-Executive Director
Lee Tuck Mun	Member	Independent Non-Executive Director

**NOMINATION COMMITTEE**

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Dato' Dr Pang Chow Huat	Chairman	Chairman / Managing Director
Tan Sri Dato' Sri Abdul Halil bin Abdul Mutalif	Member	Independent Non-Executive Director
Lee Tuck Mun	Member	Independent Non-Executive Director

**1. CORPORATE DIRECTORY (Cont'd)**

- COMPANY SECRETARIES** : ROKIAH BINTI ABDUL LATIFF (LS 0000194)  
07-02, Sri Panglima B  
Pangsapuri Bukit Saujana, Jalan Bendahara  
80100 Johor Bahru  
Johor Darul Takzim
- CHOONG LEE HAH (LS 007046)  
A1-06, Pangsapuri Puteri Kesidang  
Lorong Pandan  
75250 Melaka
- REGISTERED OFFICE** : 30-05, Level 30, Menara Landmark  
Mail Box 172  
No.12, Jalan Ngee Heng  
80000 Johor Bahru  
Johor Darul Takzim  
Telephone No. : 07-278 1260  
Facsimile No. : 07-278 1238
- HEAD OFFICE** : PLO 135, Jalan Cyber 5  
Kawasan Perindustrian Senai Fasa 3  
81400 Senai  
Johor Darul Takzim  
Telephone No. : 07-598 8866  
Facsimile No. : 07-598 2886  
E-mail Address : [sanichi@streamyx.com](mailto:sanichi@streamyx.com)  
Website : [www.sanichimould.com](http://www.sanichimould.com)
- AUDITORS AND REPORTING ACCOUNTANTS** : HORWATH (AF1018)  
Chartered Accountants  
30-04, Level 30, Menara Landmark  
Mail Box 171  
No.12, Jalan Ngee Heng  
80000 Johor Bahru  
Johor Darul Takzim  
Telephone No. : 07-278 1268
- SOLICITORS FOR THE LISTING EXERCISE** : SHUI-TAI  
Advocates & Solicitors  
Entrance 2, Suite 1308, 13<sup>th</sup> Floor  
Block A, Damansara Intan  
No.1, Jalan SS20/27  
47400 Petaling Jaya  
Selangor Darul Ehsan  
Telephone No. : 03-7729 8906
- INDEPENDENT MARKET RESEARCHER** : FROST & SULLIVAN MALAYSIA SDN BHD (522293-W)  
Suite E-08-15, Block E  
Plaza Mont' Kiara  
No. 2, Jalan Kiara  
Mont' Kiara  
50480 Kuala Lumpur  
Telephone No. : 03-6204 5800

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**1. CORPORATE DIRECTORY (Cont'd)**

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**PRINCIPAL BANKER** : UNITED OVERSEAS BANK (MALAYSIA) BHD (271809-K)  
2, Jalan Wong Ah Fook  
80000, Johor Bahru  
Johor Darul Takzim  
Telephone No. : 07-219 6300

**ADVISER, SPONSOR,  
UNDERWRITER AND  
PLACEMENT AGENT** : ALLIANCE INVESTMENT BANK BERHAD (21605-D)  
*formerly known as Alliance Merchant Bank Berhad*  
Level 3, Menara Multi-Purpose  
Capital Square  
No. 8, Jalan Munshi Abdullah  
50100 Kuala Lumpur  
Telephone No. : 03-2692 7788

**SHARE REGISTRAR** : SYMPHONY SHARE REGISTRARS SDN BHD  
Level 26, Menara Multi-Purpose  
Capital Square  
No.8, Jalan Munshi Abdullah  
50100 Kuala Lumpur  
Telephone No. : 03-2721 2222

**ISSUING HOUSE** : MIDF CONSULTANCY AND CORPORATE SERVICES  
SENDIRIAN BERHAD (11324-H)  
12th Floor, Bangunan MIDF  
195A, Jalan Tun Razak  
50400 Kuala Lumpur  
Telephone No. : 03-2161 3355

**LISTING SOUGHT** : MESDAQ Market of the Securities Exchange

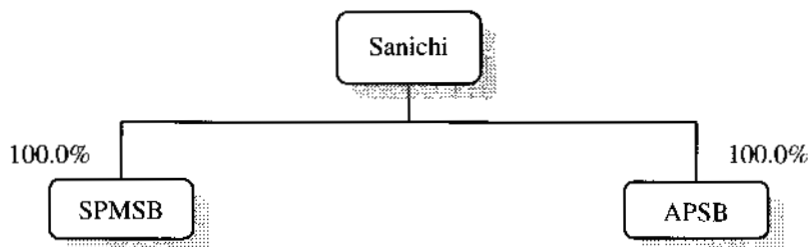
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## 2. INFORMATION SUMMARY

THE FOLLOWING IS A SUMMARY OF THE SALIENT INFORMATION ABOUT THE SANICHI GROUP AND THE PUBLIC ISSUE. INVESTORS SHALL READ AND UNDERSTAND THE PROSPECTUS IN ITS ENTIRETY PRIOR TO DECIDING WHETHER TO INVEST IN SANICHI.

### 2.1 HISTORY AND BUSINESS

Sanichi was incorporated in Malaysia under the Act on 5 August 2004, as a public limited company and commenced business on 20 June 2006. The Company was established to be the investment holding company of the Sanichi Group in conjunction with the listing of the Company on the MESDAQ Market. Sanichi has two (2) wholly-owned subsidiary companies under its corporate umbrella, namely SPMSB and APSB. The Group's corporate structure is depicted as follows:



Brief details of SPMSB and APSB are as follows:

Name of subsidiary	Date and country of incorporation	Effective equity interest	Issued and paid-up share capital	Principal activities
SPMSB	25.02.2000, Malaysia	100.0%	RM350,000	Design and fabrication of precision moulds and tooling.
APSB	05.07.2004, Malaysia	100.0%	RM2	Design and fabrication of precision moulds and tooling.

Further information on these subsidiary companies is set out in Section 6.4 of this Prospectus.

The business was founded by Dato' Dr Pang Chow Huat in February 2000 with the incorporation of SPMSB. Prior to the incorporation of SPMSB, he observed that the local market was proliferated with CPIM fabricators and moulding manufacturers which focus on mass production of CPIMs and low value plastic injection moulded components. He expected that these local CPIM fabricators and moulding manufacturers would soon be challenged by the burgeoning technological advancement and the convergence of low cost manufacturers from developing countries such as China.

In light of the above, Dato' Dr Pang Chow Huat realised there was an opportunity to establish a niche in the fabrication of APIM, which is dominated by foreign players. He focused the direction of SPMSB towards the APIM market and, ever since, SPMSB has been continuously developing its expertise in the area of APIM.

SPMSB successfully developed and commercialised its first flagship APIM product, i.e. the WGM, in May 2002. In 2003, SPMSB developed the MPM. In the same year, SPMSB, in collaboration with the R&D division of a Japanese-based multi-national manufacturer of industrial and consumer devices, successfully developed the RCM. According to Frost & Sullivan, SPMSB's RCM is believed to be the only type of mould in Malaysia which has undergone testing and proven to reduce significantly the total production cycle time to the tune of approximately 50%.

## 2. INFORMATION SUMMARY (Cont'd)

Todate, SPMSB has developed three (3) APIM products, namely the WGM, MPM and RCM, of which further information is set forth in Section 6.3.2 of this Prospectus. These APIM products have successfully replaced imported moulds to a great extent in respect of the local market and opened up export market opportunities for the Sanichi Group in Singapore, Japan, France and the US as well.

Being one of the pioneers in the APIM fabrication market in Malaysia, the Sanichi Group has successfully demonstrated tangible business success with an average annual revenue growth rate of approximately 53% over the past three (3) audited FYE 30 June 2005 fuelled by the sale of APIMs. Further information on the principal markets of the Sanichi Group is set forth in Section 6.3.4 of this Prospectus.

Since its inception, SPMSB has earned credibility and recognition within the precision plastic injection mould fabrication industry and accumulated a diversified client portfolio of approximately ninety-five (95) companies comprising both local companies and foreign MNCs such as AEIOMed Inc., Dyson Manufacturing Sdn Bhd, Electrolux Home Products France, Hitachi Koki (M) Sdn Bhd, Hager Electro SAS, Katecs Asia Sdn Bhd, Panasonic Communication Co. Ltd (Japan) ("PCC"), Seiko Instruments Singapore Pte Ltd, Shimano Components (M) Sdn Bhd ("Shimano"), Sharp Manufacturing Corporation (M) Sdn Bhd ("SMM"), Shin-Etsu Polymer (Malaysia) Sdn Bhd and Schlafhorst Zweigniederlassung der Saurer GmbH & Co. KG.

Todate, backed by its achievements in the industry, structured design and R&D capabilities, competent technical skills, and equipped with advanced CNC machinery, the Sanichi Group is able to offer itself as the plastic injection mould solutions provider to OEMs and MNCs across various industries ranging from consumer electronics, fishing equipment, office automation, automotive and semiconductor. Moving forward, the Sanichi Group envisages itself to be one of the leading APIM designers, engineers and fabricators in Malaysia and South East Asia.

Set out below are the key achievements/milestones achieved by the Group to-date:

Year	Event
September 2000	Successfully developed the CPIM for injecting 'mirror effect front panels' for Panasonic AVC Networks Johor Malaysia Sdn Bhd, which is used in home audio video equipment. This requires very high end finishing CPIMs.
June 2001	Successfully developed the mould for producing high precision plastic components used in Sharp's video cassette loading mechanisms. Previously, this type of CPIM for high precision components was imported from Japan or Korea. Commenced designing and fabricating moulds for SMM located in Batu Pahat, Johor.
April 2002	Commenced designing and fabricating moulds for Brother Industries Technology Malaysia Sdn Bhd ("BITM"). However, sales of moulds are direct to its subcontractor namely, Katecs Singapore Pte Ltd.
May 2002	In May 2002, it successfully developed the advanced MGM which was sold to the subcontractor of BITM. The mould which is known as WGM is used to produce an internal gear component for facsimile machines. Prior to this, BITM imported all its motorised moulds from Japan and Korea.
August 2002	Commenced developing and fabricating plastic injection moulds for Shimano in year 2002 for fishing reel components. Currently, Sanichi is the main supplier of APIM and CPIM motorised moulds to Shimano.
November 2002	Commenced developing and fabricating plastic injection moulds for Mitsubishi Electric (Malaysia) Sdn. Bhd.

## 2. INFORMATION SUMMARY (Cont'd)

Year	Event
February 2003	<p>Commenced designing and fabricating moulds for Panasonic Communications Malaysia Sdn Bhd ("PCM"). Developed MPMs for PCM which was delivered to its subcontractor for the injection moulding process. Prior to this, PCM imported MPMs from Singapore and Japan.</p> <p>SPMSB successfully designed and developed the MPM.</p>
April 2003	<p>SPMSB developed the RCM which was designed for BITM and delivered to its subcontractor for the injection moulding process.</p> <p>PCM approached SPMSB for a special project to produce the mould for injection moulding of the top plastic chassis of a particular facsimile machine model. The mould previously imported for this component was designed such that it requires the use of a 550 tonne injection moulding machine to mould this plastic part. SPMSB was asked to develop a new design in order to reduce the injection moulding machine tonnage to 450 tonnes. This will reduce the machine production costs of the plastic component. SPMSB successfully achieved this.</p>
July 2003	Commenced designing and fabricating moulds for Pioneer Electronics AsiaCentre Pte. Ltd. in Singapore, becoming one of the mould designers and fabricators to supply CPIM to them. Previously, all the moulds were designed by Singapore, Korea and Japan mould fabricators.
October 2003	Commenced designing and fabrication of CPIM for the plastic injection moulding of semiconductor integrated circuit trays for PCT Technology Pte. Ltd. who supplies to NEC Semiconductor Group and ST Micro Electronics Pte. Ltd.
April 2004	<p>SPMSB was selected and recruited by PCC under its global head office supplier base to design, engineer and fabricate moulds for its new product development. This accords SPMSB with the status and recognition similar to those key mould designers and fabricators from Japan, Korea and Taiwan. Currently, the Sanichi Group collaborates directly with the Engineering Group in PCC for new mould development and fabrication.</p> <p>For the eight (8)-months period ended 28 February 2006, SPMSB has received orders amounting to RM1.14 million directly from PCC.</p>
May 2004	Obtained the ISO 9001/2000 Quality Management System certification granted by Moody International Certification (Malaysia) Sdn Bhd.
June 2004	Commenced designing and fabricating multi-polymer APIM as well as CPIMs for JVC Electronics Singapore Pte. Ltd.
September 2004	SPMSB was awarded with the SMIDEC Enterprise 50 Award.
December 2004	SPMSB was awarded with the SMI Association of Malaysia's Information Communication Technology (ICT) Adoption award for 2004.
June 2005	Commenced designing and fabricating CPIMs for Schlafhorst Zweigniederlassung der Saurer GmbH & Co. KG., a leading German-based manufacturer of automatic production machinery for yarn spinning.

