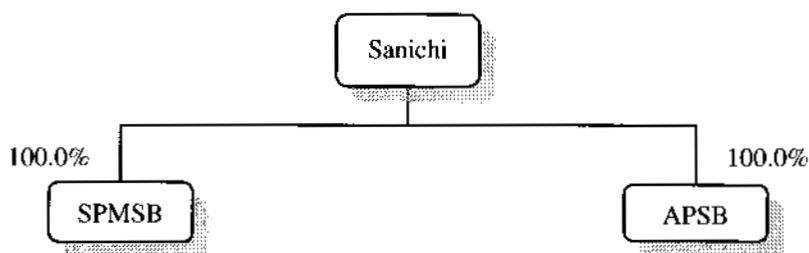


## 6. INFORMATION ON THE SANICHI GROUP

### 6.1 BACKGROUND

#### 6.1.1 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 principal activities of the Sanichi Group are the design and fabrication of precision moulds and tooling for the plastic injection manufacturing industry. Currently, the activities are carried out by SPMSB and it is expected that APSB will commence operations in the second half of 2006.

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 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%.

## 6. INFORMATION ON THE SANICHI GROUP (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, PCC, Seiko Instruments Singapore Pte Ltd, Shimano, 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 designer, engineer and fabricator in Malaysia and South East Asia.

### 6.1.2 Share Capital

As at the date of this Prospectus, the authorised share capital of Sanichi is RM25,000,000 comprising 250,000,000 ordinary shares of RM0.10 each, of which RM8,300,002 comprising 83,000,020 ordinary shares of RM0.10 each are issued and fully paid-up. Upon completion of the Public Issue, the issued and paid-up share capital of Sanichi will be increased to RM11,350,000 comprising 113,500,000 ordinary shares of RM0.10 each.

As at the date of this Prospectus, the changes in the issued and paid-up share capital of Sanichi since its incorporation are as follows:

<b>Date of allotment</b>	<b>No. of ordinary shares allotted</b>	<b>Par value RM</b>	<b>Consideration</b>	<b>Total issued and paid-up share capital RM</b>
5.8.2004	2	1.00	Cash	2
20.6.2006	20	0.10	Share Split	2
20.6.2006	83,000,000	0.10	Shares issued pursuant to the SPMSB Acquisition at par	8,300,002

As at the date of this Prospectus, Sanichi does not have any outstanding warrants, options, convertible securities and uncalled capital.

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## 6. INFORMATION ON THE SANICHI GROUP (Cont'd)

### 6.2 LISTING SCHEME

For the purpose of the Listing, the Company undertook the Listing Exercise which was approved by the following:

- (i) SC (including approval under the FIC Guideline) vide the SC's letters dated 31 March 2006 and 13 June 2006;
- (ii) MITI vide its letters dated 18 October 2004, 25 May 2006 and 8 June 2006; and
- (iii) the Securities Exchange vide its letter dated 14 July 2005 and 21 July 2006 (approval-in-principle).

The Listing Exercise entails the following:

#### 6.2.1 Share Split

The Share Split entails the subdivision of every one (1) ordinary share of RM1.00 each in Sanichi into ten (10) ordinary shares of RM0.10 each.

Upon completion of the Share Split, Sanichi's issued and paid-up share capital changed from RM2.00 comprising two (2) ordinary shares of RM1.00 each in Sanichi to RM2.00 comprising twenty (20) ordinary shares of RM0.10 each in Sanichi. The Share Split was completed on 20 June 2006.

#### 6.2.2 Acquisitions

##### (i) SPMSB Acquisition

Pursuant to the conditional share sale agreement dated 5 October 2004 and supplemental share sale agreement dated 25 May 2006 between Sanichi and the Vendors of SPMSB, Sanichi acquired the entire issued and paid-up share capital of SPMSB comprising 350,000 ordinary shares of RM1.00 each in SPMSB for a total purchase consideration of RM8,300,000 which was fully satisfied by the issuance of 83,000,000 new Sanichi Shares at par in the following manner:

Vendors of SPMSB	Shareholdings in SPMSB sold to Sanichi		Purchase consideration RM	Number of new Sanichi Shares issued as consideration
	No. of ordinary shares of RM1.00 each	%		
Dato' Dr Pang Chow Huat	241,500	69.00	5,727,000	57,270,000
Datin Chen Choon Lec	21,000	6.00	498,000	4,980,000
Gwee Kok Ling	17,500	5.00	415,000	4,150,000
Stalied Resources	70,000	20.00	1,660,000	16,600,000
	<b>350,000</b>	<b>100.00</b>	<b>8,300,000</b>	<b>83,000,000</b>

The SPMSB Shares acquired by Sanichi are free from all liens, pledges, charges, mortgages and other encumbrances whatsoever. The purchase consideration was arrived at on a 'willing-buyer willing-seller' basis after taking into consideration the audited NTA of SPMSB of RM8,551,556 as at 28 February 2006. The SPMSB Acquisition was completed on 20 June 2006.

The new Sanichi Shares issued pursuant to the SPMSB Acquisition rank *pari passu* in all respects with the existing Sanichi Shares in issue and carry all rights to receive all dividends and other distributions declared and paid subsequent to the allotment thereof.

## 6. INFORMATION ON THE SANICHI GROUP (Cont'd)

### (ii) APSB Acquisition

Pursuant to the conditional share sale agreement dated 5 October 2004 and supplemental share sale agreement dated 25 May 2006 between Sanichi and the Vendors of APSB, Sanichi acquired the entire equity interest in APSB comprising two (2) shares of RM1.00 each for a total purchase consideration of RM2.00 which was fully satisfied by cash, details of which are as follows:

Vendors of APSB	Shareholdings in APSB sold to Sanichi		Cash consideration RM
	No. of ordinary shares of RM1.00 each	%	
Su Ming South	1	50.00	1
Ng Kim Fatt	1	50.00	1
	<u>2</u>	<u>100.00</u>	<u>2</u>

The APSB Shares acquired by Sanichi are free from all liens, pledges, charges, mortgages and other encumbrances whatsoever. The APSB Acquisition was completed on 20 June 2006.

Upon completion of the Acquisitions, the issued and paid-up share capital of Sanichi increased from RM2.00 comprising twenty (20) Sanichi Shares to RM8,300,002 comprising 83,000,020 Sanichi Shares.

### 6.2.3 Public Issue

In conjunction with the Listing, the Company is implementing a public issue of 30,499,980 new Sanichi Shares at an issue price of RM0.52 each, which is the subject of this Prospectus. The total gross proceeds raised from the Public Issue will be RM15,859,990, the utilisation of which is set out in Section 3.6 of this Prospectus.

Upon completion of the Public Issue, the issued and paid-up share capital of Sanichi will be increased from RM8,300,020 comprising 83,000,020 Sanichi Shares to RM11,350,000 comprising 113,500,000 Sanichi Shares.

## 6.3 BUSINESS OVERVIEW

### 6.3.1 Principal Activities

Sanichi is principally an investment holding company. The principal activities of the Sanichi Group are currently carried out by SPMSB, which specialises in the design and fabrication of precision moulds for plastic injection manufacturing industry, as APSB will only commence operations in the second half of 2006.

Sanichi is mainly concentrated in the fabrication of APIMs. According to Frost & Sullivan, Sanichi is regarded as one of the leading Malaysian APIM fabricators.

### 6.3.2 Principal Products

The principal products of the Sanichi Group can be broadly categorised into two (2) types of moulds:

#### Conventional Plastic Injection Mould

The fabrication of CPIMs adopts traditional concepts and technology, which are less design-oriented and involve limited innovation and sophistication. CPIMs are commonly used in the manufacture of conventional plastic parts and components.

## 6. INFORMATION ON THE SANICHI GROUP (Cont'd)

Nevertheless, value added improvements on CPIMs are still possible through adjustments to the existing cooling channel network design of the moulds, and design of the interchangeable parts of the mould insert to facilitate easy repairs and replacements. Such technical improvements can result in better productivity in the manufacture of plastic components and shorter mould servicing time in the long run.

As the degree of precision for CPIMs may vary and its tolerance level may range from 5 to 50 microns depending on the application of the particular plastic part or component manufactured, the Sanichi Group focuses its CPIM products on the injection moulding of high precision plastic parts and components. Some of the major projects implemented by SPMSB on high precision CPIM are set forth in Section 6.7 of this Prospectus.

### Advanced Plastic Injection Mould

APIMs are used for the manufacture of specific, advanced customised plastic parts and components required to produce various electronic and electrical appliances and automotive parts which are otherwise unachievable with CPIMs.

APIMs enable the production of specific plastic parts and components which require high level of precision and additional innovations in functionality features, increased aesthetic values and appearances and miniaturisation. Some APIMs encompass unique engineering properties which are able to improve the productivity of plastic parts and components manufacturing. The fabrication of APIMs involves close collaboration with end-product manufacturers/OEMs on the design of the moulds, coupled with the utilisation of advanced mould design and fabrication technologies.

The principal APIM products of the Sanichi Group are broadly categorised as follows:

APIMs	Key Attributes of Product	Applications of Product
Motorised Gear Mould	<ul style="list-style-type: none"> <li>▪ Achieves seamless gear on the threaded profile of plastic components without parting lines.</li> <li>▪ Improves functional quality of the plastic parts or components.</li> </ul>	<ul style="list-style-type: none"> <li>▪ An advanced motorised mould used for moulding of threaded plastic components, such as worm gear, helical gear and spur gear, which facilitate fastening function or smooth mechanical movement in electronic machines such as DVD/VCD loading trays, rollers in facsimile/printer etc.</li> <li>▪ It can also be used to produce handle screw cap and pressure lever screw in fishing equipment.</li> </ul>
Multi-Polymer Mould	<ul style="list-style-type: none"> <li>▪ Achieves double-polymer materials injection in single injection process.</li> <li>▪ Achieves highly durable markings or colours on the surface of the plastic parts and components.</li> </ul>	<ul style="list-style-type: none"> <li>▪ An advanced mould used for manufacturing of plastic parts and components with markings of logos, alphabets, numeric figures and colours, such as key pads on hand phones, calculators, fax machines and keyboards, as well as panels of automotive function buttons.</li> </ul>

## 6. INFORMATION ON THE SANICHI GROUP (Cont'd)

APIMs	Key Attributes of Product	Applications of Product
Rapid Cooling Mould	<ul style="list-style-type: none"> <li>▪ Reduces total cycle time per injection process from 40 seconds to 20 seconds through approximately 50% savings on total production cycle time.</li> <li>▪ Significantly improves total productivity in manufacture of plastic components.</li> <li>▪ Reduces total cost of ownership of the injection moulding machines.</li> </ul>	<ul style="list-style-type: none"> <li>▪ An advanced mould used for manufacturing of large volume and/or high density of any plastic parts and components.</li> </ul>

Detailed information and descriptions of the abovementioned APIMs are as follows:

### MGM

MGM is the first APIM conceptualised by the Sanichi Group in May 2002.

MGM is designed based on the motorised mould concept adopted in release mechanism and technology, which enables the injected plastic parts or components to be ejected or spun out by a motor through a set of gear mechanism. It is able to achieve a seamless threaded profile of the plastic components without parting line, resulting in the improvement of the components' functional quality. The novelty of technology employed in the development of MGM is further illustrated in Section 6.3.6 of this Prospectus.

MGM can be used to produce parts or components such as worm gear, helical gear and spur gear which facilitate fastening function or smooth mechanical motion in electronic products such as DVD/VCD loading trays, roller in facsimile/photocopy/printer, etc. It can also be used to produce handle screw cap and pressure lever screw in fishing equipment. According to the Frost & Sullivan Report, the Sanichi Group is believed to be the only known plastic injection mould fabricator in Malaysia to have adopted and adapted the worm gear motorised technology.

### MPM

MPM is an APIM product developed by the Sanichi Group in February 2003.

MPM creates the colours or markings on the plastic parts or components through double-materials injection during the injection moulding process, resulting in more durable markings and colourised effect which are able to withstand frictions, chemicals, moisture or perspirations over time. MPM comprises a set of two (2) moulds, which require precise design and fabrication. This will ensure a yield of highly accurate fitting interchange between the two moulds to produce a high quality end product. The novelty of the technology employed in the development of MPM is multi-polymer handling technology, which is further illustrated in Section 6.3.6 of this Prospectus.

MPM is used for manufacturing of plastic parts and components with markings of logos, alphabets, numeric figures and colours, such as key pads on hand phones, calculators, fax machines, keyboards and panels of automotive function buttons.

**6. INFORMATION ON THE SANICHI GROUP (Cont'd)**

**RCM**

RCM is an intellectual property of the Sanichi Group. It was designed and developed by the Sanichi Group, in collaboration with the R&D division of a Japanese-based multi-national manufacturer of industrial and consumer devices in April 2003.

RCM is an advanced mould which incorporates the integration of mould design, cooling methodology, heat dispersion technologies and systems as further illustrated in Section 6.3.6 of this Prospectus, and computer generated simulation of flow.

RCM aims to improve total productivity of the plastic injection moulding process. It trims the cooling time post-injection of plastic materials, resulting in significant reduction in total production cycle time by approximately 50%. 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%.

