

# **SANICHI TECHNOLOGY BERHAD**

Company No. 661826-K  
(Incorporated in Malaysia)

## **A. EXPLANATORY NOTES IN ACCORDANCE WITH FRS 134**

### **A1. Basis of Preparation**

The unaudited condensed interim financial statements for the first quarter ended 30 September 2009 have been prepared in accordance with the Financial Reporting Standards ("FRS") No. 134 - Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for the ACE Market ("ACE Listing Requirements"). The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of Sanichi Technology Berhad ("Sanichi" or "Company") and its subsidiary companies (collectively known as "Sanichi Group" or "Group") for the financial year ended ("FYE") 30 June 2009.

#### Changes in Accounting Policies

The accounting policies and presentations adopted by the Group for these interim condensed financial statements are consistent with the most recent audited financial statements for the FYE 30 June 2009 except for the adoption of FRS 8 Operating Segments during the financial period. The adoption of the FRS 8 only impacts presentation and disclosure. It does not have any financial impact on the Group.

Besides, the Group has changed the accounting estimation of economic useful lives of its plant and machineries with effect from 1<sup>st</sup> July 2009 in order to better reflect the economic useful lives of its plant and machineries. The change is a prospective adjustment in accordance with FRS 108.

### **A2. Seasonality or Cyclical Factors**

The Group's operations for the current quarter under review were not significantly affected by any seasonal or cyclical factors.

### **A3. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows**

During the quarter, there were no items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size or incidence.

### **A4. Material Change in Estimates**

There were no material changes in estimates of amounts reported in prior financial years that have a material effect on the results for the quarter under review.

### **A5. Issuances, Repurchases and Repayments of Debt and Equity Securities**

During the quarter, there were no issuances, repurchases and repayments of debt and equity securities.

## SANICHI TECHNOLOGY BERHAD

Company No. 661826-K  
(Incorporated in Malaysia)

### A6. Dividend Paid

There was no dividend paid during the quarter under review.

### A7. Segmental Information

The board views the Group has a single operation segment from the geographic perspective. The reportable segments are Malaysia and Thailand which both segments are in design and fabrication of precision moulds and tooling.

<b>The Group 30 September 2009</b>	<b>Malaysia RM'000</b>	<b>Thailand RM'000</b>	<b>Eliminations RM'000</b>	<b>Consolidated RM'000</b>
<b>Revenue</b>				
External sales	6,099	-	-	6,099
Inter segment sales	<u>925</u>	<u>-</u>	<u>(925)</u>	<u>-</u>
Total Revenue	<u>7,024</u>	<u>-</u>	<u>(925)</u>	<u>6,099</u>
<b>Results</b>				
Profit/(loss) from operations	1,972	-	-	1,972
Finance cost	(329)	-	-	(329)
Income from other investment	-	-	-	-
Profit before tax				<u>1,643</u>
Income tax expenses	(3)	-	-	<u>(3)</u>
Net profit for the period				<u>1,640</u>
<b>Other information</b>				
Additional of fixed assets	27	88	-	115
Depreciation and Amortisation	609	53	-	662
<b>Consolidated Balance Sheet Assets</b>				
Segment assets	51,534	1,581	-	53,115
Segment liabilities	30,315	1,758	-	32,073

## SANICHI TECHNOLOGY BERHAD

Company No. 661826-K  
(Incorporated in Malaysia)

<b>The Group</b> <b>30 September 2008</b>	<b>Malaysia</b> <b>RM'000</b>	<b>Thailand</b> <b>RM'000</b>	<b>Eliminations</b> <b>RM'000</b>	<b>Consolidated</b> <b>RM'000</b>
<b>Revenue</b>				
External sales	6,834	-	-	6,834
Inter segment sales	<u>378</u>	<u>-</u>	<u>(378)</u>	<u>-</u>
Total Revenue	<u>7,212</u>	<u>-</u>	<u>(925)</u>	<u>6,834</u>
<b>Results</b>				
Loss from operations	(105)	(42)	-	(147)
Finance cost	(404)	-	-	(404)
Income from other investment	-	-	-	<u>-</u>
Loss before tax				(551)
Income tax expenses	(67)	-	-	<u>(67)</u>
Net loss for the period				<u>(618)</u>
<b>Other information</b>				
Additional of fixed assets	2,479	157	-	2,631
Depreciation and Amortisation	1,193	78	-	1,271
<b>Consolidated Balance Sheet Assets</b>				
Segment assets	56,633	2,515	-	59,148
Segment liabilities	27,274	2,252	-	29,526

### Segment sales

	<b>Current Quarter 30.9.2009 RM'000</b>	<b>Preceding Year Corresponding Period to 30.9.2008 RM'000</b>
Malaysia	2,762	3,629
European countries	176	1,091
Other countries in Asia Pacific	3,161	2,114
	<u>6,099</u>	<u>6,834</u>

## **SANICHI TECHNOLOGY BERHAD**

Company No. 661826-K  
(Incorporated in Malaysia)

### **A8. Material Events Subsequent to the End of the Quarter under Review**

There was no material event subsequent to the end of the quarter under review up to the date of this report which has not been reflected in the financial statements for the quarter under review.

### **A9. Changes in the Composition of the Group**

There were no changes in the composition of the Group during the quarter under review.

### **A10. Changes in Contingent Liabilities or Contingent Assets**

There were no changes in contingent liabilities or contingent assets since the last annual balance sheet date up to the date of this report.