## 2. INFORMATION SUMMARY (Cont'd)

Year	Event
November 2005	SPMSB successfully entered the European market having secured business from Electrolux Home Products France.
January 2006	Commenced designing and fabricating APIMs for Hager Electro SAS of France, a manufacturer of electrical distribution systems.
April 2006	SPMSB successfully entered the US market after securing business from AEIOMed Inc., a US-based company which designs and produces respiratory medical devices.
June 2006	SPMSB successfully developed the GIM for fabricating liquid crystal display screen casings for SMM.

Further information on the history and business of the Group is set out in Section 6 of this Prospectus.

### 2.2 TECHNOLOGY AND INTELLECTUAL PROPERTY RIGHTS

Following significant R&D effort in the area of APIMs, the Sanichi Group has developed specific, high-end mould design and technologies, focusing on the following three (3) key areas:

#### **Release mechanism and technology (“RMT”)**

SPMSB developed an advanced RMT using the motorised gear concept for the manufacture of plastic gear components, such as spiral gears, spur gears, helical gears, worm gears, pinion gears, etc. The advanced RMT with motorised gear concept enables the injected plastic parts or components to be ejected or spun out by the motor in the mould through a gear mechanism. The gear mechanism spins the mould cavity which holds the threaded plastic part or component and cause the part or component to be ejected by the force of rotation. As such, gear components produced using APIM with this advanced RMT do not show a parting line and deformation otherwise caused by CPIM.

In 2002, SPMSB developed the WGM for the manufacture of worm gear using this advanced RMT. According to the Frost & Sullivan Report, the Sanichi Group is the only known plastic injection mould fabricator in Malaysia to adopt and adapt the WGM technology. As a worm gear is a plastic component with high precision level requirement, the development of the WGM for such component requires advanced RMT to produce flawless threaded profile and technical know-how in accurate gear mechanism ratio calculation and precise fabrication to meet the stringent tolerance level of  $\pm 5$  micron.

#### **Multi-polymer handling technology (“MHT”)**

In 2003, SPMSB developed its MHT using double material injection concept with two sets of mould. The first mould is designed to inject the base plastic surface with the required markings and the second mould is used to overlay another polymer material to form the surface of the plastic component surrounding the markings. The two moulds are then mounted onto a double injection machine which performs sequential injection via a rotation mechanism on the two sets of mould cavity to achieve double material injection in a single injection process. This advanced MHT requires complex mould design to ensure precise fittings between the two polymer materials in order to achieve flawless overlay of second polymer material around the markings. With the use of advanced MHT, plastic parts and components can be manufactured to achieve fine appearance and durable markings and colourised effect which is otherwise unachievable by the conventional industrial coatings method.

## 2. INFORMATION SUMMARY (Cont'd)

### Heat dispersion technology and system ("HDT")

In collaboration with a Japanese-based multi-national manufacturer of industrial and consumer devices, Sanichi developed an APIM technology which focuses on HDT in 2003. The development of advanced HDT combines the application of advanced cooling materials with an integrated fluid cooling channel network to produce fast cooling effect of the molten plastic in the mould. This enables an approximate 50% reduction in production cycle time of a plastic component as compared to that of a CPIM.

The RCM introduced by SPMSB is built with the advanced HDT embedded within the mould. It is found by Frost & Sullivan as the only type of mould in Malaysia which has undergone testing and is proven to reduce the total production cycle time by approximately 50% (*Source: Frost & Sullivan Report*).

The advanced HDT is currently undergoing patenting process by Sanichi in Malaysia.

Further details of the Group's technology and intellectual property are set out in Sections 6.3.6 and 6.3.18 of this Prospectus.

### 2.3 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL

As at the date of this Prospectus, the direct and indirect interests of the Promoters, substantial shareholders, Directors and key management and key technical personnel in the issued and paid-up share capital of the Company before and after the Public Issue are as follows:-

Designation	Nationality/ Country of incorporation	Before the Public Issue				After the Public Issue*				
		< -----Direct----- >		< -----Indirect----- >		< -----Direct----- >		< -----Indirect----- >		
		No. of Sanichi Shares held	%	No. of Sanichi Shares held	%	No. of Sanichi Shares held	%	No. of Sanichi Shares held	%	
<b>Promoters</b>										
Dato' Dr Pang Chow Huat	Chairman/ Managing Director	Malaysian	57,270,020	69.00	4,980,000 <sup>+</sup>	6.00	57,920,020	51.03	5,180,000 <sup>+</sup>	4.56
Datin Chen Choon Lee	Executive Director	Malaysian	4,980,000	6.00	57,270,020 <sup>#</sup>	69.00	5,180,000	4.56	57,920,020 <sup>#</sup>	51.03
Gwee Kok Ling	Executive Director	Malaysian	4,150,000	5.00	-	-	4,300,000	3.79	-	-
<b>Substantial shareholders</b>										
Dato' Dr Pang Chow Huat	Chairman/ Managing Director	Malaysian	57,270,020	69.00	4,980,000 <sup>+</sup>	6.00	57,920,020	51.03	5,180,000 <sup>+</sup>	4.56
Datin Chen Choon Lee	Executive Director	Malaysian	4,980,000	6.00	57,270,020 <sup>#</sup>	69.00	5,180,000	4.56	57,920,020 <sup>#</sup>	51.03
Gwee Kok Ling	Executive Director	Malaysian	4,150,000	5.00	-	-	4,300,000	3.79	-	-
Stalied Resources	Shareholder	Malaysia	16,600,000	20.00	-	-	16,600,000	14.63	-	-
Tan Geok Moi	Shareholder	Malaysian	-	-	16,600,000 <sup>^</sup>	20.00	-	-	16,600,000 <sup>^</sup>	14.63
Ng Mee San	Shareholder	Malaysian	-	-	16,600,000 <sup>^</sup>	20.00	-	-	16,600,000 <sup>^</sup>	14.63



## 2. INFORMATION SUMMARY (Cont'd)

	Designation	Nationality/ Country of incorporation	Before the Public Issue				After the Public Issue <sup>+</sup>			
			< -----Direct----- >		< -----Indirect----- >		< -----Direct----- >		< -----Indirect----- >	
			No. of Sanichi Shares held	%	No. of Sanichi Shares held	%	No. of Sanichi Shares held	%	No. of Sanichi Shares held	%
<b>Directors</b>										
Dato' Dr Pang Chow Huat	Chairman/ Managing Director	Malaysian	57,270,020	69.00	4,980,000 <sup>+</sup>	6.00	57,920,020	51.03	5,180,000 <sup>+</sup>	4.56
Datin Chen Choon Lee	Executive Director	Malaysian	4,980,000	6.00	57,270,020 <sup>#</sup>	69.00	5,180,000	4.56	57,920,020 <sup>#</sup>	51.03
Gwee Kok Ling	Executive Director	Malaysian	4,150,000	5.00	-	-	4,300,000	3.79	-	-
Tan Sri Dato' Sri Abdul Halil bin Abdul Mutalif	Independent Non- Executive Director	Malaysian	-	-	-	-	-	-	-	-
Lee Tuck Mun	Independent Non- Executive Director	Malaysian	-	-	-	-	-	-	-	-
<b>Key management and key technical personnel</b>										
Su Ming South	Tool Room Manager	Malaysian	-	-	-	-	50,000	0.04	-	-
Pang Chow Siong	R&D Programme Senior Manager	Malaysian	-	-	-	-	65,000	0.06	-	-
Ng Kim Fatt	R&D Design Manager	Malaysian	-	-	-	-	50,000	0.04	-	-
Koo Yoon Sin	R&D Engineering Manager	Malaysian	-	-	-	-	50,000	0.04	-	-
Hoo Hie Leng	Business Development Manager	Malaysian	-	-	-	-	50,000	0.04	-	-
Hu Kwong Teck	Factory Manager	Malaysian	-	-	-	-	48,000	0.04	-	-

**Notes:**

<sup>+</sup> Deemed interest by virtue of the direct interest of his spouse, Datin Chen Choon Lee.

<sup>#</sup> Deemed interest by virtue of the direct interest of her spouse, Dato' Dr Pang Chow Huat.

<sup>^</sup> Deemed interest by virtue of her interest in Stalied Resources pursuant to Section 6A of the Act.

<sup>\*</sup> Inclusive of subscription of Pink Form Shares.

Further information on the Promoters, substantial shareholders, Directors and key management and key technical personnel are set out in Section 8 of this Prospectus.

## 2. INFORMATION SUMMARY (Cont'd)

### 2.4 FINANCIAL HIGHLIGHTS

#### 2.4.1 Proforma Consolidated Income Statements

The following is a summary of the proforma consolidated income statements of Sanichi for the past three (3) FYE 30 June 2005 and eight (8)-month periods ended 28 February 2005 and 2006 prepared based on the assumption that the Group has been in existence throughout the financial years/periods under review. The proforma consolidated income statements are prepared for illustrative purposes only and should be read in conjunction with the accompanying notes and assumptions set out in the Reporting Accountants' Letter on Proforma Consolidated Financial Information set out in Section 11.15 of this Prospectus.

	<----- Proforma Group ----->				
	<----- FYE 30 June ----->			Eight (8)-months period ended 28 February	
	2003 RM'000	2004 RM'000	2005 RM'000	2005 RM'000 (unaudited) <sup>#</sup>	2006 RM'000
Revenue	6,071	9,553	15,019	10,259	13,565
Gross profit	1,843	3,324	5,810	3,880	4,889
EBITDA	1,587	3,019	5,048	3,375	4,625
Depreciation	(610)	(972)	(1,166)	(708)	(1,025)
Interest expense	(129)	(221)	(402)	(229)	(488)
Interest income	-	-	28	19	22
PBT	848	1,826	3,508	2,457	3,134
Taxation	(42)	(219)	(469)	(509)	(691)
PAT	806	1,607	3,039	1,948	2,443
GP Margin (%)	30	35	39	38	36
PBT Margin (%)	14	19	23	24	23
PAT Margin (%)	13	17	20	19	18
No. of ordinary shares of RM0.10 each assumed to be in issue* ('000)	83,000	83,000	83,000	83,000	83,000
Gross EPS <sup>^</sup> (sen)	1.02	2.20	4.23	2.96	3.78
Net EPS <sup>^</sup> (sen)	0.97	1.94	3.66	2.35	2.94

**Notes:**

\* Based on the number of Sanichi Shares in issue after the Acquisitions but before the Public Issue.

<sup>^</sup> The gross EPS is calculated based on PBT while the net EPS is calculated based on PAT and both are based on the number of Sanichi Shares assumed to be in issue, being 83,000,020 Sanichi Shares.

<sup>#</sup> The Proforma Consolidated Income Statement for the eight (8) month financial period ended 28 February 2005 is not audited and is included for comparison purpose only.

There were no exceptional or extraordinary items in the Relevant Financial Period under review. The auditors' reports on the financial statements of Sanichi, SPMSB and APSB for the Relevant Financial Period were not subject to any audit qualification.