RCM also improves the productivity of plastic injection moulding machines, resulting in lower total cost of ownership of the machines used. An injection moulding machine has an average lifespan of between six (6) to ten (10) years and costs in the region of between RM300,000 to RM1.2 million depending on the tonnage and the type of injection machine (*Source: Frost & Sullivan Report*). Hence, reduction in the machine costs of an injection machine made for the production of a particular plastic component will create savings for the moulding companies.

In a nutshell, RCM helps to reduce labour time and machine costs through improvement in the productivity of plastic parts and components. It is suitable for mass-manufacturing huge volumes of plastic parts and components and/or plastic parts and components with high density of plastic materials, whereby significant reduction in cooling time shall result in significant improvement in productivity.

**6.3.3 New/Proposed Products**

In addition to the existing APIM products, the Sanichi Group had in October 2004 established a plan to develop new products over five (5) years from 2005 to 2009, the implementation plan of which is depicted below:

New/ proposed products	FYE 30 June				
	2005	2006	2007	2008	2009
Gas Injection Mould	←-----→				
Multi-Stacking Mould		←-----→			
Magnesium Injection Mould			←-----→		
<b>Legend:</b>					
<i>Product R&amp;D stage</i> <i>Product refinement and completion stage</i> <i>Product deployment and commercialisation stage</i>					

**Note:**

\* *The timelines are only estimates and are subject to changes because the industry is susceptible to technological changes and industry dynamics. Therefore, the product development plans may be modified depending on the market needs and shift in technologies. Certain new product development may be accelerated or cancelled to be in line with future market trends.*

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**6. INFORMATION ON THE SANICHI GROUP (Cont'd)**


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**Gas Injection Mould ("GIM")**

GIM is a newly-developed APIM which was recently commercialised in June 2006.

GIM can be used to achieve two objectives. Firstly, it aims to resolve the deformation on injection moulded plastic parts and components caused by uneven shrinkage of polymer material post injection through surface gas pressure concept. Hence, it enables plastic parts and components such as covers, panels and housings of end products to be produced with better dimensional stability and refined appearance. Secondly, it aims to reduce the weight of an injected plastic part or component and reduce plastic material costs through internal gas pressure concept. This can be achieved by the creation of hollow space within a plastic part or component, with a layer of plastic wall which forms the exterior shape of the part or component.

The research and design of this new APIM required detailed study in, amongst others, the following areas:

- Appropriate gas injection point and position;
- Type and size of injection nozzles;
- Gas pressure and volume; and
- Gas injection cycle time requirement.

**Multi-Stacking Mould ("MSM")**

MSM is a new APIM which will be developed and introduced by early 2007.

MSM aims to improve the productivity of an injection moulding machine by producing multiple units of plastic components simultaneously during each injection cycle time. The number of stacking layers designed and fabricated into the mould will drive the productivity level of the injection moulding machine. MSM is applicable for mass production of small size components, whereby production speed is critical.

The research and design of this new APIM requires detailed study in, amongst others, the following areas:

- Appropriate hot runner system;
- Assembly design of the stacking plates; and
- Operation mechanism of the mould in facilitating the injection process.

**Magnesium Injection Mould ("MIM")**

MIM is a new technology which will be developed and introduced by early 2009.

MIM is used in the thixotropic moulding process to produce alloy metal components, in replacement of the traditional metal casting or machining process.

Thixotropic moulding is based on the principle that magnesium, aluminum and zinc alloys become semi-solid at temperatures between the liquidus and the solidus. Mechanical shearing of the semi-solid metal generates a thixotropic structure that allows these materials to be molded utilising a process similar to plastic injection moulding while eliminating the environmental impacts of die casting. Unlike die-casting, the process does not require the handling of molten metals in separate melting and transfer systems.

The research and design of this new APIM requires detailed study in, amongst others, the following areas:

- Thixotropic moulding process and technology;
- Mould release technology involved;
- Shrinkage factors;
- General magnesium components tolerance requirements;
- General mould set-up compatibility between machine variance;
- Minimal clamping force requirement of mould;
- Magnesium flow, gate type and gate location analysis;
- Slider and angular slide structure requirement; and
- Minimal draft angle requirement with texturing and etching option.

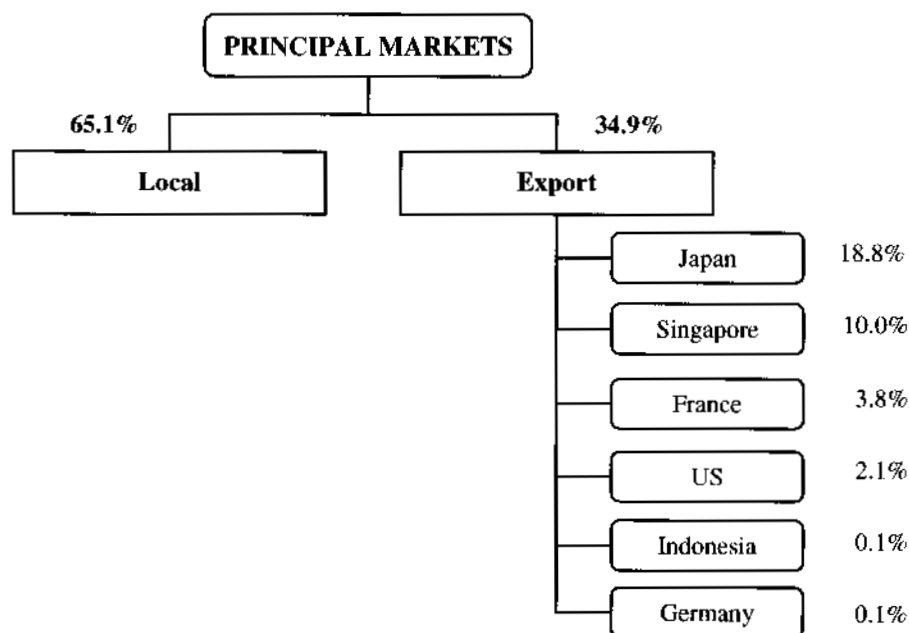


## 6. INFORMATION ON THE SANICHI GROUP (Cont'd)

### 6.3.4 Principal Markets

Presently, the Sanichi Group fabricates moulds for subsequent use in the injection moulding of plastic parts and components for various industries such as consumer electronics, automotive, telecommunications, office automation, fishing equipment and semiconductors.

Based on the Group's revenue for the eight (8)-months period ended 28 February 2006, the principal markets of the Sanichi Group are as depicted below:



The contribution to the revenue of the Sanichi Group by principal markets for the eight (8)-months period ended 28 February 2006 is as follows:

	Revenue contribution (RM'000)			Percentage contribution to the Group's revenue for the eight (8)-months period ended 28 February 2006
	APIM	CPIM	Total	
<i>Local</i>				
Malaysia	4,405	4,422	8,827	65.1%
<i>Export</i>				
Japan	1,563	991	2,554	18.8%
Singapore	920	437	1,357	10.0%
France	457	51	508	3.8%
US	251	39	290	2.1%
Indonesia	-	15	15	0.1%
Germany	-	14	14	0.1%
	3,191	1,547	4,738	34.9%
<b>TOTAL</b>	<b>7,596</b>	<b>5,969</b>	<b>13,565</b>	<b>100.0%</b>

Generally, the Group's sales of moulds are meant for various industries ranging from consumer electronics, fishing equipment, office automation, automotive and semiconductor, hence the Group's sales are not affected by any material seasonal or cyclical sales fluctuations.

**6. INFORMATION ON THE SANICHI GROUP (Cont'd)**

**6.3.5 Market Position and Share**

The current market coverage of the Sanichi Group is Malaysia, Japan, Singapore, France, US, Germany and Indonesia.

The local plastic injection mould fabrication sector is worth approximately RM565 million or about 45-50% of the estimated RM1.13 billion value of the local plastic mould industry. Of the two plastic injection mould fabrication markets in Malaysia – CPIM fabrication market and the APIM fabrication market – the CPIM sector currently dominates the plastic injection mould fabrication sector by a ratio of approximately 8:2 respectively.

*(Source: Frost & Sullivan Report)*

The APIM fabrication market is a niche market in Malaysia. It is worth approximately RM119 million in 2005. The share of the APIM fabrication market in Malaysia held by the Group and the market share held by other fabricators in 2005 is depicted as follows:

Company	2005
Sanichi Group	4.8%
Other local fabricators	0.5%
Others (import)	94.7%
<b>TOTAL</b>	<b>100.0%</b>

*Note: All figures are rounded; the base year is 2005 (Source: Frost & Sullivan Report)*

Sanichi concentrates mainly on fabrication of APIMs. The Sanichi Group 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.

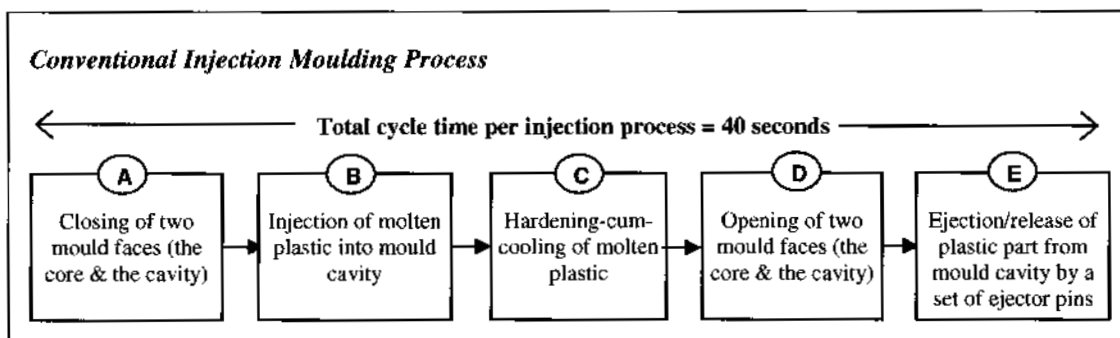
*(Source: Frost & Sullivan Report)*

As for the export markets which the Group is currently servicing, namely Japan, Singapore, France, US, Germany and Indonesia, the Sanichi Group is unable to determine its market share in the respective markets owing to lack of information.

**6.3.6 Technologies Used**

After significant R&D effort in the area of APIMs, SPMSB has developed specific, high-end mould designs and technology, focusing on the following three (3) key areas:

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



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**6. INFORMATION ON THE SANICHI GROUP (Cont'd)**

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Conventionally, moulded plastic parts or components are released from the mould cavity when two mould faces separates and the parts or components are pushed out by a set of ejector pins built into the mould cavity, as illustrated in Steps D & E of the diagram above. This ejection method results in the natural formation of a parting line on the plastic parts or components and creates deformation on the moulded plastic parts or components caused by the ejector pins. A parting line is a defect on a plastic component formed by the crevice along the border where the two faces of the mould meet.

Plastic gear components are commonly used to facilitate fastening function and internal mechanical mechanisms of various electronic devices and fishing equipment. Some end-products even require multiple gear components to function in a set, where a gear is designed to rotate another gear, to facilitate complex and precise mechanical mechanism. As such, a flawless threaded profile on the gear components is crucial to the functional quality of the end products as the presence of a parting line or deformation on the threaded profile will cause irregular distortion to the mechanical motion and produce undesired vibration and noise to the end products.

SPMSB developed an advanced RMT using motorised gear concept for the manufacture of plastic gear components, such as spiral gears, spur gears, helical gears, worm gears and pinion gears. The advanced RMT with motorised gear concept enables the injected plastic parts or components to be ejected or spun out by a motor through a set of gear mechanisms. It is able to achieve a seamless gear or threaded profile which means the moulding of precise plastic parts or components without any parting line which is otherwise normal with CPIM.

In 2002, SPMSB developed WGM for the manufacture of worm gear using this advanced RMT. According to the Frost & Sullivan Report, SPMSB is believed to be the only known plastic injection mould fabricator in Malaysia to adopt and adapt the motorised gear mould technology. As worm gear is a plastic component with high precision level requirement, the development of WGM for such a 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  $\pm 5$  microns.

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

Driven by the increasing use of polymer/plastic-made components in replacing traditional materials such as wood, glass, ceramic and metal, the demand for more innovative application of plastics becomes essential. One of the many areas which is of importance is the creative use of multiple polymer materials in producing a particular component.

Conventionally, industrial printing is a common method to have colours or markings (such as logos, alphabets and numeric figures) printed on the plastic surface after the injection moulding process. The colours or markings produced by industrial printing are lacking of durability as the surface of the plastic parts or components are exposed to frictions, chemicals, moisture or perspirations over time.

In 2003, the Sanichi Group developed MHT using the double-material injection concept with two sets of moulds. 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 cavities 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 the 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.

**Heat dispersion technology and system (“HDT”)**

HDT refers to the speed at which an injection moulded part will cool down after the injection of molten plastic into the mould. This cooling down process will harden the plastic component being produced which subsequently allows for the ejection of the part from the mould. HDT is a vital area in moulds as it determines the total production cycle time for the plastic component.