## 2. INFORMATION SUMMARY (Cont'd)

### 2.4.2 Proforma Consolidated Balance Sheets

The table below sets out a summary of the proforma consolidated balance sheets of the Sanichi Group as at 30 June 2005 and 28 February 2006 and is provided for illustrative purposes to show the effects of the Listing Exercise on the assumption that it had been completed on 30 June 2005 and 28 February 2006:

	<----- Proforma Group ----->	
	As at 30.6.2005	As at 28.2.2006
	RM'000	RM'000
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	13,605	13,516
Goodwill on consolidation	2,204	-
	15,809	13,516
<b>CURRENT ASSETS</b>		
Inventories	158	255
Trade receivables	6,401	8,888
Other receivables, deposits and prepayments	535	509
Amount owing by a director	6	-
Fixed deposits with licensed banks	382	1,139
Cash and bank balances	6,252	6,791
	13,734	17,582
<b>CURRENT LIABILITIES</b>		
Trade payables	1,333	1,132
Progress billings	87	89
Other payables and accruals	634	422
Amount owing to directors	20	-
Provision for taxation	101	527
Short term borrowings	3,259	5,111
	5,434	7,281
<b>NET CURRENT ASSETS</b>		
	8,300	10,301
	24,109	23,817
<b>FINANCED BY:-</b>		
Share capital	11,350	11,350
Share premium	11,110	11,110
Reserve on consolidation	-	247
Accumulated losses	(15)	(22)
<b>SHAREHOLDERS' EQUITY</b>	22,445	22,685
<b>NON-CURRENT LIABILITIES</b>		
Long term borrowings	1,340	706
Deferred taxation	324	426
	1,664	1,132
	24,109	23,817
No. of ordinary shares of RM0.10 each in issue ('000)	113,500	113,500
Proforma NTA	20,241	22,685
Proforma NTA per share (RM)	0.18	0.20

The proforma consolidated balance sheets of the Sanichi Group should be read in conjunction with the accompanying notes and assumptions set out in the Reporting Accountants' Letter on Proforma Consolidated Financial Information set out in Section 11.15 of this Prospectus.

## 2. INFORMATION SUMMARY (Cont'd)

### 2.4.3 Consolidated Profit Estimate and Forecast

The Directors estimate and forecast that the consolidated profit of Sanichi for the FYE 30 June 2006 and FYE 30 June 2007, which have been prepared based on bases and accounting principles consistent with those previously adopted in the preparation of the audited financial statements of Sanichi, to be as set out below:

	<u>Estimate</u> FYE 30 June 2006 RM'000	<u>Forecast</u> FYE 30 June 2007 RM'000
Revenue	21,595	31,480
Consolidated PBT	4,651	8,631
Less: Taxation	(963)	(1,686)
Consolidated PAT	3,688	6,945
Less: Pre-acquisition profit <sup>&amp;</sup>	(3,577)	
Consolidated PAT after pre-acquisition profit	111	
Enlarged number of Sanichi Shares in issue ('000)	83,000	113,500
Weighted average number of Sanichi Shares in issue ('000)	2,274*	108,319 <sup>^</sup>
Basic EPS (sen)		
Based on enlarged number of Sanichi Shares in issue <sup>#</sup>	4.44	6.12
Based on weighted average number of Sanichi Shares in issue <sup>@</sup>	4.88	6.41
PE multiple calculated based on the Issue Price (times)		
Based on enlarged number of Sanichi Shares in issue <sup>#</sup>	11.71	8.50
Based on weighted average number of Sanichi Shares in issue <sup>@</sup>	10.66	8.11

**Notes:**

<sup>&</sup> The pre-acquisition profit relates to the period from 1 July 2005 to 19 June 2006. The consolidated pre-acquisition profit is calculated based on the assumption of pro-rating evenly the estimated consolidated PAT for the FYE 30 June 2006.

<sup>\*</sup> The weighted average number of ordinary shares in issue is calculated on the basis that the acquisitions of subsidiaries were completed on 20 June 2006.

<sup>^</sup> The weighted average number of ordinary shares in issue is calculated on the assumption that the initial public offering will be completed on 31 August 2006.

<sup>#</sup> Based on the consolidated PAT before pre-acquisition profit.

<sup>@</sup> Based on the consolidated PAT after pre-acquisition profit.

The consolidated profit estimate and forecast of the Group should be read in conjunction with the accompanying notes and assumptions set out in the Reporting Accountants' Letter on the Consolidated Profit Estimate and Forecast set out in Section 11.17 of this Prospectus.

**2. INFORMATION SUMMARY (Cont'd)****2.5 PRINCIPAL STATISTICS RELATING TO THE PUBLIC ISSUE****2.5.1 Share Capital**

	<b>RM</b>
<i>Authorised share capital:</i>	
250,000,000 ordinary shares of RM0.10 each	<u>25,000,000</u>
<i>Issued and fully paid-up share capital as at the date of this Prospectus:</i>	
83,000,020 ordinary shares of RM0.10 each	8,300,002
<i>To be issued and credited as fully paid-up pursuant to the Public Issue:</i>	
30,499,980 new ordinary shares of RM0.10 each	3,049,998
<i>Enlarged issued and fully paid-up share capital upon Listing</i>	
113,500,000 ordinary shares of RM0.10 each	<u>11,350,000</u>

Further information on the share capital is set out in Section 3.4 of this Prospectus.

**2.5.2 Issue Price per Public Issue Share RM0.52**

The factors taken into consideration in determining the price of the Public Issue Shares are set out in Section 3.5 of this Prospectus.

**2.5.3 Market capitalisation upon Listing based on the Issue Price RM59,020,000****2.5.4 Class of Shares, Ranking and Rights**

There is only one (1) class of shares in Sanichi, namely ordinary shares of RM0.10 each. The Public Issue Shares will rank *pari passu* in all respects with the existing Sanichi Shares in issue including voting rights except that they shall not rank for any dividends, rights, allotments and/or distributions declared or paid prior to the allotment thereof.

Please refer to Sections 3.4 and 15.1 of this Prospectus for further details on the share capital of the Company.

**2.5.5 Proforma Consolidated NTA as at 28 February 2006**

	<b>NTA RM'000</b>	<b>NTA per share RM</b>
Proforma consolidated NTA after the Share Split and the Acquisitions	8,525	0.10 <sup>(a)</sup>
Proforma consolidated NTA after the Share Split, the Acquisitions and the Public Issue (after providing for the estimated listing expenses of RM1.7 million)	22,685	0.20 <sup>(b)</sup>

**Notes:**

<sup>(a)</sup> Based on the enlarged issued and paid-up share capital of 83,000,020 Sanichi Shares after the Share Split and the Acquisitions.

<sup>(b)</sup> Based on the enlarged issued and paid-up share capital of 113,500,000 Sanichi Shares after the Listing Exercise.

Please refer to Sections 11.11 and 11.15 of this Prospectus for further details on the proforma consolidated NTA of the Company.

## 2. INFORMATION SUMMARY (Cont'd)

### 2.6 UTILISATION OF PROCEEDS

The total gross proceeds of approximately RM15,859,990 from the Public Issue accruing to Sanichi will be utilised in the following manner:

Purpose	RM	Timeframe for utilisation from the listing date
Capital expenditure	4,000,000	24 months
R&D expenses	2,000,000	24 months
Repayment of bank borrowings	4,000,000	3 months
Working capital	4,159,990	24 months
Estimated listing expenses	1,700,000	3 months
<b>Total</b>	<b>15,859,990</b>	

Further details on the utilisation of proceeds raised from the Public Issue are set out in Section 3.6 of this Prospectus.

### 2.7 WORKING CAPITAL, BORROWINGS, MATERIAL LITIGATION, MATERIAL CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

#### 2.7.1 Working Capital

The Directors are of the opinion that, after taking into account the cash flow position of the Group, banking facilities available and the proceeds to be raised from the Public Issue, the Group will have adequate working capital for its present and foreseeable requirements for a period of twelve (12) months from the date of this Prospectus.

#### 2.7.2 Borrowings

As at the Latest Practicable Date, the total borrowings of the Sanichi Group amounted to approximately RM12.122 million comprising bankers acceptances, hire-purchase and term loans, all of which are local borrowings and interest-bearing, as detailed below:

Borrowings	Payable within twelve (12) months RM'000	Payable after twelve (12) months RM'000	Total outstanding RM'000
Bankers acceptances	6,109	-	6,109
Hire-purchase	834	493	1,327
Term loans	826	3,860	4,686
<b>Total</b>	<b>7,769</b>	<b>4,353</b>	<b>12,122</b>

There have been no default on payments of either interest and/or principal sums in respect of any borrowings throughout the past FYE 30 June 2005 and the subsequent financial period immediately preceding the Latest Practicable Date. The Group does not have any foreign borrowings.

#### 2.7.3 Material Litigation

As at the Latest Practicable Date, the Company and its subsidiary companies are not engaged in any material litigation, claims or arbitration either as plaintiff or defendant, which may have a material effect on the financial performance and position of the Company and/or its subsidiary companies, and the Directors do not have any knowledge of any proceedings pending or threatened against the Company and/or its subsidiary companies or of any facts likely to give rise to any proceedings which may materially and adversely affect the financial position or business of the Company and/or its subsidiary companies.

## 2. INFORMATION SUMMARY (Cont'd)

### 2.7.4 Material Capital Commitments

Save as disclosed below, as at the Latest Practicable Date, the Directors declare that there is no material capital commitment contracted or known to be contracted by the Group which, upon becoming enforceable, may have a material impact on the financial position or business of the Group:

#### Approved and contracted for

- Payment of the balance of the total acquisition price of machinery RM270,000

The aforesaid commitment shall be financed using bank borrowings.

### 2.7.5 Contingent Liabilities

As at the Latest Practicable Date, the Directors declare that there is no contingent liability which, upon becoming enforceable, may have a material impact on the profit or net assets value of the Group.

Further details on the working capital, borrowings, material litigation, material capital commitments and contingent liabilities of the Sanichi Group are set out in Sections 11.8 and 11.9 of this Prospectus.

## 2.8 RISK FACTORS

Investors should carefully consider the following risk factors (which may not be exhaustive) that may have a significant impact on the future performance of the Group, in addition to the other information contained in this Prospectus, before applying for any of the Public Issue Shares. The order in which the risk factors below are presented should not be construed as a ranking of the risk factors. Further details of the risk factors stated below are set out in Section 4 of this Prospectus.

### 2.8.1 Risks relating to Sanichi Shares and the Public Issue

- (a) No prior market for Sanichi Shares;
- (b) Failure or delay of the Listing;
- (c) Sale or possible sale of a substantial number of Sanichi Shares could adversely affect the share price;
- (d) Company's share price may be volatile; and
- (e) Investment in this Public Issue will suffer immediate dilution.

### 2.8.2 Risks relating to the Group/Industry

- (a) Business risks;
- (b) Investment activities risks;
- (c) Financial risks;
- (d) New products risks;
- (e) Uncertainty of continued patronage;
- (f) Dependence on geographical location of customers;
- (g) Dependence on key personnel;
- (h) Controlling shareholders;
- (i) Foreign currency exchange rate fluctuations;
- (j) Availability and prices of raw materials;
- (k) Intellectual property rights and technology know-how;
- (l) Competition;
- (m) Security and systems disruptions;
- (n) Breakout of fire, energy crisis and other emergencies;
- (o) Insurance risks;
- (p) Political, economic and regulatory considerations; and
- (q) Government control or regulation considerations.

### 2.8.3 Risks relating to future information

- (a) Forward-looking statements; and
- (b) Uncertainty in the proposed five (5)-year business development plan.

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### 3. PARTICULARS OF THE PUBLIC ISSUE

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#### 3.1 INTRODUCTION

This Prospectus is dated 15 August 2006.

**Approval has been obtained from the SC (including approval under the FIC Guideline) on 31 March 2006 and 13 June 2006 for the Public Issue. Approval-in-principle has also been obtained from the Securities Exchange on 14 July 2005 and 21 July 2006 for the admission of Sanichi to the Official List of the MESDAQ Market and for permission to deal in and for quotation of the entire issued and paid-up share capital of Sanichi including the Public Issue Shares which are the subject of this Prospectus.**

The entire issued and paid-up share capital of Sanichi will be admitted to the Official List of the MESDAQ Market and official quotation will commence upon receipt of confirmation from Bursa Depository that all CDS Accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants. Acceptance of applications for the Public Issue Shares will be conditional upon permission being granted by the Securities Exchange to deal in and for the quotation of the entire issued and paid-up share capital of Sanichi on the MESDAQ Market.

Pursuant to Section 14(1) of the Central Depositories Act, the Securities Exchange has prescribed Sanichi Shares as a prescribed security. In consequence thereof, the Public Issue Shares offered through this Prospectus will be deposited directly with Bursa Depository and any dealings in these shares will be carried out in accordance with the Central Depositories Act and the Rules of Bursa Depository.

Pursuant to the MMLR, at least 25% of the total number of shares for which listing is sought must be held by a minimum number of 1,000 public shareholders holding not less than 100 shares each at the time of admission to the MESDAQ Market. Sanichi expects to meet the public shareholding spread requirement at the point of Listing. If Sanichi does not meet the public shareholding spread requirement, Sanichi may not be allowed to proceed with its listing. In such an event, Sanichi will return in full, without interest, moneys paid in respect of all applications.

Applicants of the Issue Shares must have a CDS Account. For application by way of Application Form, the applicant should state his/her CDS Account number in the space provided in the Application Form. For application by way of Electronic Share Application, the applicant shall furnish his/her CDS Account number to the Participating Financial Institutions in the Electronic Share Application by keying in his/her CDS Account number if the instruction on the ATM screen at which he/she enters his/her Electronic Share Application requires him/her to do so. For application by way of Internet Share Application, only an applicant who has a CDS Account and an existing account with access to the Internet financial services facilities with the Internet Participating Financial Institutions can make an Internet Share Application. The applicant shall furnish his/her CDS Account number to the Internet Participating Financial Institution by way of keying in his/her CDS Account number into the online application form. A corporation or institution cannot apply for the Public Issue Shares by way of Electronic Share Application or Internet Share Application.

Investors should rely only on the information contained in this Prospectus. Sanichi and its advisers have not authorised anyone to provide information which is not contained in this Prospectus. The delivery of this Prospectus or any issue made in connection with this Prospectus shall not, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Group since the date of this Prospectus.

**INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE PUBLIC ISSUE AND AN INVESTMENT IN SANICHI. IN CONSIDERING THE INVESTMENT, INVESTORS WHO ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN SHOULD CONSULT THEIR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR ANY OTHER PROFESSIONAL ADVISER.**



### 3. PARTICULARS OF THE PUBLIC ISSUE *(Cont'd)*

#### 3.2 DETAILS OF THE PUBLIC ISSUE

The public issue of 30,499,980 new Sanichi Shares is an invitation by the Company to eligible Directors, employees and business associates of the Sanichi Group as well as the Malaysian public and institutions to apply for the Public Issue Shares at the Issue Price, payable in full on application.

The Public Issue is subject to the terms and conditions of this Prospectus and upon acceptance, the Public Issue Shares will be allocated in the following manner:

(i) **Malaysian public**

3,000,000 new Sanichi Shares representing 2.64% of the enlarged issued and paid-up share capital are reserved for application by the Malaysian public, to be allocated via ballot.

(ii) **Private placement**

25,000,000 new Sanichi Shares representing 22.03% of the enlarged issued and paid-up share capital are reserved for placement to identified investors.

(iii) **Eligible Directors, employees and business associates**

2,499,980 new Sanichi Shares representing 2.20% of the enlarged issued and paid-up share capital are reserved for application by eligible Directors, employees and business associates that have contributed to the success of the Sanichi Group by way of Pink Form Shares allocation.

The criteria for the allocation of the Pink Form Shares to the eligible Directors and employees of the Sanichi Group as approved by the Board are as follows:

- (i) At least eighteen (18) years of age and confirmed in service on the date of allocation;
- (ii) Length of service for a period of at least three (3) months;
- (iii) Job position in the Group; and
- (iv) Contribution to the success of the Group.

Based on the abovementioned criteria, 1,000,000 Pink Form Shares are reserved for application by fifty-four (54) employees of the Sanichi Group, whilst 1,000,000 Pink Form Shares are reserved for application by the following eligible Directors:

Name of Director	Designation	Number of Pink Form Shares allocated
Dato' Dr Pang Chow Huat	Chairman/ Managing Director	650,000
Datin Chen Choon Lee	Executive Director	200,000
Gwee Kok Ling	Executive Director	150,000
		1,000,000

The criteria for the allocation of Pink Form Shares to the business associates of the Sanichi Group as approved by the Board are as follows:

- (i) Length of relationship; and
- (ii) Value of transaction.

Based on the abovementioned criteria, the remaining 499,980 Pink Form Shares have been reserved for application by three (3) business associates, namely the suppliers and customers who have contributed to the success of the Sanichi Group.

### 3. PARTICULARS OF THE PUBLIC ISSUE *(Cont'd)*

The Public Issue Shares made available to the Malaysian public under paragraph (i) above have been fully underwritten by Alliance. The Public Issue Shares under paragraph (ii) need not be underwritten as the identified investors have given irrevocable undertakings to subscribe for their respective allocations under the Public Issue.

With respect to paragraph (iii) above, any Pink Form Shares which are not subscribed for by eligible Directors, employees and business associates of the Sanichi Group ("Unsubscribed Pink Form Shares") will be offered to other eligible Directors, employees and business associates. In the event the Unsubscribed Pink Form Shares are not fully subscribed under the subsequent offer, the balance of the Unsubscribed Pink Form Shares will be made available for application by members of the Malaysian public and will be fully underwritten by Alliance.

There is no minimum subscription level in respect of the Public Issue Shares.

#### 3.3 PURPOSES OF THE PUBLIC ISSUE

The purposes of the Public Issue are as follows:

- (i) To raise additional funds for the Group's continued operation and expansion, details of which are set out in Section 3.6 below;
- (ii) To enable the Sanichi Group to gain access to the capital market to raise funds for future expansion and continued growth of the Sanichi Group;
- (iii) To provide an opportunity for the eligible Directors, employees and business associates of the Sanichi Group as well as the Malaysian public and institutions to participate in the continuing growth of the Group by way of equity participation; and
- (iv) To facilitate the listing of and quotation for the entire enlarged issued and paid-up share capital of 113,500,000 Sanichi Shares on the MESDAQ Market, which is expected to enhance the business, profile and future prospects of the Group.

#### 3.4 SHARE CAPITAL AND RIGHTS ATTACHING TO THE PUBLIC ISSUE SHARES

##### 3.4.1 Share Capital

	<b>RM</b>
<i>Authorised share capital:</i>	
250,000,000 ordinary shares of RM0.10 each	25,000,000
<i>Issued and fully paid-up share capital as at the date of this Prospectus:</i>	
83,000,020 ordinary shares of RM0.10 each	8,300,002
<i>To be issued and credited as fully paid-up pursuant to the Public Issue:</i>	
30,499,980 new ordinary shares of RM0.10 each	3,049,998
<i>Enlarged issued and fully paid-up share capital upon Listing</i>	
113,500,000 ordinary shares of RM0.10 each	11,350,000

##### 3.4.2 Issue Price per Public Issue Share **RM0.52**

The issue price of RM0.52 for each Public Issue Share is payable in full upon application. The factors taken into consideration in determining the Issue Price are set out in Section 3.5 of this Prospectus.

##### 3.4.3 Market capitalisation upon Listing based on the Issue Price **RM59,020,000**

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**3. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)**

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**3.4.4 Class of Shares, Ranking and Rights**

There is only one (1) class of shares in Sanichi, namely ordinary shares of RM0.10 each. The Public Issue Shares will rank *pari passu* in all respects with the existing Sanichi Shares in issue including voting rights except that they shall not rank for any dividends, rights, allotments and/or distributions declared or paid prior to the allotment thereof.

At any general meeting of the Company, each shareholder shall be entitled to vote at any general meeting of the Company, in person or by proxy or by attorney, and, on a show of hands, every person present who is a shareholder or representative or proxy or attorney of a shareholder shall have one vote, and, on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each ordinary share held. A proxy may but need not be a member. If the proxy is not a member, he need not be an advocate, an approved company auditor or a person approved by the registrar of companies.

Subject to any special rights attaching to any shares which may be issued by the Company in the future, the holders of shares in the Company shall, in proportion to the amount paid-up on the shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends and other distributions and the whole of any surplus in the event of the liquidation of the Company in accordance with the Articles of Association of the Company.

**3.5 PRICING OF THE PUBLIC ISSUE SHARES**

The issue price of RM0.52 per Public Issue Share was determined and agreed upon by the Company and Alliance, as Adviser and Underwriter, after taking into consideration various factors including the following:

- (i) The Group's operating and financial history and conditions as outlined in Sections 6 and 11 of this Prospectus;
- (ii) The earnings potential of the Group;
- (iii) The prevailing market conditions in particular the MESDAQ Market which appears to be relatively stable and industry outlook in which the Group operates as outlined in Section 5 of this Prospectus;
- (iv) The quality of key management as depicted in their profiles set out in Section 8.6 of this Prospectus;
- (v) The forecast net PE multiple of 8.50 times based on the forecast net EPS of 6.12 sen for the FYE 30 June 2007 and assuming the enlarged issued and paid-up share capital of 113,500,000 Sanichi Shares;
- (vi) The proforma consolidated NTA per share of Sanichi of RM0.20 as at 28 February 2006 after the Share Split, the Acquisitions, the Public Issue and deducting estimated listing expenses amounting to RM1.7 million; and
- (vii) The future plans, strategies and outlook of the Group as described in Sections 6.8 and 7 of this Prospectus.

Investors should also note that the market price of Sanichi Shares upon listing is subject to the vagaries of market forces and other uncertainties, which may affect the price of Sanichi Shares being traded. Investors should also bear in mind the risk factors as set out in Section 4 of this Prospectus and form their own views on the valuation of the Public Issue Shares before deciding to invest in the Company.

### 3. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

#### 3.6 UTILISATION OF PROCEEDS

The total gross proceeds of approximately RM15,859,990 from the Public Issue accruing to Sanichi will be utilised in the following manner:

Purpose	Note	RM	Timeframe for utilisation from the listing date
Capital expenditure	(i)	4,000,000	24 months
R&D expenses	(ii)	2,000,000	24 months
Repayment of bank borrowings	(iii)	4,000,000	3 months
Working capital	(iv)	4,159,990	24 months
Estimated listing expenses	(v)	1,700,000	3 months
<b>Total</b>		<b>15,859,990</b>	

Notes:

(i) **Capital expenditure**

As part of the Group's plan to expand its local business and accelerate its export sales, the Group intends to allocate a sum of RM4 million from the proceeds raised to acquire machinery to meet the anticipated increase in the demand for its CPIMs and APIMs from local and overseas markets.

(ii) **R&D expenses**

The development of advanced tooling technologies has been a significant driver of the Sanichi Group's rapid growth over the past years. The Group anticipates its share of the market will be strengthened with its continued R&D of innovative mould design and technologies. Hence, the Group intends to allocate RM2 million from the proceeds raised to strengthen its R&D capabilities through setting up of a R&D centre, upgrading its R&D facilities and increasing the number of its R&D personnel.

(iii) **Repayment of bank borrowings**

Being partial repayment of bank borrowings amounting to RM4 million resulting in interest savings of approximately RM967,000.

(iv) **Working capital**

The Group intends to allocate approximately RM4.16 million from the proceeds raised to meet the Sanichi Group's working capital requirements that are in line with the requirements of the Group's operations and business expansion plan. The funds will be used to finance day-to-day operations of the Group.

(v) **Estimated listing expenses**

The estimated listing expenses incidental to the Listing, to be borne by the Company, are as follows:

	RM
Professional advisory fees	700,000
Fees to the authorities	73,000
Underwriting commission, placement fees and brokerage fees	555,100
Issuing house fee	50,000
Printing and advertisement	200,000
Miscellaneous/Contingencies	121,900
<b>Total estimated listing expenses</b>	<b>1,700,000</b>

Any variance between the actual and estimated listing expenses will result in an adjustment to the amount allocated for working capital.