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**6. INFORMATION ON THE SANICHI GROUP (Cont'd)**

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A typical plastic injection moulding process, as illustrated in the diagram above, involves an injection process of approximately 40 seconds, whereby the cooling process usually accounts for 60-70% of the total cycle time. Hence, the most value added injection process improvement can be driven from optimising the speed of the cooling process of the molten plastic in the mould cavity, as illustrated in Step C of the diagram above.

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 is built with advanced HDT embedded within the mould. 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%. (*Source: Frost & Sullivan Report*).

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

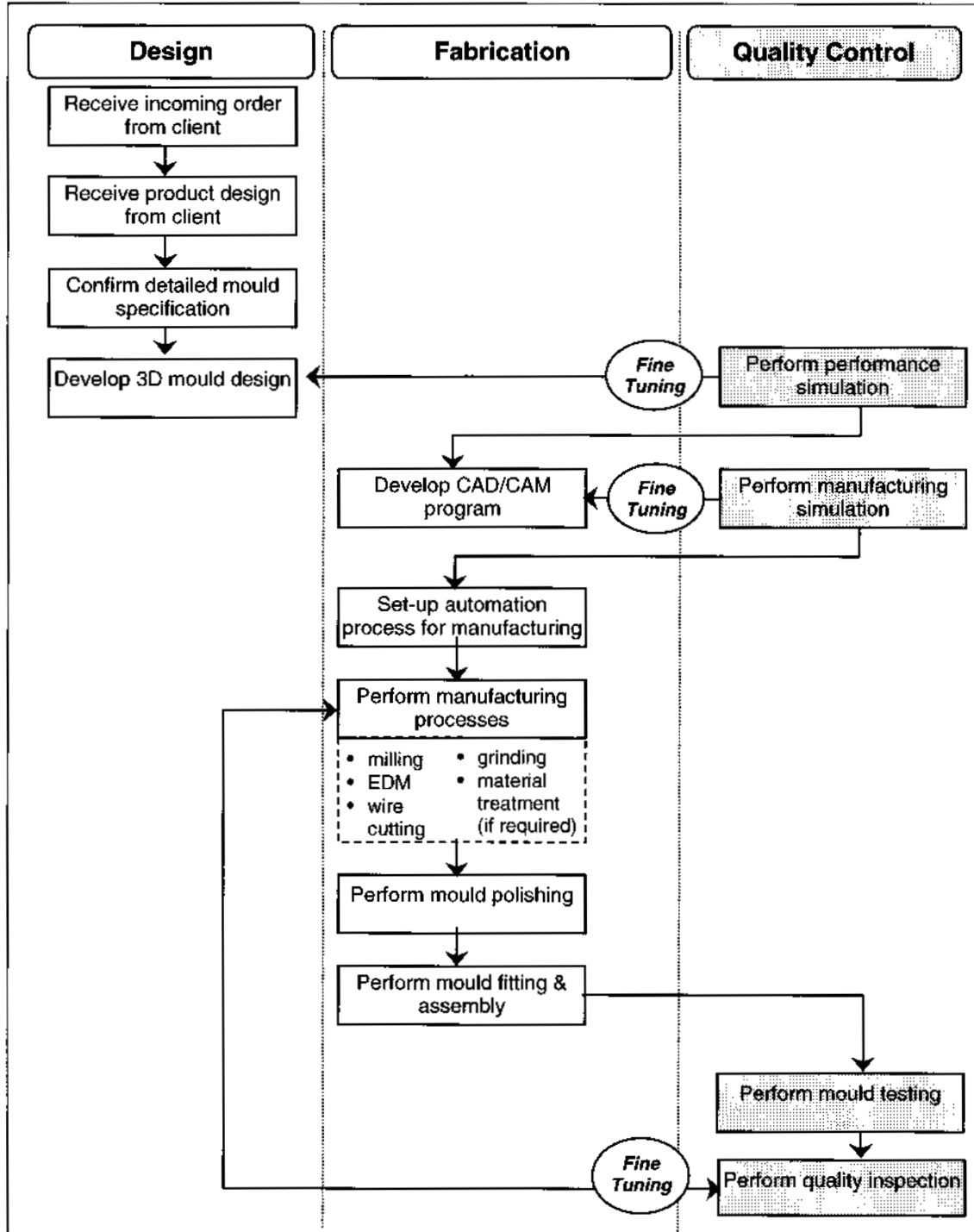
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6. INFORMATION ON THE SANICHI GROUP (Cont'd)

6.3.7 Production Process

In general, the production of an APIM involves more intensive design effort as compared to the production of a CPIM. Depending on the type of mould to be produced, the manufacturing processes and mixture of raw materials used in the construction of the mould would vary.

The process flowchart of a generic production of a mould is depicted as follows:



## 6. INFORMATION ON THE SANICHI GROUP (Cont'd)

Every project or new plastic injection mould design is usually commissioned by the OEMs/MNCs directly to the plastic injection mould fabricators or indirectly through the plastic injection moulders to the plastic injection mould fabricators. The average period to complete a mould ranges from twenty-eight (28) to fifty-six (56) days, depending on the size and complexity of the moulds.

The description of the major processes in the mould production is as follows:

### Design

Based on the templates/product design drawings of the parts and components received from OEMs/MNCs, the design team extracts and imports useful information and graphics into CAD software. Subsequently, a technical discussion between the OEMs/MNCs will be arranged to assess the technical feasibility of the mould, appearance of the parts or components to be produced, the raw materials and the mould fabrication schedule. Upon finalisation of the detail specifications, the design team will proceed to create a 3-Dimensional ("3D") design of the mould using CAD program, where specific elements such as core and cavity parting line, cavity gating, runner layout and cooling channel system are designed and determined.

At the end of the design stage, the design team will perform simulation on the mould designed to assess the performance quality of the mould.

### Fabrication

The fabrication process involves a number of stages, i.e. programming, machining, mould polishing and mould assembly.

After the mould design is finalised, the programming team proceeds to develop the CAM program which incorporates the types, speed and cutting path of the machine tools required to fabricate the mould designed. The CAM program will then be simulated to assess the accuracy of the tool path and material removal process before it is running on production machines.

During the mould fabrication process, the completed CAM program is downloaded into the CNC machines. In order to shorten the machines set-up time, tool setting system are installed onto the CNC machines prior to machining process. Machining processes are carried out by the tool room team using CNC and non-CNC machines. CNC machines will shape the mould block, according to specification as programmed in the CAM software, through milling, EDM and wire-cutting processes. Turning, grinding and material treatment are more labour intensive processes which are performed using non-CNC machines. Finally, the fabricated mould will be polished, fitted and assembled accordingly.

Before the fabricated mould is delivered to the client or its subcontractor, the engineering team will test the mould with an injection moulding machine where the parts or components produced are forwarded to the Quality Assurance team for final inspection.

### 6.3.8 Quality Control Procedures

In order to ensure products are manufactured in accordance to clients' requirements and standards, are of high quality and to minimise production errors, SPMSB has incorporated inspection processes at various stages of the production.

Post Design Stage	<ul style="list-style-type: none"> <li>Performance simulation via computers enables the design team to verify and rectify the performance quality of the mould such as the flow of the molten plastic within the mould, the warpage and distortion level of the parts or components produced, and uniformity of the weld line.</li> </ul>
Post Programming Stage	<ul style="list-style-type: none"> <li>Manufacturing simulation using CAM software enables the programming team to ensure the NC tool path and the CNC machining program created are accurate so that mould will be fabricated in accordance with the design.</li> </ul>

## 6. INFORMATION ON THE SANICHI GROUP (Cont'd)

Post Fabrication Stage	<ul style="list-style-type: none"> <li>• Mould testing through injection moulding process enables the engineering team to ensure the mould is functional and meets expected productivity level.</li> <li>• Quality inspection using the CMM Smart Scope or profile projector machines ensures that the parts and components manufactured using the new moulds are in accordance with clients' requirements. This process involves size and dimensional inspection of the parts and components.</li> </ul>
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In May 2004, SPMSB was awarded the ISO 9001/2000 Quality Management System certification granted by Moody International Certification (Malaysia) Sdn Bhd. The accreditation covers the Group's production quality in the following areas:

- (a) Design and development;
- (b) Fabrication; and
- (c) Repair and modification

of APIMs and CPIMs. This provides the customer with the assurance of the quality of CPIM and APIM produced by the Group.

### 6.3.9 Location of Operations

As at the date of this Prospectus, the Sanichi Group operates its business at an integrated manufacturing-cum-R&D factory, which it owns, located at PLO 135, Jalan Cyber 5, Kawasan Perindustrian Senai Fasa 3, 81400 Senai, Johor Darul Takzim which has a land area of approximately 65,340 sq. ft. and an approximate built-up area of 30,253 sq. ft.

### 6.3.10 Production Facilities

Presently, the Sanichi Group operates its mould production and manufacturing at the integrated manufacturing-cum-R&D factory mentioned in Section 6.3.9 above. Its design facilities include a range of engineering design software which encompasses UG CAD and UG CAM programs. Its manufacturing facilities are equipped with an extensive range of CNC, non-CNC machineries, tool setting system and technology required to fabricate APIMs and CPIMs.

The engineering software employed by the Sanichi Group to support its design capability are as follows:

Software type	Primary application
UG CAD	<ul style="list-style-type: none"> <li>▪ Imports 3D drawing and data of the product design from client</li> <li>▪ Designs moulds in 3D dimension including the cooling system within the mould and the core and cavity parting line, etc.</li> </ul>
UG CAM	<ul style="list-style-type: none"> <li>▪ Simulates mould fabrication including machine tool motion and material removal process to support tool path optimisation prior to production</li> <li>▪ Standardises manufacturing methods and resources to improve process efficiency</li> </ul>

## 6. INFORMATION ON THE SANICHI GROUP (Cont'd)

### 6.3.11 Production Capacity

The production capacity and utilisation of the Sanichi Group for its existing products are set out below:

Product type	Monthly production capacity	Average monthly production capacity utilisation (based on eight (8)-month period ended 28 February 2006)		No. of production shifts
	(units)	(units)	%	(per day)
APIMs	36	19	52.8	2 shifts
CPIMs	17	15	88.2	2 shifts
Total / Average	53	34	64.2	

The Group currently operates at approximately 64.2% production capacity on average, which means the Group is able to increase its production level in the event of increased demand for its products. The Group expects its production output to increase significantly during the FYE 30 June 2007 in line with its five (5)-year business development plan. As sales are expected to increase, the Group intends to have its production operation at 85% capacity, with the remaining 15% reserved for emergencies and urgent orders.

Presently, the Group does not have any specific constraint on its production capacity save for recruiting more skilled workers.

### 6.3.12 Material Plant and Equipment Used by the Group

As at the Latest Practicable Date, the material plant and equipment which is employed by the Sanichi Group for its operations are as follows:

Description	Units	NBV @ Latest Practicable Date (RM)
CNC EDM machine	2	736,190
CNC Wirecut machine	2	767,008
CNC Milling machine	5	1,917,513

### 6.3.13 Interruption in Operations

As at the date of this Prospectus, the Sanichi Group has not experienced any major disruptions in the form of trade disputes or operational breakdowns occurring within and outside the Sanichi Group that had a significant impact on the Sanichi Group's operations during the past twelve (12)-month period.

### 6.3.14 R&D

The Group views R&D as its key asset in enhancing its competitive advantage and building its niche in the local and global arena. Due to the inherent high margin in APIMs and the untapped APIM fabrication market in Malaysia and some ASEAN countries such as Thailand, Indonesia and Vietnam, the Group believes that its continuous development of new APIM technology will enable it to achieve exponential growth in the niche APIM market.

#### R&D policy

Since year 2001, the Group has built its R&D capability to support the design and development of mould technology, mainly in APIMs. The main objectives of the R&D effort are as follows:

- Develop new technologies in mould application
- Achieve production efficiency in the injection moulding process
- Enhance the functional quality of injection moulded parts and components
- Enhance the aesthetic values and appearance of injection moulded parts and components
- Innovate and promote the application of plastic material in substitution of traditional material



**6. INFORMATION ON THE SANICHI GROUP (Cont'd)****R&D facilities and personnel**

Presently, the Group has seven (7) personnel in the R&D team which is headed by the Technical Director. The Group's R&D facilities are its in-house engineering design software including CAD and CAM software, details of which are set out in Section 6.3.10 of this Prospectus.

**R&D expenses**

The amount spent on R&D over the last three (3) financial years are as follows:

	FYE 30 June		
	2003	2004	2005
Total R&D expenses (RM'000)	585	670	950
Total R&D expenses as a proportion of Group revenue (%)	13.82	11.03	6.3

The Group has invested a considerable portion of its financial resources for its R&D activities, amounting to an aggregate of approximately RM2.205 million for the past three (3) financial years.

**Achievements in R&D**

After years of R&D effort in the areas of APIMs, SPMSB developed specific, high-end mould design and technologies, focusing on the areas of RMT, MHT and HDT, as discussed in Section 6.3.6 of this Prospectus. With these technologies, the Group has successfully developed APIMs, namely MGM, MPM and RCM, information on which is set out in Section 6.3.2 of this Prospectus.

**On-going R&D**

Pursuant to the Group's intention to continually improve its mould designs and offer innovative products, the Group undertakes R&D to improve its existing APIMs and product range. The Group has just succeeded in developing the GIM in line with its product development plan as set out in Section 6.3.3 and is currently in the midst of developing a mould that will accommodate a more complicated component design.

**Planned R&D**

Moving forward, the Group plans to allocate RM2 million of the proceeds raised from the Public Issue to build a R&D centre, upgrade its current R&D facilities and increase its current R&D team of seven (7) staff to fifteen (15) staff by 2009 through selective recruitment of design technicians and mechanical engineers. Such resource and capital expansion is required to support the following planned R&D activities:

- (a) Develop new APIMs such as MSM;
- (b) Develop MIM for magnesium parts and components; and
- (c) Rapid prototyping.

The product information and implementation plan on the abovementioned (a), (b) and (c) are set forth in Section 6.3.3 of this Prospectus respectively.

**6.3.15 Mode of Sales and Distribution**

The Group markets its products directly from its office in Johor Bahru, Johor Darul Takzim. The Sanichi Group is able to compete with other international players and garner substantial market share in the APIM fabrication market for the local market and achieve significant sales to Singapore due to close geographical proximity, timely and reliable delivery of quality products and competitive pricing to the said markets.

Today, the Group has accumulated a customer base of approximately ninety-five (95) clients. As APIM fabrication is a niche market and there are very few APIM fabricators locally, some new customers are referred to the Sanichi Group due to its reputation, track record and products in the APIM fabrication market.

## 6. INFORMATION ON THE SANICHI GROUP (Cont'd)

Moving forward, the Group plans to set-up physical operations in Indonesia and Thailand to service and modify moulds produced by the Group. It intends to capitalise on customer proximity to establish corporate presence and facilitate better pre-sales and post sales customer service in these target markets.

### 6.3.16 Personnel

As at the Latest Practicable Date, the Group has a full-time staff force of ninety-six (96), including executive directors. The breakdown of the total number of employees and their length of service in the Group are as follows:

Category	No. of employees	Average length of service (years)
Directors	3	8
Managerial and professional personnel	6	5
Technical and supervisory personnel	18	4
Clerical and administrative personnel	8	3
<i>Factory Workers:</i>		
Skilled	56	2
Unskilled	5	1
<b>TOTAL</b>	<b>96</b>	

The Sanichi Group provides in-house, external as well as on-the-job training to ensure that its employees acquire the skills required to perform their respective tasks. In addition, the Sanichi Group's R&D team is equipped with relevant working experience and extensive knowledge in R&D of APIMs that are invaluable to the Group. The Directors of Sanichi believe that the working relationship between its key management with its employees is cordial. As at the Latest Practicable Date, there have been no labour or industrial disputes between the employees and the management. None of the employees of the Sanichi Group belong to any trade union.

As part of its expansion plans, the Sanichi Group intends to increase its staff force from the current level to 170 employees to meet the projected increase in sales and production of its products by 2007. The increase in staff strength mainly comprises engineers, technicians, mould makers and sales and marketing personnel.

### 6.3.17 Types, Sources and Availability of Raw Materials/Input

The Group's core raw materials are mould base and inserts in the form of steel and copper. These raw materials are purchased upon confirmation of purchase orders received from customers, and are ordered based on product specifications of the customers. The Group procures its raw materials, which are easily available, locally. The Group is not dependent on any suppliers for raw materials as the Group has a wide choice of suppliers who are able to provide raw materials at similar purchase terms.

The cost of raw materials used by the Group, which is predominantly steel-based, is sensitive to fluctuations in the commodity price of metals. However, the Directors believe that the Group is able to address cost increase by adjusting its selling prices.

### 6.3.18 Intellectual Property Rights/Patents

As at the Latest Practicable Date, the patent for which Sanichi has applied to register and the status of the application is as follows:

Product/solution	Description of patent application	Countries where patent is sought	Date applied	Status
Rapid Cooling Core and Cavity	Specification for SPMSB's latest invention entitled "High Speed Cooling Technology for Plastic Injection Moulding Process".	Malaysia	25 October 2004	Pending filing of substantive examination request

## 6. INFORMATION ON THE SANICHI GROUP *(Cont'd)*

### 6.3.19 Dependence on Contracts/Arrangements

The Group is not dependent on any contracts or arrangements for its business. The key technology for its main products as described in Section 6.3.6 above was developed in-house and is proprietary. In terms of contracts of a revenue nature, there is no long-term contract entered into by the Group 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.

### 6.3.20 Competitive Analysis

The Sanichi Group has distinct competitive advantages over its competitors in terms of the following:

- APIM technology
- Rapid mould fabrication technology
- Product quality
- Close working relationship with MNCs
- Emphasis on R&D
- Strong pool of skilled workers

#### **APIM technology**

The APIM fabrication market is a niche market in Malaysia. The number of APIM fabricators in Malaysia who possess the necessary technology, methodology, skill, know-how, workforce and facilities to fabricate APIMs are limited and remain elusive despite the large number of players in the plastic injection mould fabrication sector. Sanichi is principally involved in the fabrication of plastic injection moulds for both the OEMs/MNCs and also the many plastic injection moulding companies around the southern region and also in Singapore. Of the pool of plastic injection mould fabricators in Malaysia, Frost & Sullivan has identified Sanichi as the local market leader in its ability to adopt and adapt the APIM fabrication technology in the fabrication of plastic injection moulds. It is important to note that where production time and scheduling in the manufacturing industry is on a just-in-time basis, Sanichi possess the capabilities and facilities to assist and cooperate with clients to innovate and develop APIMs that could hasten cycle time and increase production, and they have the skilled workforce and required facilities to provide further technical assistance and services.

*(Source: Frost & Sullivan Report)*

This competitive advantage acts as a deterrent to new entrants who may not have similar established set-up, technology partners, experience, knowledge and resources to sustain the initial heavy costs of R&D required for development of APIM technology. Sanichi has spent more than three (3) years in building its competency and track record in APIM technologies, which acts as a barrier of entry for new players to break into the current APIM supply relationship with the MNCs.

#### **Rapid mould fabrication technology**

Currently, most mould fabricators have an average lead time of between 35 to 60 days to produce a complete mould, depending on the mould size and complexity. Sanichi Group believes that it has the shortest lead time of 20% less time taken to design and fabricate moulds, attributable to the following capabilities:

- Tool setting system and technology which reduce production set-up time, resulting in significant reduction in set-up errors and better product quality.
- Integrated design to production software programming via CAD and CAM software which enables smooth flow of data from design to production on the CNC machines.

## 6. INFORMATION ON THE SANICHI GROUP (Cont'd)

### Product quality

A mould designer and fabricator which has the shortest lead time without sacrificing its quality will be most favoured by the MNCs as it will enable it to shorten its product's time-to-market period. SPMSB has incorporated inspection processes at various stages of the production, i.e. post-design, post-programming and post-fabrication, in order to ensure product quality and minimise production errors.

In May 2004, SPMSB was awarded the ISO 9001/2000 Quality Management System certification in design, development, fabrication, repair and modification of APIMs and CPIMs. This provides customer with the assurance of quality of APIM and CPIM produced by the Group.

### Close working relationship with MNCs

In the course of its business dealings, the Sanichi Group has had transactions with a total of twenty-three (23) MNCs of various industries. Sanichi is also on the approved vendor list of the said MNC clients. The Sanichi Group's close business relationship with the MNCs has generated repeat orders on mould design and fabrication due to the track record and credibility established over past dealings. According to Frost & Sullivan, Sanichi is regarded as one of the leading Malaysian APIM fabricators.

Some OEMs/MNCs will only work with APIM fabricators who are approved vendors. To be an approved vendor, the APIM fabricator must comply with various requirements. This would pose a challenge to new entrants as they would face difficulties in establishing their credentials as they are new to the market and have no proven results or records. Additionally, the high switching costs and long gestation period for the end-users (plastic injection moulders) deter switching of mould suppliers. This poses a high barrier to entry.

(Source: Frost & Sullivan Report)

### Emphasis on R&D

One of Sanichi's main competitive advantages is its strong emphasis on R&D and innovations in the fabrication of its moulds. The Group views R&D as its key focus in enhancing its competitive advantage and building its niche in the local and global arena, especially in the fabrication of APIM.

### Strong pool of skilled workers

Sanichi Group has developed an experienced team of engineers and technicians equipped with the knowledge and skill sets required to produce APIM. This team comprises R&D engineers and technicians, CAD/CAM programmers, CNC machine operators, service engineers, production engineers and design engineers. As the design and fabrication of APIM involves a high degree of complexity, a high level of technical expertise is required.

As of the Latest Practicable Date, about 95% of the Sanichi Group's workforce are skilled workers.

Categories of staff	Years of experience				Total
	More than 8 years	5 to 8 years	2 to 5 years	Less than 2 years	
Management and professionals	5	4	-	-	9
Technical and supervisory	4	6	6	2	18
Clerical and related operations	-	2	3	3	8
Technicians, machinists, designers	-	5	25	26	56
General workers	-	-	-	5	5
<b>Total</b>	<b>9</b>	<b>17</b>	<b>34</b>	<b>36</b>	<b>96</b>

## 6. INFORMATION ON THE SANICHI GROUP *(Cont'd)*

### 6.4 SUBSIDIARY COMPANIES

#### 6.4.1 Information on SPMSB

##### (i) History and business

SPMSB was incorporated in Malaysia under the Act as a private limited company on 25 February 2000 and it commenced business in September 2000.

SPMSB is principally engaged in the design and fabrication of precision moulds and tooling. SPMSB carries several APIM and CPIM products and supports the post-sales services of the Sanichi Group. Details of products and services are outlined in Section 6.3.2 of this Prospectus.

The history of SPMSB is found in Section 6.1.1 of this Prospectus.

##### (ii) Share capital

As at the date of this Prospectus, the authorised and issued and paid-up share capital of SPMSB is as follows:

	RM
<b>Authorised</b>	
500,000 ordinary shares of RM1.00 each	500,000
<b>Issued and paid-up</b>	
350,000 ordinary shares of RM1.00 each	350,000

##### *Changes in share capital*

The changes in the issued and paid-up share capital of SPMSB since its incorporation are as follows:

Date of allotment	No. of ordinary shares allotted	Par value RM	Consideration	Total issued and paid-up share capital RM
25.02.2000	2	1.00	Cash (Subscribers' shares)	2
17.08.2000	49,998	1.00	Cash	50,000
14.12.2000	50,000	1.00	Cash	100,000
16.02.2001	50,000	1.00	Cash	150,000
08.05.2003	100,000	1.00	Cash	250,000
01.03.2004	100,000	1.00	Cash	350,000

As at the date of this Prospectus, SPMSB does not have any outstanding warrants, options, convertible securities and uncalled capital.

##### (iii) Substantial shareholder

As at the date of this Prospectus, SPMSB is a wholly-owned subsidiary of Sanichi.

##### (iv) Subsidiary and associated company

As at the date of this Prospectus, SPMSB does not have any subsidiary or associated companies.

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**6. INFORMATION ON THE SANICHI GROUP (Cont'd)**


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**6.4.2 Information on APSB****(i) History and business**

APSB was incorporated in Malaysia under the Act as a private limited company on 5 July 2004 and is targeted to commence operations in the second half of 2006.

APSB's principal activity is the design and fabrication of precision moulds and tooling.

**(ii) Share capital**

As at the date of this Prospectus, the authorised and issued and paid-up share capital of APSB is as follows:

	<b>RM</b>
<b>Authorised</b>	
100,000 ordinary shares of RM1.00 each	100,000
<b>Issued and paid-up</b>	
2 ordinary shares of RM1.00 each	2.00

***Changes in share capital***

There have been no changes in the issued and paid-up share capital of APSB since its incorporation.

As at the date of this Prospectus, APSB does not have any outstanding warrants, options, convertible securities and uncalled capital.

**(iii) Substantial shareholder**

As at the date of this Prospectus, APSB is a wholly-owned subsidiary of Sanichi.

**(iv) Subsidiary and associated company**

As at the date of this Prospectus, APSB does not have any subsidiary or associated companies.

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**6. INFORMATION ON THE SANICHI GROUP (Cont'd)****6.5 MAJOR CUSTOMERS**

The major customers (each contributing more than 10% of revenue for the respective financial years/period) of the Group for the FYE 30 June 2003 to 2005 and for the eight (8)-months period ended 28 February 2006 are as follows:

Name of Major Customer	Country	Length of Relationship (years)	Revenue Contribution		Type of Product Sold
			RM'000	Percentage of total revenue	
<b>FYE 30 June 2003</b>					
EW Plastic Sdn Bhd	Malaysia	6	767	12.6%	APIM and CPIM
Mitsubishi Electric (M) Sdn Bhd	Malaysia	6	715	11.8%	APIM and CPIM
Tylon (M) Sdn Bhd	Malaysia	6	935	15.4%	APIM and CPIM
<b>FYE 30 June 2004</b>					
Katecs Singapore Pte Ltd	Singapore	6	1,355	14.2%	APIM and CPIM
Shimano	Malaysia	6	1,012	10.6%	APIM and CPIM
Mitsubishi Electric (M) Sdn Bhd	Malaysia	6	966	10.1%	APIM and CPIM
<b>FYE 30 June 2005</b>					
Geneq Corporation	Japan	6	2,944	19.6%	APIM and CPIM
SMM	Malaysia	6	1,691	11.3%	APIM and CPIM
<b>Eight (8)-month period ended 28 February 2006</b>					
Geneq Corporation	Japan	6	2,576	19.0%	APIM and CPIM
SMM	Malaysia	6	1,960	14.5%	APIM and CPIM

The Group is not dependent on any single customer as the Group's major customers over the financial years/period under review have been varied. There is no long-term contract entered into by the Group with its customers due to the nature of the industry it is operating in. Notwithstanding the above, the Group believes that its ability to produce innovative and quality moulds has enabled the Group to receive repeat orders from its customers which is the situation with Geneq Corporation and Sharp Manufacturing Corporation (M) Sdn Bhd as seen in the table above.