### 3. PARTICULARS OF THE PUBLIC ISSUE *(Cont'd)*

The utilisation of proceeds as set out above is expected to enhance the future earnings of the Group as the proceeds from the Public Issue is a cheaper source of funding compared to bank borrowings and will further enable the Group to carry out its plans and strategies as set out in Section 7 of this Prospectus.

#### 3.7 BROKERAGE, UNDERWRITING COMMISSION AND PLACEMENT FEES

##### 3.7.1 Brokerage

Brokerage fee will be paid by the Company only for the Public Issue Shares reserved for application by the Malaysian Public at the rate of 1.0% of the Issue Price in respect of successful applications bearing the stamp of either Alliance, a member company of the Securities Exchange, a member of the Association of Banks in Malaysia, a member of the Malaysian Investment Banking Association or the Issuing House. No brokerage is payable by the Company on the Public Issue Shares reserved for application by eligible Directors, employees and business associates of the Sanichi Group and the Public Issue Shares to be placed to identified investors.

##### 3.7.2 Underwriting Commission

An underwriting agreement was entered into between Sanichi and Alliance on 5 July 2006 ("Underwriting Agreement") for the underwriting of the 3,000,000 Public Issue Shares reserved for application by the Malaysian public and any Unsubscribed Pink Form Shares subsequently made available for subscription by the Malaysian public. Underwriting commission is payable by the Company at the rate of 2.5% of the Issue Price for each Public Issue Share underwritten.

The salient terms of the Underwriting Agreement are set out in Section 3.8 below.

##### 3.7.3 Placement Fee

A placement fee is payable by the Company to Alliance as the Placement Agent in respect of the 25,000,000 Public Issue Shares reserved for placement to identified investors at the rate of 2.5% of the Issue Price for each Public Issue Share placed to places identified and secured by the Placement Agent and 0.5% of the Issue Price for each Public Issue Share placed to places identified and secured by the Company.

### 3.8 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

The following salient terms are reproduced from the Underwriting Agreement. Unless otherwise stated, all capitalised terms shall bear the same meaning as prescribed in the Underwriting Agreement.

#### Condition Precedent

The obligations of the Underwriter hereunder to apply or procure applications for the Underwritten Shares as of the Closing Date are conditional upon:

- (i) there not having been, on or prior to the Closing Date in the opinion of the Underwriter (which opinion is final and binding), any adverse change in the condition (financial or otherwise) of the Company from that set forth in the Prospectus which is material in the context of the Initial Public Offer, nor the occurrence of any event or discovering of any fact or circumstance rendering untrue or incorrect to an extent which is material as aforesaid or any breach of any of the representations or warranties contained in this Agreement and in the Prospectus as though they have been given or made on such date with reference to the facts and circumstances then existing;
- (ii) the listing of and quotation for the enlarged issued and paid-up capital of the Company on the MESDAQ Market of Bursa Securities having been approved-in-principle by Bursa Securities;
- (iii) the proceeds from the places for the Placement Shares, having been received by the Issuing House appointed by the Company for the Initial Public Offer by the Closing Date;

### 3. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

- (iv) the registration with the SC and the lodgment with the CCM of the Prospectus in its final form in accordance with the requirements of the Act;
- (v) the offering of the shares under the Initial Public Offer in accordance with the provisions hereof not being prohibited or impeded by any statute, order, rule, regulation, directive or guideline (whether or not having the force of law) promulgated or issued by any legislative, executive or regulatory body or authority of Malaysia (including Bursa Securities);
- (vi) the Underwriter receiving a copy certified by a director or secretary of the Company to be true and complete and in full force a resolution of the board of Directors of the Company approving the Prospectus, this Agreement and all other transactions and matters contemplated by it and authorising a person or persons to sign and deliver on behalf of the Company this Agreement;
- (vii) this Agreement having been duly executed by all parties and stamped; and
- (viii) all necessary approvals and consents required in relation to the Initial Public Offer (including but not limited to shareholders' and governmental approvals) having been obtained and being in full force and effect on the Closing Date.

If any of the conditions set forth in Clause 3.1 are not satisfied or complied with to the satisfaction of the Underwriter on or before the Closing Date, any party to this Agreement shall, save as provided in this Clause 3.2, be entitled to terminate this Agreement by notice given to the other party and in that event (except for the liability of the Company for the payment of the expenses as provided in Clause 7, and any right and/or liability of the Company and/or the Underwriter under Clauses 4 or 5), the parties shall be released and discharged from their respective obligations hereunder, provided that the Underwriter may at its discretion waive compliance with any provision of this Clause 3 (in which case any condition so waived shall be deemed to have been satisfied in relation to it).

#### **Termination**

Notwithstanding anything herein contained, if in the reasonable opinion of the Underwriter:

- (i) there shall have been such a change in national or international monetary, financial, political or economic conditions, or in exchange control or currency exchange rates;
- (ii) there shall have occurred, happened or come into effect any event or series of events beyond the reasonable control of the Underwriter by reason of Force Majeure which would have, or can reasonably be expected to have, a material adverse effect on the business or the operations of the Company or the success of the Initial Public Offer, or which is likely to have the effect of making any material part of this Agreement incapable of performance in accordance with its terms;
- (iii) the imposition of any moratorium, suspension or material restriction on trading in all securities generally on Bursa Securities;
- (iv) any change in any law, regulation, directive, policy or ruling in any jurisdiction; or
- (v) any government requisition or occurrence of any nature;

which would prejudice materially the success of the Initial Public Offer, then the Underwriter may by notice in writing to the Company terminate this Agreement before the Closing Date, and thereupon the parties shall (except for the liability of the Company for the payment of costs and expenses referred to in Clause 7 incurred prior to and/or in connection with such termination) be released and discharged from their respective obligations hereunder. However, if termination of this Agreement is due to the Company taking positive steps not to proceed with the Initial Public Offer resulting in the Underwriter not being able to perform its obligations under this Agreement, the Underwriter shall nevertheless be entitled to the Commission in addition to the costs and expenses incurred thereto.

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**3. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)**

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In the event of any termination, revocation or rescission of this Agreement by the Underwriter pursuant to its rights under this Agreement, or in the event of any termination of this Agreement by the Company, the Company shall in addition pay or return to the Underwriter all moneys paid by it, if any, under or as a result of this Agreement together with interest thereon, which shall be at the prevailing Malayan Banking Berhad base lending rate calculated from (and including) the date on which it was paid to the Company up till (and including) the date on which it is paid to the Underwriter.

In the event that this Agreement is terminated pursuant to Clause 8.1 (b) (Force Majeure), the Underwriter and the Company may confer with a view to deferring the Initial Public Offer by amending its terms or terms of this Agreements and enter into a new underwriting agreement accordingly, but neither the Underwriter nor the Company shall be under any obligation to make a fresh agreement.

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#### **4. RISK FACTORS**

**NOTWITHSTANDING THE PROSPECTS OF THE SANICHI GROUP AS OUTLINED IN THIS PROSPECTUS, INVESTORS SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS (WHICH MAY NOT BE EXHAUSTIVE) THAT MAY HAVE A SIGNIFICANT IMPACT ON THE FUTURE PERFORMANCE OF THE SANICHI GROUP, IN ADDITION TO OTHER INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS, BEFORE APPLYING FOR THE PUBLIC ISSUE SHARES.**

##### **4.1 RISK RELATING TO THE SANICHI SHARES AND THE PUBLIC ISSUE**

###### **4.1.1 No Prior Market for Sanichi Shares**

Prior to the listing of Sanichi on Securities Exchange, there is no public market for Sanichi Shares. There can be no assurance that an active market for Sanichi Shares will develop upon its listing on the MESDAQ Market or, if developed, that such market will be sustained.

The Issue Price was determined after taking into consideration a number of factors, including but not limited to those set out in Section 3.5 of this Prospectus. The price at which Sanichi Shares will trade on the Securities Exchange will be dependent upon market forces beyond the control of the Company. Therefore, there can be no assurance that the price at which Sanichi Shares will trade on the MESDAQ Market will correspond to the Issue Price upon or subsequent to its listing.

###### **4.1.2 Failure or Delay of the Listing**

The occurrence of any one (1) or more of the following events (which may not be exhaustive) may cause a delay in or abortion of the Listing:

- (a) the identified investors/placees for the private placement fail to subscribe for or acquire their respective portions of Public Issue Shares allocated to them;
- (b) the Underwriter exercises its rights pursuant to the Underwriting Agreement and discharges itself from its obligations thereunder; or
- (c) Sanichi does not meet the public shareholding spread requirement, whereby at least 25% of the total number of Sanichi Shares for which listing is sought must be held by a minimum of 1,000 public shareholders holding not less than 100 shares each upon completion of the Public Issue and at the time of its admission on the MESDAQ Market.

Although the Directors will endeavour to ensure compliance by Sanichi of the various requirements, including, inter-alia, the public shareholding spread requirement for Listing, no assurance can be given that the abovementioned events will not occur and cause a delay in or abortion of the Listing.

###### **4.1.3 Sale or Possible Sale of a Substantial Number of Sanichi Shares Could Adversely Affect the Share Price**

Following the Public Issue, the Company will have 113,500,000 ordinary shares outstanding, of which at least 29,499,980 ordinary shares or 26% of shares outstanding will be held by public investors, and 84,000,020 ordinary shares or approximately 74% of shares outstanding will be held by the substantial shareholders and Directors of Sanichi. Save for the Sanichi Shares held by the Promoters which are subject to a moratorium, other Sanichi Shares will be tradable on the MESDAQ Market without restriction following the Listing. If any substantial shareholder or Director of Sanichi sells or is perceived as intending to sell a substantial amount of Sanichi Shares, the market price of Sanichi Shares may be adversely affected.

However, as detailed in Section 10.2 of this Prospectus, a total of 51,075,000 Sanichi Shares held by the Promoters will be subject to a moratorium for one (1) year from the date of Sanichi's listing on the MESDAQ Market.



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#### **4. RISK FACTORS (Cont'd)**

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##### **4.1.4 Company's Share Price May Be Volatile**

The price of Sanichi Shares may fluctuate as a result of variations in Sanichi's operating results. If the trading volume of the Company's ordinary shares is low, the price fluctuations may be exacerbated, particularly as no stabilising transactions can or will be undertaken in respect of the Company's shares. The price of Sanichi Shares may also be prone to news regarding, amongst others, the gain or loss of significant customers, changes in key personnel, as well as changes in securities analysts' estimates of its financial results or recommendations.

##### **4.1.5 Investment in this Public Issue Will Suffer Immediate Dilution**

The issue price of the Public Issue Shares is higher than the proforma NTA per share of the Group before the Public Issue. Investors subscribing for the Public Issue Shares will therefore incur immediate dilution in terms of their share of the NTA vis-à-vis the investment injected into Sanichi. The issuance of further ordinary shares at prices lower than the existing proforma NTA per share would result in further dilution.

The issue price of the Public Issue Shares is RM0.52. The proforma audited NTA per share of the Group as at 28 February 2006 is RM0.20.

#### **4.2 RISK RELATING TO THE GROUP/INDUSTRY**

##### **4.2.1 Business Risks**

The principal business activities of the Sanichi Group are the design and fabrication of precision moulds for the plastic injection manufacturing industry. The Sanichi Group is therefore subject to certain risks inherent in its business which include, amongst others, general changes in the global, regional and national economic conditions, entry of new players, dependence on certain sectors, namely electronic, fishing equipment and automotive sectors, to sustain demand for its products, increase in cost of labour, changes in law and tax legislation and other government policies affecting the industry in Malaysia and Asian countries, changes in business and credit conditions, fluctuations in foreign exchange rates and raw material prices and introduction of new technology partners or superior technology or products by competitors.

Therefore, there is no assurance that the Sanichi Group will be profitable in the future, or it will achieve increasing or consistent levels of profitability. The Group's revenue and operating results are difficult to forecast and could be adversely affected by many factors. These include, inter-alia, debtors' collection problems, client order deferrals and changes in the Group's operating expenses and other business risks common to going concerns.

Although, the Group seeks to limit these risks through, inter-alia, increasing the efficiency of operations, diversifying the pool of customers, suppliers and R&D partners, expanding the business through increasing its range of customers, R&D partners, products and services for both local and export markets, diversifying its market reach and improving its technological competence in R&D and advanced technologies, adopts a prudent cash flow management which includes regular monitoring of debtors' position, capital expenditure and borrowings, no assurance can be given that any changes to these factors will not have a material adverse effect on the Group's business.