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**6. INFORMATION ON THE SANICHI GROUP (Cont'd)****6.6 MAJOR SUPPLIERS**

The major suppliers (each supplying more than 10% of purchases for the respective financial years/period) of the Group for the FYE 30 June 2003 to 2005 and for the eight (8)-months period ended 28 February 2006 are as follows:

Name of Major Supplier	Country	Length of Relationship (years)	Purchases Contribution		Raw material acquired
			RM'000	Percentage of total purchases	
<b>FYE 30 June 2003</b> Leong Jin Corporation (JB) Sdn Bhd	Malaysia	6	319	13.1%	Mould base
<b>FYE 30 June 2004</b> Leong Jin Corporation (JB) Sdn Bhd	Malaysia	6	388	11.5%	Mould base
<b>FYE 30 June 2005</b> -	-	-	-	-	-
<b>Eight (8)-month period ended 28 February 2006</b> High-Tech Machine Tools Sdn Bhd	Malaysia	6	862	16.9%	Ejector pins / blade

As shown in the table above, the Group is not dependent on any single supplier with only three (3) instances of the Group procuring more than 10% of total purchases from a particular supplier for the financial years/period under review. The Group procures its raw materials, which are easily available, locally and has a wide choice of suppliers who are able to provide raw materials at similar purchase terms.

**6.7 MILESTONES AND KEY ACCOMPLISHMENTS**

The milestones of the business of the Sanichi Group and its accomplishments to-date are detailed as follows:

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 BITM. However, sales of moulds are direct to its subcontractor namely, Katecs Singapore Pte Ltd.



## 6. INFORMATION ON THE SANICHI GROUP (Cont'd)

Year	Event
May 2002	In May 2002, it successfully developed the advanced MGM which was sold to the sub-contractor 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.
February 2003	Commenced designing and fabricating moulds for 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.
	SPMSB successfully designed and developed the MPM.
April 2003	SPMSB developed the RCM which was designed for BITM and delivered to its subcontractor for the injection moulding process.
	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.
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	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.  For the eight (8)-months period ended 28 February 2006, SPMSB has received orders amounting to RM1.14 million directly from PCC.
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.

**6. INFORMATION ON THE SANICHI GROUP (Cont'd)**

<b>Year</b>	<b>Event</b>
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.
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.

**6.8 FUTURE PROSPECTS OF THE GROUP**

The Sanichi Group intends to expand into new markets locally and abroad. The market appears promising as the demand for electronic and automotive products is expected to remain the driver of economic growth regionally.

In addition, the APIM market in the Asia Pacific region – namely Japan, Singapore, Thailand and Indonesia – suggests that the outlook for exports for 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 the consumption of plastic injection moulds were mainly driven by both the electronics and automotive industries. As the rise in both electronic and automotive industries in these countries take place, the consumption and demand for APIM is expected to rise accordingly.

*(Source: Frost & Sullivan Report)*

The Group believes that, with its strong R&D capabilities and high-end technostructure facilities coupled with close relationships with major MNCs, the Group will be able to remain competitive and stay ahead of local and foreign competitors.

The Group is of the view that, based on the industry prospects which takes into account competition and its future plans as set out in Section 5 and 7 of this Prospectus respectively, the future appears to be bright for the Group given the rapid changes in technology and increasing demand from consumers for innovative and technologically advanced products such as plasma audiovisual, entertainment and mobile telecommunication devices.

## 6. INFORMATION ON THE SANICHI GROUP (Cont'd)

### 6.9 APPROVALS, LICENCES AND PERMITS

#### 6.9.1 Approvals, Licences and Permits from Authorities

The approvals, major licences and permits held by the Group required for the purposes of conducting its business are listed below:

Licences	Approving authority	Approval period	Salient conditions	Company	Status of compliance
SPMSB Business Licence for the year 2006	Majlis Perbandaran Johor Bahru Tengah	Up to 31 December 2006	Not applicable.	SPMSB	Not applicable.
Manufacturing License applied under Industrial Co-Ordination Act, 1975	MIDA (letter dated 14.7.2004)	Not applicable	<p>The approval is subject to the following conditions:</p> <p>(a) The manufacturing site is located at PLO 135, Senai Industrial Estate III, 81400 Senai, Johor Darul Takzim, which is subject to the approval by relevant State Authority and the Department of Environment ("DOE").</p> <p>(b) Sale of shares in the Company shall be notified to MITI.</p> <p>(c) The Company shall train Malaysian citizens so that technology and expertise is transferred at all levels of employment.</p> <p>(d) The Company shall implement its project as approved subject to the conditions as stated above and in accordance with laws and regulations applicable in Malaysia.</p>	SPMSB	<p>Complied.</p> <p>Approval from DOE not required as SPMSB's operations does not produce toxic waste or discharge.</p> <p>Complied.</p> <p>Complied.</p> <p>Complied.</p>

**6. INFORMATION ON THE SANICHI GROUP (Cont'd)**

**6.9.2 Software Licences**

The major software licences held by the Group required for the purposes of conducting its business are listed below:

Licences	IT solutions provider	License date	Company	Status of license
<b>SPMSB</b> Cimatron E 3D CAD/CAM system (Version 3.1)	Saeilo Japan, INC	16 May 2003	SPMSB	In use
(1) UG10795, UG NX Mold Design Bundle; and (2) UG10000-WISD, CD Media	ISI-Dentsu (Malaysia) Sdn Bhd	26 June 2003	SPMSB	In use

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**6. INFORMATION ON THE SANICHI GROUP (Cont'd)**

**6.10 PROPERTIES**

**6.10.1 Landed Properties**

The details of the landed properties owned by the Sanichi Group as at the date of this Prospectus are set out below:

Title/Address/ Location	Registered/ Beneficial Owner	Approximate Age of Building (years) / Date of Certificate of Fitness for Occupation	Description and Existing Use	Express Conditions / Restrictions in Interest	Encumbrances	Built-up Area (sq. ft.)	Land Area (sq. ft.) / Tenure (years)	NBV as at the Latest Practicable Date (RM'000)
H.S.(D) 160319, PTD 44617, Mukim Pulai, District of Johor Bahru, State of Johor Darul Takzim  <i>Bearing postal address:</i> 26, Jalan Perdagangan 16, Taman Universiti Park, 81300 Skudai, Johor Darul Takzim	SPMSB	12 years / 8 January 1994	Two-storey building for light industrial purposes	"Land shall be utilised for a permanent double-storey factory for the purpose of light industry, which must be built according to the plans approved by the local authorities, all waste and pollutants arising from such activities must be channelled/dispensed to locations designated by the relevant authorities and all policies and conditions imposed and enforced from time to time by the relevant authorities must be adhered to".  <i>"The land herein contained shall not be transferred by whatsoever means except after the commencement of construction of the factory as stated in the express condition hereof in accordance with the plans approved by the relevant local authority."</i>	(i) First Charge in favour of RHB Bank Berhad (Presentation No. 21034/2001) with Power of Attorney: 11260/1997  (ii) Second Charge in favour of RHB Bank Berhad (Presentation No. 21035/2001) with Power of Attorney: 11260/1997	7,039	6,000 / Freehold	473

6. INFORMATION ON THE SANICHI GROUP (Cont'd)

Title/Address/ Location	Registered/ Beneficial Owner	Approximate Age of Building (years) / Date of Certificate of Fitness for Occupation	Description and Existing Use	Express Conditions / Restrictions in Interest	Encumbrances	Built-up Area (sq. ft.)	Land Area (sq. ft.) / Tenure (years)	NBV as at the Latest Practicable Date (RM'000)
HS (D) 370623, PTD 86552, Mukim Senai- Kulai, District of Johor Bahru, State of Johor Darul Takzim	SPMSB	10 years / 8 January 1997	Two-storey building for industrial purposes	"Land shall be utilised as a medium industry area for the purpose of fabrication of plastic materials and items, all waste and pollutants arising from such activities must be channelled/disposed of at locations designated by the relevant authorities and all policies and conditions imposed and enforced from time to time by the relevant authorities must be adhered to."	(i) Charge in favour of United Overseas Bank Berhad (Presentation No. 71671/2005) with Power of Attorney: 65/2006  (ii) Charge in favour of United Overseas Bank Berhad (Presentation No. 71672/2005) with Power of Attorney: 65/2006	30,253	65,340 / Leasehold of 60 years expiring on 15 June 2064	3,315
<i>Bearing postal address:</i> PLO135, Senai Industrial Estate III 81400 Senai Johor Darul Takzim				"The land alienated herein shall not be sold, pledged, charged, leased or transferred by whatsoever means including the use of such agreements intending to dispose off/sell the land herein without the approval of the state authority."				

**6. INFORMATION ON THE SANICHI GROUP (Cont'd)**

All the buildings listed above have been issued with Certificate of Fitness for Occupation and they have complied with current statutory requirements, land rules or building regulations, save for the following:

<b>Details of non-compliance</b>	<b>Rectification</b>
(i) There are extensions to the property of SPMSB located at 26, Jalan Perdagangan 16, Taman Universiti Park, 81300 Skudai, Johor Darul Takzim ("Skudai Property"), which were erected without obtaining the necessary approval from the local authorities. The extensions, comprising a built-up wall, roofing and flooring were erected due to space constraints. The Skudai Property is presently rented out to a third party for plastic injection manufacturing.	The consultants appointed by SPMSB for the Skudai Property had, on 9 May 2006, submitted the building plans of the Skudai Property (incorporating the extensions) to the Majlis Perbandaran Johor Bahru Tengah for approval. As of the date of this Prospectus, SPMSB is awaiting a response from the said local authority.

**Acquisition of properties during the two (2) years preceding the date of this Prospectus**

There has been no acquisition of properties by the Group during the two (2) years preceding the date of this Prospectus.

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## 7. FUTURE PLANS AND STRATEGIES

The Sanichi Group aspires to be the leading designer and fabricator of plastic injection mould, especially for the APIM sector, in Malaysia, Europe and the ASEAN region. The Group will position itself as a mould design and fabrication specialist for both APIM and CPIM. The Group is cognisant of the importance of R&D in ensuring the continual success of the Group as the performance of the Group is dependent on constant improvement of current products and introduction of new and more innovative APIMs that have more superior characteristics compared to moulds from its competitors in the market.

In order to achieve the abovementioned vision, the Sanichi Group had in October 2004 formulated a detailed business development plan to be pursued over five (5) years from 2005 to 2009 to maintain its competitive edge in the current business areas and to further broaden its customer base for continuous growth in sales.

A summary of the major business development plans of the Group is set out below:

### (i) Development of new APIM technology

The Group will continue to invest on R&D activities especially in the development of new APIM technology. The Group anticipates its share of the market to strengthen with its continued R&D of innovative mould designs and technologies for the consumer electronics, office automation, and telecommunications and fishing equipment industries. The Sanichi Group believes that further development of its APIM and other advanced mould design technologies will enable it to further expand its business. The Group's product development plan from 2005 to 2009 is set out in Section 6.3.3 of this Prospectus.

The Group will also leverage, to a certain extent, on the technical knowledge of its business associates to develop new APIMs. The Group will work with the major players in injection moulding technology to develop new mould designs as well as further modify them to enhance their performance.

### (ii) Geographical expansion

The Group has plans to expand into the central region of Malaysia by setting up a sales and service centre in Selangor by the second half of 2006. The Group will set up operations in Indonesia and Thailand by the FYE 30 June 2007 mainly on mould modification and repair services. The Group also plans to penetrate other regional markets such as Thailand and Vietnam. The timeline for the Group's entry into the aforesaid overseas markets is as follows:

Country	FYE 30 June
Thailand	2007
Vietnam	2007

The Group plans to set up an international engineering service task force in order to increase the level of collaboration with its customers in terms of technology and product design. This will translate into stronger bonding with the client and hence, the Group will be able to obtain feedback on its product as well as keep abreast with the latest developments.

The Group also plans to enter into strategic alliances with local operators in countries where the Group has no operations such as Europe and Japan. The Group believes that such strategic alliances will increase the market demand for its products.



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**7. FUTURE PLANS AND STRATEGIES (Cont'd)**

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**(iii) Industrial diversification**

The Group plans to venture into upstream diversification by providing rapid prototyping service in order to compliment its design and fabrication operations. Rapid prototyping will enable the Group to be involved from the onset of the planning and designing of the end-product even prior to the mould being designed.

The Group also plans to further increase its market share in the automotive and semiconductor industries. The Group believes that these two (2) industries have vast opportunity in the future given the advent of technology and increasing consumer demand.

**(iv) Development of human resources**

The Group also intends to employ additional experienced and qualified employees in R&D, production, sales and marketing. This would enable the Group to further enhance its ability to develop new products and shorten the product development cycle and hence achieve its R&D objectives. Continuous staff training and development is emphasised to enable the key technical staff to keep abreast with new technology and development of skills and expertise.

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## 8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL

### 8.1 PROMOTERS

#### 8.1.1 Particulars and Shareholdings of the Promoters

The Promoters and their shareholdings in Sanichi before and after the Public Issue are as follows:

Name	Designation	Nationality	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	%
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 Lec	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	-	-

**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> Inclusive of subscription of Pink Form Shares.

#### 8.1.2 Background Information and Profiles of Promoters

The promoters of Sanichi, namely Dato' Dr Pang Chow Huat, Datin Chen Choon Lee and Gwee Kok Ling, are also the directors of Sanichi. Their profiles are set out in Section 8.4.2 of this Prospectus.

#### 8.1.3 Directorships and Substantial Shareholdings of Promoters in Other Public Corporations for the Past Two (2) Years`

As at the date of this Prospectus, none of the promoters has any directorships and/or substantial shareholdings (holding 5% equity interest or more) in other public corporations incorporated in Malaysia for the past two (2) years.

#### 8.1.4 Experience of Promoters in the Industry`

The experience of the Promoters in the mould and die industry is set out in their profiles which appear in Section 8.4.2 of this Prospectus.

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## 8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)

### 8.2 SUBSTANTIAL SHAREHOLDERS

#### 8.2.1 Particulars and Shareholdings of the Substantial Shareholders

The substantial shareholders (holding 5% or more in the share capital) and their shareholdings in Sanichi before and after the Public Issue are as follows:

Name	Designation	Nationality	Before the Public Issue				After the Public Issue*			
			<-----Direct----->		<-----Direct----->		<-----Direct----->		<-----Direct----->	
			No. of Sanichi	%	No. of Sanichi	%	No. of Sanichi	%	No. of Sanichi	%
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

**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.

#### 8.2.2 Background Information and Profiles of Substantial Shareholders

The profiles of Dato' Dr Pang Chow Huat, Datin Chen Choon Lee and Gwee Kok Ling, who are also directors of Sanichi are set out in Section 8.4.2 below. The background information on Stalied Resources is as follows:

Stalied Resources was incorporated in Malaysia under the Act as a private limited corporation on 24 April 2004. The company is principally a general trading company. The capital structure of Stalied Resources as at the date of this Prospectus is as follows:

	No. of shares	Par value (RM)	Total (RM)
Authorised share capital	100,000	1.00	100,000
Issued and paid-up capital	2	1.00	2

As at the date of this Prospectus, the directors and substantial shareholders of Stalied Resources and their respective shareholdings therein before and after the Public Issue are set out below:

Director and substantial shareholder	Nationality	Before the Public Issue				After the Public Issue			
		<---- Direct ---->		<---- Indirect ---->		<---- Direct ---->		<---- Indirect ---->	
		No. of shares held	%	No. of shares held	%	No. of shares held	%	No. of shares held	%
Tan Geok Moi	Malaysian	1	50.00	-	-	1	50.00	-	-
Ng Mee San	Malaysian	1	50.00	-	-	1	50.00	-	-

## 8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)

### 8.2.3 Directorships and Substantial Shareholdings of Substantial Shareholders in Other Public Corporations for the Past Two (2) Years

As at the date of this Prospectus, none of the substantial shareholders has any directorships and/or substantial shareholdings (holding 5% equity interest or more) in other public corporations incorporated in Malaysia for the past two (2) years.

### 8.3 CHANGES IN THE PROMOTERS AND SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS IN SANICHI FOR THE PAST THREE (3) YEARS

The table below sets forth the changes in the promoters and substantial shareholders' shareholdings in the Company from the date of its incorporation to the date of this Prospectus:

Name	As at incorporation on 5 August 2004		As at 20 June 2006 <sup>^</sup>		As at 22 June 2006 <sup>@</sup>		As at the date of this Prospectus			
	Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect		
	No. of ordinary shares of RM1.00 held	%	No. of ordinary shares of RM1.00 held	%	No. of Sanichi Shares held	%	No. of Sanichi Shares held	%		
<b>Promoters</b>										
Dato' Dr Pang Chow Huat	-	-	57,270,000	69.00	4,980,000 <sup>+</sup>	6.00	57,270,020	69.00	4,980,000 <sup>+</sup>	6.00
Datin Chen Choon Lee	-	-	4,980,000	6.00	57,270,000 <sup>#</sup>	69.00	4,980,000	6.00	57,270,020 <sup>#</sup>	69.00
Gwee Kok Ling	-	-	4,150,000	5.00	-	-	4,150,000	5.00	-	-
<b>Substantial shareholders</b>										
Dato' Dr Pang Chow Huat	-	-	57,270,000	69.00	4,980,000 <sup>+</sup>	6.00	57,270,020	69.00	4,980,000 <sup>+</sup>	6.00
Datin Chen Choon Lee	-	-	4,980,000	6.00	57,270,000 <sup>#</sup>	69.00	4,980,000	6.00	57,270,020 <sup>#</sup>	69.00
Gwee Kok Ling	-	-	4,150,000	5.00	-	-	4,150,000	5.00	-	-
Stallied Resources	-	-	16,600,000	20.00	-	-	16,600,000	20.00	-	-
Tan Geok Moi	-	-	-	-	16,600,000 <sup>*k</sup>	20.00	-	-	16,600,000 <sup>*k</sup>	20.00
Ng Mee San	-	-	-	-	16,600,000 <sup>*k</sup>	20.00	-	-	16,600,000 <sup>*k</sup>	20.00

## 8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)

### Notes:

- ^ Being the date of completion of the Share Split and Acquisitions.  
 @ Being the date of acquisition of 20 subscriber shares from Choong Lee Hah and Ng Kim Leei.  
 # Deemed interest by virtue of the direct interest of her spouse, Dato' Dr Pang Chow Huat.  
 + Deemed interest by virtue of the direct interest of his spouse, Datin Chen Choon Lee.  
 & Deemed interest by virtue of her interest in Stalied Resources pursuant to Section 6A of the Act.

## 8.4 DIRECTORS

### 8.4.1 Particulars and Shareholdings of the Directors

The Directors of the Company and their shareholdings in Sanichi before and after the Public Issue are as follows:

Name	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	%
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	-	-	-	-	-	-	-	-

### 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' Pang Chow Huat.  
<sup>\*</sup> Inclusive of subscription of Pink Form Shares.

### 8.4.2 Background Information and Profiles of Directors

The profiles of the Directors in Sanichi are set out as follows:

**Dato' Dr Pang Chow Huat**, aged 33, a Malaysian, is the founder and Chairman/Managing Director of Sanichi and was appointed to the Board on 20 June 2006. He is currently responsible for the overall strategy and direction of the Group as well as client relationship management. He is the pioneer of the Group and has more than fourteen (14) years of precision engineering experience in the plastic mould and tool industry. He was conferred a Doctor of Philosophy in Design Technology from the InterAmerican University, Washington D.C. in December 2005. He began his career in 1991 as an apprentice with a local company which specialises in the fabrication of plastic moulds and die as well as plastic injection moulding, and progressed to Mould Fabrication Department Manager after two (2) years. In 1993, he left to join a leading plastic injection mould manufacturer in Singapore as Head of the Mould Fabrication Department. In 1996, with his in-depth knowledge in plastic moulding and fabrication, he began his entrepreneurial pursuit when he founded a sole proprietorship, Sanichi Precision Industries, specialising in the servicing and repair of moulds and tools.

## 8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (*Cont'd*)

As the majority of moulds and tools being serviced and repaired originated from Germany, England and Japan, he was able to gain extensive exposure to the advanced design and technology of foreign-made precision moulds and parts which are far ahead of local products. In February 2000, he established SPMSB and ventured into the design, engineering and fabrication of plastic moulds and tools, with a strategic emphasis on creating a competitive edge in advanced precision mould products through R&D. As the Managing Director of SPMSB, he was instrumental in building the company to become one of the prominent players in the market. His client relationship management, networking ability and credibility in the industry has contributed to his success. He is also the initiator for many of the in-house developed solutions in SPMSB, which is attributed to his hands-on technical know-how garnered in his years of working in the industry.

**Datin Chen Choon Lee**, aged 33, a Malaysian, is an Executive Director of Sanichi and was appointed to the Board on 20 June 2006. With more than fourteen (14) years of experience in account administration and management within a manufacturing environment, she is currently responsible for the overall supporting functions of the Group including finance, accounting, cash flow management, tax planning, human resource and administrative matters. She completed an Accounting Diploma from the London Chamber of Commerce and Industry from Maju Commercial Institute in 1993 and initiated her career with Oriental Audio Sdn Bhd as Assistant Accounts Executive. In 1994, she left to join Master Zip Sdn Bhd as Accounts Executive and was responsible for managing the day-to-day financial and accounting matters of the factory. In 1998, she joined Sanichi Precision Industries as Accounts Executive. In 2000, she joined SPMSB as Finance Director due to her familiarity with the precision moulds and tooling industry.

**Gwee Kok Ling**, aged 32, a Malaysian, is an Executive Director of Sanichi and was appointed to the Board on 20 June 2006. He has accumulated more than twelve (12) years of working experience in the mould and die industry, and is currently the Technical Director heading the R&D department and business development of the Group. He graduated from Singapore Polytechnic College with a Mechanical Engineering Diploma in 1994 and subsequently attained his Master in Business Administration from Heriot-Watt University, United Kingdom in 2002. He began his career in 1994 with Impact Insulation Pte Ltd as a Sales Engineer. In 1995, he entered into a partnership arrangement to form Flexi Components Sdn Bhd and was appointed as Product Development Manager to lead the design and development of die. He was also in charge of the production and operations of the company. Upon dissolution of the partnership, he joined AE Technology Sdn Bhd, a subsidiary of Kris Components Bhd, as Assistant Sales Manager in 1998. Kris Components Bhd is the Malaysia office of Amtek Engineering Ltd, which is known as one of the leading global supplier of components and products involving plastics, metal and rubber materials. Armed with a balanced exposure in the business and technical aspects of the mould and die industry, he joined SPMSB in late 2002 as a Business Development Manager and promoted to General Manager before rising up to Executive Director in 2004.

**Tan Sri Dato' Sri Abdul Halil bin Abdul Mutalif**, aged 60, a Malaysian, is an Independent Non-Executive Director of Sanichi and was appointed to the Board on 20 June 2006. He was formerly the Director-General of the Royal Malaysian Customs for five (5) years before he retired in October 2005. After graduating from University Malaya with a B.A. (Hons.) in History in 1970, he began his career as an Administrative and Diplomatic Service Officer and served at various government departments and ministries, where he held key positions. From 1990 to 2000, he was seconded to Langkawi Development Authority ("LADA") which was under the purview of the Ministry of Finance as General Manager. During the secondment to LADA, he was responsible for the overall development of the Langkawi islands. In 2000, he was subsequently seconded to the Royal Malaysian Customs to assume the position of Director-General of Customs. During his tenure as Director-General of the Royal Malaysian Customs, yearly revenue collections increased from RM16 billion prior to his appointment to RM25 billion upon his retirement. He also sits on the board of directors of several private limited companies.

**Lee Tuck Mun**, aged 36, a Malaysian, is an Independent Non-Executive Director of Sanichi and was appointed to the Board on 20 June 2006. He is currently managing the Finance and Accounts Division for BSJ Properties Sdn Bhd and Emas Jaya Properties Sdn Bhd. He has more than ten (10) years of working experience in public accounting and has extensive experience in auditing of manufacturing, property development, construction and trading industries. He is a member of the Malaysian Institute of Accountants and the Association of Certified Chartered Accountants, United Kingdom. He had previously held various managerial positions in a number of subsidiary companies of listed companies.

## 8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL *(Cont'd)*

### 8.4.3 Directorships and Substantial Shareholdings of Directors in Other Public Corporations for the Past Two (2) Years Preceding the Date Hereof

As at the date of this Prospectus, none of the Directors has any directorships and/or substantial shareholdings (holding 5% shareholdings or more) in other public corporations incorporated in Malaysia for the past two (2) years.

### 8.4.4 Directors' Remuneration and Material Benefits-in-Kind

The aggregate remuneration and material benefits-in-kind paid to the Directors of the Company for services rendered in all capacities for the FYE 30 June 2005 amounted to approximately RM290,000. For the FYE 30 June 2006, the amount payable to the Directors of the Company is estimated to be RM260,000.