##### **4.2.2 Investment Activities Risks**

Based on the five (5)-year business development plan, the Group plans to develop new products, venture upstream into untapped industries such as rapid prototyping industry and set-up operations in Thailand and Indonesia. The Sanichi Group also may, from time to time, invest in other new ventures which are in its best interests. There is a potential risk that these investments may have a longer than expected gestation period or that the Group may take time to recover or be unable to recover its initial investments. The Sanichi Group plans to mitigate this risk, if it arises, together with other possible venture risks in the future, by exercising due care in the evaluation of such ventures. Nevertheless, there can be no assurance that such ventures, if any, will yield positive returns to the Group.

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#### **4. RISK FACTORS (Cont'd)**

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##### **4.2.3 Financial Risks**

The Group's working capital requirements are currently met partially by borrowings and internally generated funds. The borrowings of the Group as at the Latest Practicable Date are set out in Section 11.8.3 of this Prospectus. As all the borrowings of the Group are interest-bearing, any increase in interest rates will increase the burden of the Group with respect to interest payments and principal repayment of borrowings depending on the total outstanding loans at the point in time. To mitigate these risks, the Group will take prudent financial management in securing borrowings and making timely repayment of borrowings. Notwithstanding that, there can be no assurance that the performance of the Group will remain favourable in the event of adverse changes in the interest rate.

##### **4.2.4 New Products Risks**

The markets for the Sanichi Group's new and enhanced products are characterised by rapid technological advancement, evolving industry standards, and changes in customer requirements for product design and innovation in the electrical and electronic industries. Hence, the Group's future depends substantially upon its ability to design and fabricate new moulds to meet the increasingly sophisticated requirements of its customers.

The timely development of new and enhanced products is a complex and uncertain process. Although the Sanichi Group believes that it will have sufficient knowledge and skills to implement its business plan, there can be no assurance that the Group will continue to have sufficient resources to successfully and accurately anticipate technological and market trends and even to successfully manage long development cycles.

In addition, the Group may also experience design, marketing and other operational difficulties that could delay or prevent the development, introduction and marketing of its new products. To mitigate these risks, the Group will constantly endeavour to develop new or enhanced products using the latest appropriate R&D technology and employing experienced R&D personnel to deliver leading edge and value added products in the market as well as collaborate or form working partnerships with new and existing R&D partners. Although the Sanichi Group will try its best to mitigate these risks, there is no assurance that the Group will not face challenges or low market acceptance towards its products as technology evolves.

##### **4.2.5 Uncertainty of Continued Patronage**

The Sanichi Group's sales are generally based on orders received from time to time. There is no long-term contract entered into with its customers due to the nature of the industry it is operating in. Notwithstanding the above, the Group believes that its long-term relationship with customers to produce quality moulds has enabled the Group to receive repeat orders from its major customers as evidenced by its track record. In addition, the Sanichi Group believes that it has established a symbiotic relationship with its customers. According to the Frost & Sullivan Report, the Group has carved a niche position for itself in the market for being one of the pioneers within Malaysia in the design and fabrication of APIM products.

To mitigate the non-existence of long-term contracts, the Sanichi Group will be constantly researching and undertaking R&D activities to enhance its existing products and develop new products to meet its customers' specialised needs and requirements. Notwithstanding the above, there is no assurance that the Sanichi Group will not face disruptions in repeat orders from existing customers and be able to secure orders from new customers in the future.

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#### **4. RISK FACTORS (Cont'd)**

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##### **4.2.6 Dependence on Geographical Location of Customers**

The majority of the Group's customers are MNCs located within the vicinity of the Group's business operations. The relocation or closure of the plants of these MNCs may adversely affect the Group's financial performance.

The Directors are of the view that the likelihood of its MNC customers moving to other locations is remote due to their heavy capital investment in setting up the plants. To mitigate the risk, the Group intends to expand its customer base by increasing its export and expanding its business operations into other countries so that the Group is not overly dependent on the surrounding MNC customers.

##### **4.2.7 Dependence on Key Personnel**

The Group believes that its continued success will depend to a significant extent upon the abilities and continued efforts of its Managing Director, Dato' Dr Pang Chow Huat, its Technical Director, Gwee Kok Ling and the key management personnel. The Managing Director, the Technical Director and the key management personnel, with experience in the R&D, design and fabrication of APIMs, are valuable assets to the Group. The loss of any key members of the Board or key management would affect the Group's continued ability to compete effectively in the APIM fabrication industry.

As it is the Group's policy to provide continuous human resource development to reduce its reliance on existing key management, as set forth in Section 6.3.16 of this Prospectus, there is an ongoing effort to groom the middle level executives to ensure smooth succession of the management team. In addition, the Group also strives to attract and retain skilled personnel to support its business operations, especially in the R&D centre, as set forth in Section 6.3.14 of this Prospectus. Notwithstanding the foregoing, there can be no assurance that the Group will be successful in developing and grooming the management team.

##### **4.2.8 Controlling Shareholders**

Upon the listing of Sanichi on the MESDAQ Market, Dato' Dr Pang Chow Huat and Stalied Resources will collectively hold directly 74,520,020 Sanichi Shares representing 65.66% equity interest in Sanichi. As a result, it is likely that the said shareholders will influence the outcome of certain transactions/matters requiring the vote of Sanichi shareholders, including the constitution of the Board and the direction and future operations of the Group, decisions regarding acquisitions and other business opportunities, the declaration of dividends and the issuance of additional shares and other securities.

However, the Company has appointed two (2) independent non-executive directors to the Board and set up an audit committee to oversee the overall operational and financial matters of the Group. The appointments in place serve towards good corporate governance to, amongst others, ensure that any future transactions involving related parties are entered into on arm's length terms with the Group.

##### **4.2.9 Foreign Currency Exchange Rate Fluctuations**

The Sanichi Group's sales are denominated in RM, USD and SGD while its purchases are mainly denominated in RM. Thus, the Group is exposed to foreign currency exchange rate fluctuations. However, the Group has no material exposure to foreign currency exchange rate fluctuations as the majority of the Group's transactions are denominated in RM.

In view of the intention to expand its exports, the Group shall employ a number of risk management practices to ensure that the Group's foreign currency exchange exposure is within acceptable limits such as matching as far as possible receipts and payments in each individual currency.

#### 4. RISK FACTORS (Cont'd)

##### 4.2.10 Availability and Prices of Raw Materials

The main raw materials used by the Sanichi Group include mould base and inserts in the form of steel and copper. To maintain competitive operations, it is crucial that the Group is able to obtain sufficient quantities of quality materials at acceptable prices in a timely manner. The Group procures its raw materials, which are easily available, locally.

While the Group is not dependent on any single supplier, any serious and prolonged shortage of such materials may lead to loss of business opportunities which may adversely affect the Group's financial performance. In addition, the cost of raw materials used by the Group, which is predominantly steel-based, is sensitive to fluctuations in the commodity price of metals.

The Group seeks to minimise its exposure to shortage of materials and price fluctuation through the purchase of materials from a wide choice of suppliers who have established track records and are able to provide constant supply promptly at competitive prices. Further, in the event of cost fluctuations, the Directors believe that the Group is able to address cost increase by adjusting its selling prices.

Notwithstanding the above, there can be no assurance that any unfavourable price fluctuations or shortages will not materially and adversely affect the Group's operations and performance.

##### 4.2.11 Intellectual Property Rights and Technology Know-How

The success of the Group depends on its proprietary know-how developed over the years. As such, it needs to protect the concepts, ideas, design, production and documentation relating to its proprietary technology. The Sanichi Group owns the intellectual property in the technology employed in the production of the RCM and the Group is currently undergoing patenting process for its RCM technology in Malaysia. It anticipates a registration of additional patents in its other technologies in the near future. However, there may be other manufacturers which manufacture and sell counterfeit products under the same brand name. To mitigate the risk, the employees of the Sanichi Group are required to sign confidentiality agreements with the Group.

Notwithstanding the above, there can be no assurance that others will not independently obtain access to the Group's know-how or independently develop products or technologies similar to those of the Group.

##### 4.2.12 Competition

The Group's competitors for APIMs are mainly foreign companies and that of CPIMs are local companies. Based on the research study undertaken by Frost & Sullivan, the Sanichi Group is the only major and leading APIM fabricator in Malaysia.

In view of the above, the Sanichi Group faces competition from foreign competitors in the local and overseas markets. According to the Frost & Sullivan Report, an estimated 94.7% of the APIM fabrication market in Malaysia for the year 2005 is dominated by imports. Notwithstanding the foregoing, the Sanichi Group believes that it has competitive advantages over its competitors, amongst others, as follows:

- (i) R&D and innovations in the fabrication of its moulds and the attainment of the ISO 9001:2000 which encompasses the area of design and development;
- (ii) Capability, facilities, technology, skills, experience and expertise to fabricate APIMs such as the RCM, WGM and MPM;
- (iii) The absence of direct substitute or competing products to the APIMs in the plastic injection mould fabrication sector;
- (iv) Capability and facilities to assist and cooperate with clients to innovate and develop APIMs;
- (v) Established relationship with MNCs such as BITM, PCC and Shimano;
- (vi) Product and services functionality, performance, price, customer service and support; and
- (vii) Geographical location which enables efficient delivery of products and services in the ASEAN region.

Although the Group strives to remain competitive in providing its services and products, no assurance can be given that it will be able to maintain or improve its existing market share in Malaysia, Singapore, Japan and Indonesia.

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#### **4. RISK FACTORS (Cont'd)**

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##### **4.2.13 Security and Systems Disruption**

During the twelve (12) months prior to the date of this Prospectus, there has been no security and system disruption suffered by the Sanichi Group's plant and machinery which has significantly affected its operations. Notwithstanding the foregoing, the Group has purchased insurance coverage on machinery and equipment to mitigate such risks.

Although the management of the Sanichi Group does not foresee any major disruptions to the security and systems of the Sanichi Group's operations which will materially affect the manufacturing capabilities of the Group, there is no assurance that any security and systems disruption will not materially affect the Sanichi Group's business and that the compensation received would be adequate for the replacement cost of the insured assets.

##### **4.2.14 Breakout of Fire, Energy Crisis and Other Emergencies**

In the manufacturing industry, the risks inherent in operations include fire, energy crisis and industrial accidents which can cause significant loss and interruption to the business of the Sanichi Group. To mitigate these risks, the Group has instituted fire detection and prevention systems in the offices and manufacturing plants as well as put in place rules and regulations for its production workers to adhere to the guidelines as imposed by the Fire Rescue Department to ensure a safe working environment. The Group has insured adequately the factory to cover potential losses incurred as a result of a fire breakout and burglary. In addition, the Group also attempts to mitigate these risks by having proper systems and security in place, and workers are also subject to proper procedures while working with machinery to minimise the incidence of accidents.

Notwithstanding the above preventive measures implemented by the Group, there can be no assurance that the emergency risks will not occur or will be avoided completely and have no adverse impact on the Group's operations.

##### **4.2.15 Insurance Risks**

As at the date of this Prospectus, the Directors believe that the Group is adequately insured against unforeseen events such as fire, theft and burglary. Although the Group has taken the necessary measures such as reviewing the insurance policies on a regular basis to ensure that its assets are adequately covered by insurance, there can be no assurance that the compensation received would be adequate for the replacement cost of the insured assets.

##### **4.2.16 Political, Economic and Regulatory Considerations**

Any adverse development in the political situation and economic uncertainties in Malaysia and other countries in which the Sanichi Group has business links, directly or indirectly, could materially and adversely affect the financial performance of the Group. These include risks of war, global economic downturn, expropriation, nationalisation, unfavourable changes in government policy and regulations such as foreign currency exchange rates and methods of taxation and currency exchange controls. There can be no assurance that the occurrence of the above will not have a material adverse effect on the Group's business.

##### **4.2.17 Government Control or Regulation Considerations**

The business operations of the Sanichi Group are subject to the laws and regulations of the jurisdiction where the Sanichi Group is operating such as the MITI. There is no assurance that future changes to the said laws, regulations, rulings, directions, policies and guidelines within and outside Malaysia will not affect the operations and financial performance of the Group.