The remuneration and benefits-in-kind received for the FYE 30 June 2005 and payable for the FYE 30 June 2006 are set out below:

Directors	Remuneration band	
	Proforma for FYE 30 June 2005	Estimated for FYE 30 June 2006
Dato' Dr Pang Chow Huat	RM100,000 to RM150,000	RM100,000 to RM150,000
Datin Chen Choon Lee	RM50,000 to RM100,000	RM50,000 to RM100,000
Gwee Kok Ling	RM100,000 to RM150,000	RM50,000 to RM100,000
Tan Sri Dato' Sri Abdul Halil bin Abdul Mutalif	-	-
Lee Tuck Mun	-	-

### 8.4.5 Directors' Term of Office

The Directors of the Company, namely Dato' Dr Pang Chow Huat, Datin Chen Choon Lee, Gwee Kok Ling, Tan Sri Dato' Sri Abdul Halil bin Abdul Mutalif and Lee Tuck Mun, were appointed on 20 June 2006. All Directors shall hold office until the next annual general meeting of the Company which will be held no later than 30 December 2006 and shall be eligible for re-election.

In accordance with the Company's Articles of Association, one third (1/3) of the Board, shall retire by rotation at each Annual General Meeting provided that all the Directors shall retire from office once every three (3) years. These retiring Directors shall be eligible for re-election. The Board may appoint one or more of their body to the office of Managing Director/Deputy Managing Director for a term of not exceeding five (5) years at a time. The Managing Director/Deputy Managing Director shall be subject to retirement by rotation or be taken into account in determining the rotation of retirement of Directors but his appointment shall be automatically determined if he ceases from any cause to be a Director.

## 8.5 AUDIT, REMUNERATION AND NOMINATION COMMITTEE

### 8.5.1 Audit Committee

The Company has set up an audit committee which comprises the following members:

Name	Designation	Date of appointment	Directorship
Tan Sri Dato' Sri Abdul Halil bin Abdul Mutalif	Chairman	20 June 2006	Independent Non-Executive Director
Lee Tuck Mun	Member	20 June 2006	Independent Non-Executive Director
Gwee Kok Ling	Member	20 June 2006	Executive Director

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**8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)**

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The Audit Committee's functions are as follows:

- (a) to review the following and report the same to the Board:
  - (i) with the external auditors, the audit plan;
  - (ii) with the external auditors, the evaluation done by the Audit Committee of the system of internal controls;
  - (iii) with the external auditors, the audit report;
  - (iv) the assistance given by the Company's employees to the external auditors; and
  - (v) any related party transaction and conflicts of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions or management integrity.
- (b) to consider the appointment of the external auditor, the audit fee and any questions of resignation or dismissal;
- (c) to discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure coordination where more than one audit firm is involved;
- (d) to review the quarterly and year-end financial statements of the Company, focusing particularly on:
  - (i) any changes in accounting policies and practices;
  - (ii) significant adjustment arising from the audit;
  - (iii) the going concern assumption; and
  - (iv) compliance with accounting standards and other legal requirements;
- (e) to discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of management where necessary);
- (f) to review the external auditor's management letter and management's response;
- (g) to do the following where an internal audit function exists:
  - (i) review the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;
  - (ii) to review the internal audit programme and results of the internal audit process and where necessary, ensure that appropriate action is taken on the recommendations of the internal audit functions;
  - (iii) review any appraisal or assessment of the performance of members of the internal audit function;
  - (iv) approve any appointments or termination of senior staff members of the internal audit function; and
  - (v) inform itself of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- (h) to consider the major findings of internal investigations and management's response;
- (i) to consider other areas as defined by the Board; and
- (j) to perform any other functions or responsibilities as may be required of them as prescribed by the Securities Exchange or any other relevant authority from time to time.



## 8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (*Cont'd*)

### 8.5.2 Remuneration Committee

The members of the Company's Remuneration Committee are as follows:

<b>Name</b>	<b>Designation</b>	<b>Date of appointment</b>	<b>Directorship</b>
Dato' Dr Pang Chow Huat	Chairman	20 June 2006	Chairman/Managing Director
Tan Sri Dato' Sri Abdul Halil bin Abdul Mutalif	Member	20 June 2006	Independent Non-Executive Director
Lee Tuck Mun	Member	20 June 2006	Independent Non-Executive Director

The Remuneration Committee is responsible for recommending to the Board the remuneration of the Executive Directors, Non-Executive Directors, senior management and executive staff in all form.

### 8.5.3 Nomination Committee

The members of the Company's Nomination Committee are as follows:

<b>Name</b>	<b>Designation</b>	<b>Date of appointment</b>	<b>Directorship</b>
Dato' Dr Pang Chow Huat	Chairman	20 June 2006	Chairman/Managing Director
Tan Sri Dato' Sri Abdul Halil bin Abdul Mutalif	Member	20 June 2006	Independent Non-Executive Director
Lee Tuck Mun	Member	20 June 2006	Independent Non-Executive Director

The duties of the Nomination Committee are as follows:

- (i) recommend to the Board, candidates for all directorships and senior management for operations, corporate and finance departments. In making the recommendations, the Nomination Committee should also consider candidates proposed by the Managing Director, and within the bounds of practicability, by any other senior executive, Director or shareholder;
- (ii) review annually the required mix of skills and experience of the Board, including the core competencies which non-executive directors should bring to the Board; and
- (iii) assess annually the effectiveness of the Board as a whole, the Nomination Committee of the Board and the contribution of each of the individual Directors.

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## 8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL *(Cont'd)*

### 8.6 KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL

The management team is headed by Dato' Dr Pang Chow Huat and other Executive Directors. They are supported by a team of experienced management and technically competent personnel.

#### 8.6.1 Particulars and Shareholdings of the Key Management and Key Technical Personnel

The key management and key technical personnel and their shareholdings in Sanichi before and after the Public Issue are as follows:

Name	Designation	Nationality	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	%
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	-	-

**Note:**

\* Inclusive of subscription of Pink Form Shares.

#### 8.6.2 Background Information and Profiles of Key Management and Key Technical Personnel

**Su Ming South**, aged 32, a Malaysian, is the Tool Room Manager of SPMSB. After leaving secondary school, he started working as an apprentice mould maker at First Mould Industries Sdn Bhd in 1994. When the company ceased operations in 1998, he joined a mould fabrication firm in Batu Pahat, named Goodhart Industries Sdn Bhd, as a mould supervisor and led a team of five (5) mould makers on the mould fabrication processes. He then joined SPMSB in 2000 as Senior Mould Supervisor. During a period of three (3) years, he led three (3) supervisors and was in charge of the mould fabrication process and the mould completion schedule. He was also responsible for liaising with engineers on mould rectification and modification. In 2004, he was promoted to Assistant Manager in the Mould Fabrication Department of the Sanichi Group and was promoted to Tool Room Manager in 2006. The career advancement extended his responsibilities to include management of the tool room and liaising with customers on the technical specifications of moulds.

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**8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)**

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**Pang Chow Siong**, aged 29, a Malaysian, is the R&D Programme Senior Manager of SPMSB. After leaving secondary school in 1996, he began his career as a lift-testing technician at Chevalier Pte Ltd in Singapore where he acquired technical skills on structural mechanics analysis over a period of four (4) years. He left Singapore and joined SPMSB in 2000 as a CAD/CAM programmer. In 2001, he was promoted to Programming Assistant Manager to lead CAD/CAM programming. In 2002, he had independently set-up the CNC Milling Department in SPMSB and was subsequently promoted to lead both the Programming Department and CNC Milling Department.

**Ng Kim Fatt**, aged 30, a Malaysian, is the R&D Design Manager of SPMSB. After leaving secondary school, he began his career as a mould designer at First Mould Industries Sdn Bhd in 1996 where he picked up skills and knowledge in basic mould structure design. When the company ceased operations in 1998, he joined ATA Precision Mould Sdn Bhd in 1998 as an Assistant Design Manager of the Design Department and was responsible for areas of project management and mould design feasibility. In 1999, he left and joined Sanichi Precision Industries. As part of his career advancement, he proceeded to Excellence Mould Sdn Bhd as Marketing and Design Manager in 2002, where he was exposed to technical aspects of the development of mould designs. In 2003, he joined SPMSB as R&D Design Assistant Manager to lead the design initiation of the R&D team. His role is to innovate new mould design structures and new mould functionality with leverage on technology, methodology and technical know-how.

**Koo Yoon Sin**, aged 38, a Malaysian, is the R&D Engineering Manager of SPMSB. He completed his secondary education in 1986 and graduated from the Precision Engineering Institute, Singapore in 1989 before he began his career in mould fabrication at Koei Tool Pte Ltd. He was the head of the EDM Department and was responsible for daily EDM job arrangement and schedule management. In 1996, he left to join Heng Huat Precision Plastic Pte Ltd as a supervisor to oversee the overall operations of mould fabrication. He proceeded to Meiban Tooling Pte Ltd in 2001 as a superintendent when the previous company relocated to Indonesia. In 2002, he left Singapore and join SPMSB as a R&D Engineer. His role was mainly to engage in mould testing, mould function analysis, rectification and modification. He was promoted to R&D Engineering Assistant Manager in 2003 and to R&D Engineering Manager in 2006 to lead R&D activities in mould function, production and engineering processes.

**Hoo Hie Leng**, aged 34, a Malaysian, is currently the Business Development Manager of SPMSB and has been with SPMSB since 2003. As the Business Development Manager, she is involved in the marketing of the Group's products to potential customers and handling customer service matters. She is also responsible for the Group's dealings with government departments such as the Royal Malaysian Customs and is the Document Controller for the ISO 9001/2000 Quality Management System. After completing her Cambridge International A Level studies in 1990, she started her career with OCBC Bank in Singapore as a Special Grade Clerk (Confidential Assistant). Between 1993 and 2000, she worked as a Bank Officer in the Trade Services Department of Fleet Bank Boston, NA in Singapore. She then joined Petrochemicals (M) Sdn Bhd as Credit Controller in 2000 before leaving to join G.B. Global Group Sdn Bhd as Sales/Marketing Executive in 2002 where she stayed until she joined SPMSB.

**Hu Kwong Teck**, aged 35, a Malaysian, is the Factory Manager of SPMSB. He oversees the day-to-day running of Sanichi's factory in Senai, Johor which include duties such as ensuring the viability of R&D on mould designs, mould fabrication and mould engineering functions. He graduated from the Federal Institute of Technology, Kuala Lumpur with a Diploma in Mechanical Design in 1992 and had obtained a Professional Certificate in Management from Malaysia Institute of Training and Development, Johor Bahru in 1997. He commenced his career with Metechnic Sdn Bhd in 1994 where he reached the position of Chief Designer prior to his resignation in 1999. He then joined Acot Technologies Ltd as an Engineering Manager from 1999 to 2001. In 2002, he had a short stint with Maxsoft Precision Sdn Bhd as Operations Manager before he joined Solid Design Innovations as a Consultant where he worked until 2004. He was with Meiban Industries Sdn Bhd as Engineering Manager for a year before joining SPMSB in December 2005.

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**8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)**

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**8.7 INVOLVEMENT OF EXECUTIVE DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL IN OTHER BUSINESSES/CORPORATIONS**

As at the date of this Prospectus, none of the executive directors, key management and key technical personnel of the Group are involved in other businesses or corporations, all of whom are involved full time in the business and operations of the Group.

**8.8 DECLARATIONS BY PROMOTERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL**

None of the Promoters, directors, key management or key technical personnel of the Group are or have been involved in any of the following events (whether inside or outside Malaysia):

- (i) a petition under any bankruptcy or insolvency laws filed (and not struck out) against such person or any partnership in which he was a partner or any corporation of which he was a director or key personnel;
- (ii) disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the managing of a corporation;
- (iii) charged and/or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;
- (iv) a judgement entered against him/her involving a breach of any law or regulatory requirement that relates to the securities or futures industry; and
- (v) the subject of any order, judgment or ruling of any court, government, or regulatory authority or body temporarily enjoining him from engaging in any type of business practice or activity.

**8.9 FAMILY RELATIONSHIPS**

Save for Dato' Dr Pang Chow Huat and Datin Chen Choon Lee who are husband and wife, and Dato' Dr Pang Chow Huat and Pang Chow Siong who are brothers, there are no family relationships or associations amongst the Promoters, substantial shareholders, Directors, key management and key technical personnel of the Group.

**8.10 SERVICE AGREEMENTS**

As at the date of this Prospectus, there are no existing service agreements entered into or proposed service agreements to be entered into between the Group and its Directors, key management or key technical personnel of the Group. All of the Group's employees have standard employment contracts.

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## 9. CONFLICT OF INTEREST AND RELATED PARTY TRANSACTIONS

### 9.1 INTEREST IN SIMILAR BUSINESS

None of the Directors or substantial shareholders of Sanichi and its subsidiaries has any interest, direct or indirect, in other businesses and corporations carrying on a similar trade as the Company or its subsidiaries.

### 9.2 RELATED PARTY TRANSACTIONS AND/OR CONFLICTS OF INTERESTS

Save as disclosed in Section 9.5 below, there were no related party transactions and/or conflicts of interests between the Sanichi Group and its substantial shareholders and/or Directors and/or persons connected with the substantial shareholders or Directors as defined under Section 122A of the Act and/or its key management and/or its key technical personnel in respect of the three (3) preceding FYE 30 June 2003 to 30 June 2005 and the subsequent financial period immediately preceding the date of this Prospectus.