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**4. RISK FACTORS (Cont'd)**

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**4.3 RISKS RELATING TO FUTURE INFORMATION**

**4.3.1 Forward-looking statements**

This Prospectus includes forward-looking statements, which are statements other than statements of historical facts that are based on assumptions that are subject to uncertainties and contingencies. The word “anticipates”, “believes”, “intends”, “plans”, “expects”, “forecast”, “predicts” and similar expressions as they relate to the Sanichi Group or its business are intended to identify such forward-looking statements. The Sanichi Group believes that the expectations reflected in such forward-looking statements are reasonable at this point of time. There can be no assurance that such expectations will prove to have been correct. Any deviation from the expectations may have an adverse effect on the Sanichi Group’s financial and business performance.

**4.3.2 Uncertainty in the proposed five (5)-year business development plan**

The Group’s proposed future plan and prospects will be dependent upon, amongst others, the Group’s ability to:

- (i) enter into strategic marketing or other arrangements on a timely basis and on favourable terms;
- (ii) develop new and innovative cutting-edge products via its R&D centre that ensure wide and global acceptance;
- (iii) hire and retain skilled management as well as financial, technical, marketing and other personnel;
- (iv) successfully manage growth (including monitoring operations, controlling costs and maintaining effective quality and service controls); and
- (v) obtain adequate financing as and when required.

There can be no assurance that the Group will be able to successfully implement its business development plan or that unanticipated expenses or problems or technical difficulties will not occur which would result in material delays in its implementation or even deviation from its original plans. In addition, the actual results may deviate from the business plan due to rapid technological changes, as well as competitive pressures.

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## **5. INDUSTRY OVERVIEW AND OUTLOOK**

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### **5.1 OVERVIEW OF THE GLOBAL ECONOMY**

The year 2006 will face greater challenges arising from high oil prices, tightening monetary policies especially in the US, widening global imbalances as well as continued geo-political tensions and security concerns. Nevertheless, given the resilience of major economies, the global economy is expected to expand at 4.3%, supported by China and the US. Economic growth in China is forecast to continue, but at a slightly lower rate of 8.2%, providing the impetus for growth in Asia in general and the ASEAN region in particular, while the US is projected to register a growth of 3.3%. In Japan, growth is projected to be firm at 2% as deflation eases and domestic demand sustains.

Economic activity in the euro area is also expected to improve, although uneven across the region, at 1.8%. The expected improvement is on account of favourable financing conditions, rise in business confidence amid signs of recovery in the services and manufacturing sectors and a strong external sector. As for the United Kingdom, growth prospects are envisaged to improve by 2.2% with the services sector spurring growth, supported by a more accommodative monetary policy.

*(Source: Economic Report 2005/2006 by Ministry of Finance Malaysia)*

### **5.2 OVERVIEW OF THE MALAYSIAN ECONOMY**

The Malaysian economy is expected to strengthen further in 2006. Real GDP is projected to grow at a faster rate of 6%, driven by strengthening exports and resilient domestic demand. The global semiconductor upcycle, sustained global growth and higher prices for primary commodities are expected to have positive effects on exports, as well as private consumption and investment.

Current indicators suggest that the upturn in the global semiconductor industry, which began in the second half of 2005, would gain momentum in 2006. Malaysia is expected to benefit from this favourable development with a stronger growth in manufactured exports, particularly in the computer and semiconductor segments. Domestic demand would be driven by the private sector for the fourth consecutive year as household spending remains an important source of growth. Equally significant, the continued expansion in private investment would ensure the long-term sustainability of growth by expanding the stock of productive capital. In this regard, efforts will be intensified to enhance the contribution of private investment to growth.

The Government will continue to focus on strengthening the fiscal position with the ultimate aim of supporting economic growth without compromising long-term fiscal sustainability. In 2006, prices are expected to increase, driven largely by cost-push factors. Nevertheless, inflation is expected to remain at manageable levels during the year as capacity expansion and productivity improvements in the domestic economy will help contain price pressures. Monetary policy will, therefore, remain supportive of growth. While downside risks remain, the strong macroeconomic fundamentals and diversified economic structure will provide economic resilience.

*(Source: Bank Negara Malaysia Annual Report 2005)*

### **5.3 OVERVIEW OF THE MANUFACTURING INDUSTRY IN MALAYSIA**

Value-added growth in the manufacturing sector is expected to strengthen to 7% in 2006 (2005: 4.9%). The growth would be led by the electronics and electrical ("E&E") segment, and further reinforced by the strong external demand for resource-based products such as chemical, petroleum, and rubber products. In the domestic-oriented industries, the improvement in the construction-related industries would further lend support to the expansion of the sector.



## 5. INDUSTRY OVERVIEW AND OUTLOOK *(Cont'd)*

In the E&E sector, the latest assessment is that the recovery in the global semiconductor industry that began since mid-2005 will continue to gain strength into 2006. The view of an up-cycle in the industry is supported by forward-looking indicators such as the improvement in the book-to-bill ratio of semiconductor equipment since March 2005, and the sustained growth in the US new orders and unfilled orders for electronics. Industry experts also share the view that the recovery would be mild and sustained, with the global semiconductor sales projected to expand by 7.9 ~ 9.5% in 2006 and 7 ~ 10.6% in 2007 (2005: 6.8 ~ 7%). The current cycle would be supported by accelerating demand from the Asia-Pacific region, particularly for consumer electronic gadgets and the stronger information and communication technology-related investment in the industrial countries.

The up-cycle in the global semiconductor sector in 2006 is expected to be broad-based, supported by expansion in all product segments, including computers, consumer electronics, communication and the automotive segments. The wider application of chips, particularly in the automotive segment, as well as the higher chip content in electronic devices will further support the global demand for semiconductors. Given Malaysia's competitive strength in the computer and semiconductor segments, Malaysia is poised to benefit from this broad-based growth in 2006. During the year, continued re-investment in E&E and expansion projects undertaken by existing multinational electronics companies in Malaysia would increase the production capacity and enable Malaysia to leverage on the upturn in the global semiconductor industry.

*(Source: Bank Negara Malaysia Annual Report 2005)*

### 5.4 OVERVIEW OF THE PLASTIC INJECTION MOULD FABRICATION SECTOR

The plastic mould industry is a sub-sector of the moulds and dies industry which is one of the primary leading engineering support industries in Malaysia. The plastic injection mould fabrication sector comes under the plastic mould industry and it comprises the CPIM fabrication market and the APIM fabrication market. The plastic injection mould fabrication sector has traditionally evolved alongside the plastic moulding sector. It encompasses the design and manufacturing of plastic moulds which would then be supplied to the plastic injection moulders for the mass production of semi-finished products in the form of parts and/or components.

*(Source: Frost & Sullivan Report)*

#### 5.4.1 Malaysia

The plastic mould industry in Malaysia is a highly segmented industry, with many players but few leading ones with substantial market domination. The plastic mould industry which is part of the mould and die industry, is worth an estimated RM1.13 billion – approximately 45% of the total estimation of RM2.52 billion mould and die industry. The plastic injection mould fabrication sector is worth approximately RM565 million or about 45-50% of the estimated RM1.13 billion plastic mould industry.

The plastic injection mould fabrication sector in Malaysia is a major supporting sector for the electronics industry and has about 180-200 small medium industries ("SMIs") fabricating plastic injection moulds. The growth of plastic injection mould fabrication sector in Malaysia has over the past three decades accelerated in tandem with the overall growth of the manufacturing sector as the increasing incorporation of locally manufactured parts and components has significantly increased the demand for plastic injection moulds. The APIM fabrication market in Malaysia is at a steady-growth stage – propelled mainly by the electronics and automotive industries.

The expansion of the electronics industry in Malaysia and its sub-sectors namely the consumer electronics sub-sector, computers and computer peripherals sub-sector and telecommunication equipment sub-sector, along with expansion of the automotive industry has greatly boosted demands for plastic injection moulds. As the global upturn of the electronics industry takes place, the demand for APIMs are projected to grow accordingly. Additionally, the current high imports of plastic injection moulds showed that the potential of this market has not been fully realised yet.

*(Source: Frost & Sullivan Report)*



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## 5. INDUSTRY OVERVIEW AND OUTLOOK *(Cont'd)*

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### 5.4.2 Thailand

More than 90% of the mould and die factories in Thailand, which is approximately 516 factories, are for plastic and metal. Plastic injection mould is one of the most important market under the mould and die industry in Thailand. Most of the mould and dies are used for the manufacturing of automotive, electrical and electronic parts and components.

There is an increasing demand for high quality moulds and dies in Thailand and the Government is actively playing an important role to assist the development of the mould and die industry. Total import of mould and dies expanded to approximately RM1.91 billion in 2003, charting an approximate 2.1% increase from 2002, while export of mould and die have increased by 68% to more than RM380 million in 2003 from 2002. Many manufacturing industries in Thailand require high precision, large and very complicated mould and die that cannot be fabricated or produced locally. Hence, most of the advanced mould and dies are imported.

The two main drivers for the plastic injection mould fabrication market in Thailand are the electrical & electronics and automotive industries. Daikin, Mitsubishi, Sharp, IBM, Fujitsu, and Canon are among some of the many well-known multinational companies operating in Thailand. The automotive industry in Thailand provides one of the biggest revenue contributors to the plastic injection mould fabrication market. Thailand's prominence as the region's automotive hub can be further seen in the presence of a large domestic production base that includes big names like BMW, DaimlerChrysler, Ford, General Motors, Honda, Isuzu, Mitsubishi, Nissan, Toyota, Volkswagen, and Volvo; and a host of suppliers of parts and components. Thailand achieved an annual vehicle sale of 700,000 units in 2005, growing 13.2% over the same period in 2004. Additionally, it assembled more than one million units locally in 2005. Thailand became the 14<sup>th</sup> country in the world to have achieved one million locally-assembled units and is poised to overtake Russia (1.3 million units) by 2006. Moving forward, the automotive industry is projected to grow up to 790,000 units in terms of sales or an approximate growth of 10-13% in 2006.

It is projected that demand for imported plastic injection moulds would continue to increase further to cater to this growing demand and also to fill the existing gaps in the parts and components manufacturing segment of the industry. Moving forward, the outlook for the plastic injection mould fabrication market in Thailand looks increasingly positive as its growth is expected to amplify with further projected growth for both the electrical and electronics and automotive industries in the coming years.

*(Source: Frost & Sullivan Report)*

### 5.4.3 Indonesia

The Indonesian electronics industry has been experiencing growth in tandem with the expansion of the global electronics industry. Manufacturers of consumer goods and electronic products are boosting exports and the production of these products is stimulating demand for plastic injection moulds. Exports of electronic goods are the second largest non-oil and gas exports after textiles and garments where it reached approximately RM25.4 billion in 2005.

Along with the electronics industry, the expanding automotive industry is also a key market for the plastic injection mould fabrication market. Indonesia is potentially the third largest potential market for cars after China and India based on the number of inhabitants where currently only 1 in 35 Indonesians owns a car. It was estimated that the total vehicle sales in Indonesia will reach a new record of 534,000 units in 2005 and that the growth of the automotive sector to continue expanding at around 20% between 2005 to 2010. Hence, demand for plastic injection parts which in turn require plastic injection moulds, will increase accordingly.

Moving forward, the overall outlook for the plastic injection mould fabrication market in Indonesia is very bright and is expected to expand in tandem with the projected expansion of both the electrical and electronics industry and the automotive industry.

*(Source: Frost & Sullivan Report)*

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## 5. INDUSTRY OVERVIEW AND OUTLOOK *(Cont'd)*

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### 5.4.4 Japan

The mould and die industry in Japan is recognised as one of the most important industries in Japan as it plays an important supporting role in Japan's machine tool industry, which is the largest such industry in the world. Exports for mould and die in Japan declined from approximately RM11.16 billion in 2002 to RM11.05 billion in 2003, a decline of only 1%. The imports of mould and die had increased to approximately RM1.6 billion or more than 3% from previous year. The growing imports of mould and die are gradually replacing domestic mould and dies as a result of the need for cost reduction.