### 9.3 TRANSACTIONS THAT ARE UNUSUAL IN THEIR NATURE OR CONDITIONS

There were no transactions that are unusual in their nature or conditions, involving goods, services, or tangible or intangible assets, to which the Group was a party in respect of the three (3) preceding FYE 30 June 2003 to 30 June 2005 and the subsequent financial period immediately preceding the date of this Prospectus.

### 9.4 OUTSTANDING LOANS MADE BY THE GROUP TO OR FOR THE BENEFIT OF RELATED PARTIES

As at the date of this Prospectus, there are no outstanding loans, including guarantees of any kind, made by the Sanichi Group to or for the benefit of related parties.

### 9.5 INTERESTS IN MATERIAL ASSETS ACQUIRED, DISPOSED OFF OR LEASED

Save as disclosed below, none of the Directors and/or substantial shareholders has any interest, direct or indirect, in the promotion of or in any material assets, acquired by, disposed off or leased to Sanichi or any of its subsidiary companies in respect of the three (3) preceding FYE 30 June 2003 to 30 June 2005 and the subsequent financial period immediately preceding the date of this Prospectus:

Name of transacting parties	Nature of transaction/ Date of completion	Name of interested director/substantial shareholder	Transaction value RM	Mode of consideration
Sanichi with Dato' Dr Pang Chow Huat, Datin Chen Choon Lee, Stalied Resources and Gwee Kok Ling	Acquisition of SPMSB by Sanichi/ 20 June 2006	<i>Interested Director:</i> Dato' Dr Pang Chow Huat, Datin Chen Choon Lee and Gwee Kok Ling  <i>Interested substantial shareholder:</i> Dato' Dr Pang Chow Huat, Datin Chen Choon Lee and Stalied Resources	8,300,000	83,000,000 Sanichi Shares issued at par

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**9. CONFLICT OF INTEREST AND RELATED PARTY TRANSACTIONS (Cont'd)**

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**9.6 DECLARATION BY EXPERTS**

As at the date of this Prospectus, Alliance does not have any equity interest in or financial relationship with Sanichi or any of its subsidiary companies that may give rise to a conflict of interests in its capacity as Adviser, Sponsor, Underwriter and Placement Agent to Sanichi in relation to its listing exercise.

As at the date of this Prospectus, Messrs Horwath does not have any equity interest in or financial relationship with Sanichi or any of its subsidiary companies that may give rise to a conflict of interests in its capacity as the Auditors and Reporting Accountants to Sanichi in relation to its listing exercise.

As at the date of this Prospectus, Messrs Shui-Tai does not have any equity interest in or financial relationship with Sanichi or any of its subsidiary companies that may give rise to a conflict of interests in its capacity as the solicitors for the listing exercise.

As at the date of this Prospectus, Frost & Sullivan does not have any equity interest in or financial relationship with Sanichi or any of its subsidiary companies that may give rise to a conflict of interests in its capacity as the Independent Market Researcher for the listing exercise.

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## 10. APPROVALS AND CONDITIONS

### 10.1 APPROVALS AND CONDITIONS BY AUTHORITIES

The Listing Exercise was approved by the SC (including approval under the FIC Guideline) on 31 March 2006 and 13 June 2006 and MITI on 18 October 2004, 25 May 2006 and 8 June 2006, subject to the following conditions:

Authority	Details of conditions imposed	Status of compliance																	
SC (including approval under the FIC Guideline)	<p><u>Letter dated 31 March 2006</u></p> <p>(i) The promoters of Sanichi should adhere to the moratorium condition on the disposal of shares as stated in paragraph 2.10 of the Listing Requirements of Bursa Securities for the MESDAQ Market (MMLR), as follows:</p> <table border="1"> <thead> <tr> <th rowspan="2"></th> <th colspan="2">Shares under moratorium</th> </tr> <tr> <th>No. of shares</th> <th>% of enlarged issued and paid-up capital</th> </tr> </thead> <tbody> <tr> <td>Dato' Dr Pang Chow Huat</td> <td>32,481,109</td> <td>38.67</td> </tr> <tr> <td>Datin Chen Choon Lee</td> <td>2,928,378</td> <td>3.49</td> </tr> <tr> <td>Gwee Kok Ling</td> <td>2,390,513</td> <td>2.85</td> </tr> <tr> <td></td> <td>37,800,000</td> <td>45.00</td> </tr> </tbody> </table> <p>(ii) In relation to the property, located at Lot No. PTD 44617, Mukim of Pulai, District of Johor Bahru, bearing the address 26, Jalan Perdagangan 16, Taman University Park, Skudai, Johor, Sanichi should -</p> <p>(a) rectify all structures which are yet to be approved by the relevant authority within 12 months of the date of SC's approval;</p> <p>(b) make quarterly announcement to Bursa Malaysia on the status of the application for approval/rectification work after the company is listed; and</p> <p>(c) update the SC on the status of the application for approval/rectification works every quarter until the approval is obtained/rectification works completed;</p> <p>(iii) Sanichi to meet the 30% Bumiputera equity requirement within 1 year after the company has achieved the profit track record requirement for listing on the Second Board of the Securities Exchange or 5 years after being listed on the MESDAQ Market, whichever is the earlier, in which the shares are to be allocated to Bumiputera investors approved by MITI;</p> <p>(iv) Alliance/Sanichi to submit to SC on how the company proposes to meet the Bumiputera equity condition six (6) months before the expiry date of compliance;</p>		Shares under moratorium		No. of shares	% of enlarged issued and paid-up capital	Dato' Dr Pang Chow Huat	32,481,109	38.67	Datin Chen Choon Lee	2,928,378	3.49	Gwee Kok Ling	2,390,513	2.85		37,800,000	45.00	<p>Please refer to condition (i) of the SC's approval letter dated 13 June 2006 disclosed below.</p> <p>Will be complied.</p> <p>Will be complied.</p> <p>An update dated 30 June 2006 has been sent to the SC on the status of application for approval.</p> <p>Will be complied.</p> <p>Will be complied.</p>
	Shares under moratorium																		
	No. of shares	% of enlarged issued and paid-up capital																	
Dato' Dr Pang Chow Huat	32,481,109	38.67																	
Datin Chen Choon Lee	2,928,378	3.49																	
Gwee Kok Ling	2,390,513	2.85																	
	37,800,000	45.00																	

## 10. APPROVALS AND CONDITIONS (Cont'd)

Authority	Details of conditions imposed	Status of compliance																	
	<p>(v) Alliance/Sanichi to submit the following information on the placees to SC with regard to the placement of shares in respect of the public issue:</p> <p>(a) Name of placees/ultimate beneficiaries for nominee company (if any);</p> <p>(b) Identification card/passport/company registration number;</p> <p>(c) Central Depository System number;</p> <p>(d) Home/business address;</p> <p>(e) Occupation/principal activities;</p> <p>(f) Date of listing of placement shares;</p> <p>(g) Number of placement shares allocated;</p> <p>(h) Issue price of the placement shares; and</p> <p>(i) Name of placement agent</p>	Will be complied.																	
	<p>(vi) Sanichi/Alliance should comply with other relevant requirements of the MMLR in relation to the implementation of the proposals; and</p>	Will be complied.																	
	<p>(vii) Upon completion of the flotation exercise, Sanichi/Alliance is required to confirm to the SC that Sanichi has complied with the relevant requirements as stipulated in the MMLR.</p>	Will be complied																	
	<u>Letter dated 13 June 2006</u>																		
	<p>(i) The revised moratorium on the shareholdings of Sanichi's promoters is as follows:</p>	Will be complied.																	
	<table border="1"> <thead> <tr> <th rowspan="2"></th> <th colspan="2">Shares under moratorium</th> </tr> <tr> <th>No. of shares</th> <th>% of enlarged issued and paid-up capital</th> </tr> </thead> <tbody> <tr> <td>Dato' Dr Pang Chow Huat</td> <td>43,891,160</td> <td>38.67</td> </tr> <tr> <td>Datin Chen Choon Lee</td> <td>3,925,347</td> <td>3.46</td> </tr> <tr> <td>Gwee Kok Ling</td> <td>3,258,493</td> <td>2.87</td> </tr> <tr> <td></td> <td>51,075,000</td> <td>45.00</td> </tr> </tbody> </table>		Shares under moratorium		No. of shares	% of enlarged issued and paid-up capital	Dato' Dr Pang Chow Huat	43,891,160	38.67	Datin Chen Choon Lee	3,925,347	3.46	Gwee Kok Ling	3,258,493	2.87		51,075,000	45.00	
	Shares under moratorium																		
	No. of shares	% of enlarged issued and paid-up capital																	
Dato' Dr Pang Chow Huat	43,891,160	38.67																	
Datin Chen Choon Lee	3,925,347	3.46																	
Gwee Kok Ling	3,258,493	2.87																	
	51,075,000	45.00																	
	<p>(ii) Alliance/Sanichi to fully comply with the earlier conditions as stipulated in the SC's letter dated 31 March 2006.</p>	Will be complied.																	



## 10. APPROVALS AND CONDITIONS (Cont'd)

Authority	Details of conditions imposed	Status of compliance
MITI	<u>Letter dated 18 October 2004</u>	
	(i) Sanichi is required to raise its Bumiputera equity to 30% of the enlarged issued and paid-up share capital within five (5) years after being listed on the MESDAQ Market or one (1) year after the company has achieved the profit track record requirement for listing on the Second Board of Bursa Malaysia, whichever is the earlier;	Will be complied.
	(ii) The allocation of shares to Bumiputera investors pursuant to item (i) is subject to the approval of MITI;	Will be complied.
	(iii) Sanichi to obtain the approval of the SC for the Listing Exercise and compliance with the FIC Guideline; and	Complied.
	(iv) Sanichi to obtain the approval of MESDAQ.	Complied.
	<u>Letter dated 25 May 2006</u>	
Conditions as per MITI's letter dated 18 October 2004 above were maintained.	See status for conditions (i) to (iv) of MITI's letter dated 18 October 2004 above.	
<u>Letter dated 8 June 2006</u>		
Conditions as per MITI's letter dated 25 May 2006 and 18 October 2004 above were maintained.	See status for conditions (i) to (iv) of MITI's letter dated 18 October 2004 above.	

The Securities Exchange had, vide its letter dated 14 July 2005 and 21 July 2006, granted its approval-in-principle on the admission to the Official List of the Securities Exchange and the listing and quotation of the entire enlarged issued and paid-up share capital of Sanichi of RM11,350,000 comprising 113,350,000 ordinary shares of RM0.10 each on the MESDAQ Market.

The Securities Exchange had imposed the following conditions in its letter dated 14 July 2005:

Authority	Conditions Imposed	Status of Compliance
Securities Exchange	(i) Approval of the SC being obtained and where there are conditions and/or variations imposed by the SC, compliance of the said conditions and/or variations in relation to the issuance and listing of the securities of the Company ("SC Approval");	The approval of the SC was obtained on 31 March 2006 and 13 June 2006. The conditions and variations imposed by the SC have been complied with, save for conditions relating to future events.
	(ii) In the event that the SC Approval affects or varies the issued and paid-up capital of Sanichi ("Variation"), compliance of the Variation with the MMLR.	The SC approved the Listing Exercise without imposing any variations to the issued and paid-up capital of Sanichi.

**10. APPROVALS AND CONDITIONS (Cont'd)****10.2 MORATORIUM ON THE SALE OF SHARES**

The SC, in approving the flotation of Sanichi on the MESDAQ Market, has imposed a moratorium on the disposal of shares held by the Promoters whereby the Promoters will not be allowed to sell, transfer or assign 51,075,000 Sanichi Shares representing 45% of the enlarged issued and paid-up capital of Sanichi for one (1) year from the date of admission of Sanichi to the Official List of the MESDAQ Market of the Securities Exchange. Thereafter, the Promoters are permitted to sell, transfer or assign up to maximum of one-third per annum of their respective shareholdings under moratorium on a straight line basis.

The restriction is specifically endorsed on the notices of allotment and the share certificates representing the respective shareholdings of the Promoters which are under moratorium to ensure that there is no trading and/or registration of these shares in compliance with the restriction imposed by the SC. The restriction is fully accepted by the Promoters and the public is deemed to have notice of this restriction.

The number of shares to be placed under moratorium in respect of each of the Promoters is as follows:

Promoter	Shareholdings after Public Issue		Shares to be held under moratorium	
	No. of Sanichi Shares	%*	No. of Sanichi Shares	%*
Dato' Dr Pang Chow Huat	57,920,020	51.03	43,891,160	38.67
Datin Chen Choon Lee	5,180,000	4.56	3,925,347	3.46
Gwee Kok Ling	4,300,000	3.79	3,258,493	2.87
<b>Total</b>	<b>67,400,020</b>	<b>59.38</b>	<b>51,075,000</b>	<b>45.00</b>

*Note:*

\* Based on the enlarged issued and paid-up share capital of 113,500,000 Sanichi Shares after the Public Issue.

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