The total production of plastic moulds in value terms has increased from an estimated RM2.68 billion in 2002 to RM2.75 billion in 2003. However, in terms of number of unit produced, the total number of unit of plastic mould produced has decreased from 664,412 in 2002 to 645,177 in 2003. This reflects the increasing trend towards domestic production of higher value moulds and the import of lower-end moulds.

Going forward, the mould and die industry in Japan is expected to see increasing trend for imports of cheaper mould and die as a result of the need to reduce cost.

*(Source: Frost & Sullivan Report)*

### 5.4.5 Singapore

The total output of mould and die industry in Singapore for the year 2001 was worth more than RM1.9 billion, which was an increase of about 17% from year 1999. The mould and die industry in Singapore imports and exports approximately RM450 million and RM590 million worth of mould and die respectively in the year 2001. The main driver for growth in demands for plastic injection moulds which comes under the mould and die industry is the electronics industry, which accounted for 43% of domestic exports in 2003, 40% of total manufacturing output and providing employment to approximately a quarter of the total manufacturing labour force.

The outlook for Singapore's mould and die industry is good. Singapore's push to become a world-class electronics and precision engineering hub for manufacturing solutions and high value-added components would drive the demand for more APIMs. Going forward, it was forecasted that the demand for APIMs would grow in tandem with the need to produce and manufacture higher-end and more complicated parts and components.

*(Source: Frost & Sullivan Report)*

## 5.5 OVERVIEW OF THE APIM FABRICATION MARKET IN MALAYSIA

The plastic injection mould fabrication sector can be segmented into two categories – CPIM fabrication market and APIM fabrication market. The CPIMs currently dominate the plastic injection mould fabrication sector over APIMs by a ratio of approximately 8:2. The APIM fabrication market in Malaysia is worth approximately RM119 million in the year 2005. The combination factor of a bright outlook for the electronics industry and its sub-sectors, the consumer electronics sub-sector, computers and computer peripherals sub-sector and telecommunication equipment sub-sector and also the automotive industry has significantly boosted the demand for APIMs. The APIM market in Malaysia for the year 2009 is forecasted at approximately RM200 million. The CAGR for the period 2003 to 2009 is calculated to be about 13.8%.

## 5. INDUSTRY OVERVIEW AND OUTLOOK *(Cont'd)*

To date, most of the demand for APIMs are being met by imported APIMs either through the local subsidiaries of MNCs or imported directly by local companies. Hence, there is a huge amount of opportunities for local APIM fabricators to try and meet this demand for APIMs and replace the imports with locally fabricated APIMs. This will not only increase the retention of foreign funds but it could also lead to more advancement and innovation in the local APIM fabrication market. The development of the local APIM fabrication market will also allow for the expansion of exports of APIMs once sufficient knowledge and expertise are obtained.

*(Source: Frost & Sullivan Report)*

### 5.6 INDUSTRY PLAYERS AND COMPETITION

The Sanichi Group's competitors in the APIM fabrication market are mainly market players from Japan, Taiwan, Singapore and Korea, whereas its competitors in CPIM fabrication market are primarily local players.

The leading conventional plastic injection mould fabricators in Malaysia according to their geographical segmentations are as follows:

Leading Conventional Plastic Injection Mould Fabricators in Malaysia		
Central Region	Southern Region	Northern Region
D-R Engineering Sdn Bhd HL Precision (M) Sdn Bhd Kyohei (M) Sdn Bhd Lipro Mold Engineering Sdn. Bhd Meiki (M) Sdn Bhd SMT Industries Sdn Bhd Sun High-Tech Sdn Bhd Triplus Precision Tools and Dies Sdn Bhd	Brandplus Sdn Bhd Concordmold Technology Sdn Bhd Maxsoft Precision (M) Sdn Bhd Sanichi Precision Mould Sdn Bhd	Fit Mould Sdn Bhd Sunrise Mould Manufacturing Sdn Bhd Tokyo Mould Industries Sdn Bhd

*(Source: Frost & Sullivan Report)*

The competition within APIM fabrication market is based on a number of factors which are critical to the success of APIM fabricators. The critical success factors include the following:

- Strong R&D
- High-end technostructure facilities
- Reliability and flexibility
- Long established relationship with OEMs/ MNCs
- Strong pool of experienced and skilled workers
- International certification and recognition
- Pricing and cost effectiveness

Sanichi is identified as the major local player in the Malaysian APIM fabrication market, accounting for an estimated 4.8% of the market. Meanwhile other local fabricators which include Brandplus Sdn Bhd and Triplus Precision Tools and Dies Sdn Bhd account for approximately 0.5% of the APIM fabrication market. The remaining 94.7% of the market is being served mainly by imports.

*(Source: Frost & Sullivan Report)*

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## 5. INDUSTRY OVERVIEW AND OUTLOOK *(Cont'd)*

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### 5.7 DEMAND AND SUPPLY OF APIMS IN MALAYSIA

#### 5.7.1 Demand of APIMs in Malaysia

Demand for APIM is primarily dependent on electronic and automotive industries in the local and export market, as illustrated in Sections 5.4 and 5.5 of this Prospectus.

The market drivers which will stimulate growth in sales for the APIM fabrication market in Malaysia are as follows:

- Increase in demand for manufactured electronics export goods
- Shorter product life cycles of consumer electronics, computer peripherals and telecommunication equipments leading to higher replacement cycle
- Increasing new applications of plastics in various industries such as electrical power and electronics, medical, food processing and automotive
- Potential replacement of new plastic materials for other materials such as metals, ceramics, glasses and natural materials

*(Source: Frost & Sullivan Report)*

#### 5.7.2 Supply of APIMs in Malaysia

As it is, the industry is still struggling to meet local demands for quality APIMs and most of the advanced moulds required are being met by imported moulds. Hence, there are still lots of room for the industry to expand further in particular for the local plastic mould fabricators to improve further and expand their capacity to meet such growing demand.

*(Source: Frost & Sullivan Report)*

Currently, most of the local mould fabricators are focusing towards CPIMs owing to the lack of industry expertise, technical know-how and knowledge in the APIM fabrication as well as the ability to establish successful business networks with OEMs/MNCs.

### 5.8 SUBSTITUTE AND COMPETING PRODUCTS

There is currently no direct substitute or competing products to the APIMs in the plastic injection mould fabrication sector as it involves highly precise, fine and advanced mould fabrication technologies and sophisticated designs for special plastic parts and components which cannot be replicable by any other forms of moulds. Additionally, plastic's various properties – high-strength, flexible, neutral, highly sterilised, and high chemical and heat-resistance – make it an ideal material for various applications and very hard to replace with other forms of materials. In fact, the usage and applications of plastic has further increased to replace other forms of materials.

*(Source: Frost & Sullivan Report)*

### 5.9 GOVERNMENT LEGISLATION, POLICIES AND INCENTIVES

The APIM fabrication sector plays an important role as in supporting the growth and development of various industries by providing and supplying the necessary advanced plastic injection moulds required for the mass production of plastic parts and components. However, the fabrication of APIMs requires technical know-how and experiences, both of which are still at its infancy stage in most ASEAN countries including Malaysia. Hence, the government has given top priority to the strengthening of supporting industries and industrial linkages, which includes the APIM fabrication sector.

## 5. INDUSTRY OVERVIEW AND OUTLOOK (*Cont'd*)

In addition, the government has also taken the following promotion policies and measures as listed below:

- Foreign Direct Investment Promotion by MIDA  
The mould and die industry is a promoted industry under the Promotion of Investments Act, 1986 and new projects in this industry are eligible for tax incentives such as the Pioneer Status or ITA (Investment Tax Allowance).
- SMIDEC  
SMIDEC promotes the development of SMIs through the provision of advisory services, fiscal and financial assistance, infrastructural facilities, market access and other support programs such as Industrial Linkage Program, Technology Development Program, Technology Acquisition Program, Export Development Program and Infrastructure Development Program.

*(Source: Frost & Sullivan Report)*

### 5.10 PROSPECTS AND OUTLOOK OF THE INDUSTRY

Prospects for the Malaysian economy in 2006 remained favourable. Looking forward, Malaysia's economy would still be able to register a growth rate of 5% or more. The growth momentum in the US has remained strong despite the effects of the hurricane Katrina while the recovery in Japan is becoming more entrenched. Expansion in regional demand is expected to remain strong, supported by the continued improvement in the global electronics cycle and sustained growth in China. The favourable external environment is therefore expected to support the expansion in domestic demand. For the foreseeable future, domestic demand-led growth will continue to accelerate the pace of current economic development. Sustained export growth coupled with the potential recovery in the semiconductor industry will provide further impetus for the Malaysian economy. With the expected GDP growth in 2006, coupled by further expansion in the manufacturing sector, this will be a boon to the APIM fabrication sector

The long term growth prospects of the advanced plastic injection mould fabrication sector in Malaysia looks encouraging. The future of the Malaysian plastic mould fabrication sector is very encouraging as the Government place continuous emphasis on the development of the supporting role and utilities to facilitate the growth of other sectors, particularly the manufacturing sectors. This is in line with the Government's plans/efforts to develop the supporting industry and encourage more local consumption of parts and components. As most of the current APIMs are imported, the development and promotion of the local APIM fabrication market would encourage technology transfer activities and most importantly help stem the outflow of local currency. Going forward, there is still much room for expansion and development in the local plastic injection mould fabrication sector, especially more so for the APIM fabrication market.

Preliminary findings on APIM market in the Asia Pacific region – namely Japan, Singapore, Thailand and Indonesia – suggest that the outlook for exports of APIMs to these countries is encouraging. APIM fabrication markets in these countries, with the exception of Japan, are very much in line with the current scenario prevailing in Malaysia where consumption of plastic injection moulds were mainly driven by both the electronics and automotive industries. As the rise in both the electronics and automotive industries in these countries take place, the consumption and demand for APIM is expected to rise accordingly.

In an era where technological advances and evolving trends are occurring at a phenomenal rate and product life cycle is getting shorter, it has become mission critical to get new products to the market as quickly as possible. This means that the role of advanced plastic mould fabricators has become even more vital to the competitive growth of manufacturers. Further to that, there are tremendous potential for the growth of plastic parts and components in the automotive manufacturing industry due to its increasing application and innovation which would in turn spur the growth of APIM fabrication activities. Additionally, new plastic materials are developed to replace metals, glasses, ceramics and other natural materials.

*(Source: Frost & Sullivan Report)*

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## 5. INDUSTRY OVERVIEW AND OUTLOOK *(Cont'd)*

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### **Opportunities for the Mould and Die Industry**

- The scope for the further development of the mould and die industry in Malaysia remains bright considering the high annual market demand and significant imports of moulds and dies.
- Export opportunities to the ASEAN region is expected to increase significantly with the ASEAN Free Trade Area which came into force in January 2003.
- Opportunities and a large market potential exist for:
  - high precision moulds and dies for E&E industries; and
  - large moulds and dies for the automotive and plastic industries.
- High technology incentives for companies venturing into the design, development and manufacturing of trim and form dies, semiconductor cavity/encapsulation moulds, suspension tooling for hard disk drive parts, progressive tooling for lead frames and fibre optic connector tooling, advanced toolings and equipment for the production of precision components, moulds, tools and dies for the automotive industry.

*(Source: Malaysia's Engineering Supporting Industry (April 2006) by MIDA)*

### **5.11 INDUSTRY RELIANCE AND VULNERABILITY TO IMPORTS**

To-date, local demand for APIM is met by imported APIM either through the local subsidiaries of MNCs or imported directly by local companies. Hence, there is a huge amount of opportunities for local APIM fabricators to try and meet this demand for APIM and replace the imports with locally fabricated APIM.

*(Source: Frost & Sullivan Report)*

According to Frost & Sullivan, for the year 2005, 94.7% of the local market is being served mainly by imports. The huge amount of imports can be attributed to the lack of local APIM mould fabricators that possess the required expertise and technology to produce APIM.

Having expanded significant R&D effort in the area of APIMs and developing high-end mould designs and technology, the Sanichi Group believes it is well positioned to capture market share in APIM that was previously held by importers.

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