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## **SANICHI TECHNOLOGY BERHAD**

Company No. 661826-K  
(Incorporated in Malaysia)

### **B. ADDITIONAL INFORMATION REQUIRED BY ACE LISTING REQUIREMENTS (APPENDIX 9B)**

#### **B1. Review of Group's Results for the Current Quarter and Year-to-Date Ended 30 September 2009**

The Group recorded a revenue of RM6.099 million for the first financial quarter and year-to-date period ended 30 September 2009. Advance Precision Injection Mould ("APIM") contributed RM4.195 million, representing approximately 68.8% of the revenue for the quarter under review. The Group's profit before tax ("PBT") and profit after tax ("PAT") for the quarter was RM1.643 million and RM1.640 million respectively.

The Group's revenue of RM6.099 million for the quarter ended 30 September 2009 represents a decrease of approximately 10.8% as compared to the preceding year corresponding period. Despite the decline in revenue, the Group generated PBT and PAT of RM1.643 million and RM1.640 million respectively for the quarter ended 30 September 2009, as compared to a loss before tax ("LBT") of RM0.551 million and a loss after tax ("LAT") of RM0.618 million for the preceding year corresponding quarter ended 30 September 2008. The reasons for the improvement in the Group's financial performance were mainly due to the following:

- (a) The Group's total cumulative depreciation charge is RM0.654 million for the 3-month quarter ended 30 September 2009 as compared to RM1.264 million for preceding year corresponding quarter ended 30 September 2008; and
- (b) The Group had obtained better pricing for both automotive and electronic market following the competitive pricing strategy in the first half of the financial year ended 30 June 2009.

#### **B2. Variation of Results for the Current Quarter Ended 30 September 2009 against Immediate Preceding Quarter**

The Group recorded an increase of approximately 194% in its revenue to RM6.099 million for the quarter ended 30 September 2009 against RM2.075 million for the immediate preceding quarter ended 30 June 2009. As a result thereof, the Group registered a PBT of RM1.643 million for the quarter ended 30 September 2009 as compared to a LBT of RM10.810 million in the immediate preceding quarter ended 30 June 2009.

The increase in revenue by approximately RM4.024 million for the current quarter under review compared to preceding quarter ended 30 June 2009 was mainly due to the increase in demand from both the local and export sales in the automotive and electronics industries as a results of the recovery on the automotive and consumer electronic industries especially for Asia Pacific countries.

Besides, the results of the Group for the quarter under review have improved as compared to the preceding quarter due to the reasons highlighted in Section B1 above. The Group generated a better sales margin for the quarter under review as a result of the increase in the sales volume and that the Group managed to maintain its fixed overhead rate as compared to the previous quarter.

## **SANICHI TECHNOLOGY BERHAD**

Company No. 661826-K  
(Incorporated in Malaysia)

### **B3. Group's Prospects for FYE 30 June 2010**

The Group is confident that the results for the financial year ending 30 June 2010 will improve due to the market recovery. There has been an increase in demand from both the local and overseas market, both from consumer electronic industry and automotive industry. The encouraging sentiment is mainly due to recovery of the global economy which has seen returning confidence in the consumer market. It is expected that the sales of moulds and tooling to the consumer electronics industry will increase in the financial year ending 30 June 2010.

The Group expects that the increase in the prices such as oil, metal and copper recently might have impact the prices of major raw material costs. The Board of Directors of Sanichi will continue to monitor the cost cutting measures presently being undertaken by the management to improve the Group's results for the financial year ending 30 June 2010.

The Board is of the view that the Group's operational results for the next financial year will be satisfactory, barring any unforeseen circumstances.

### **B4. Variance of Profit Forecast**

The Group did not publish any profit forecast for the period/year under review.

## **SANICHI TECHNOLOGY BERHAD**

Company No. 661826-K  
(Incorporated in Malaysia)

### **B5. Tax Expenses**

Taxation comprises the following:-

	Individual quarter ended		Cumulative quarter ended	
	30 Sept 2009	30 Sept 2008	30 Sept 2009	30 Sept 2008
	RM'000	RM'000	RM'000	RM'000
In respect of the current period:-				
Current taxation	3	35	3	35
Deferred taxation	-	29	-	29
	<u>3</u>	<u>64</u>	<u>3</u>	<u>64</u>
In respect of the previous period:-				
Taxation	-	-	-	-
Deferred taxation	-	3	-	3
Net tax charge	<u>3</u>	<u>67</u>	<u>3</u>	<u>67</u>

The Group's effective tax rate for this quarter under review was lower mainly due to the Group has sufficient business losses to set-off current quarter profit. The tax expense for the cumulative year to date was incurred at the holding company.

### **B6. Profit/(Losses) on Sale of Unquoted Investments and Properties**

There was no disposal of unquoted investments and properties during the quarter under review and financial year-to-date.

### **B7. Purchase and Disposal of Quoted and Marketable Securities**

There was no purchase or disposal of quoted and marketable securities during the quarter under review and financial year-to-date.

## SANICHI TECHNOLOGY BERHAD

Company No. 661826-K  
(Incorporated in Malaysia)

### B8. Status of Corporate Proposals Announced

- (i) On behalf of the Board of Directors of Sanichi, MIMB Investment Bank Berhad (“MIMB”), had on 15 September 2009 announced that the Company proposed to undertake a private placement of up to 50,000,000 new ordinary shares of RM0.10 each in Sanichi representing approximately 44.05% of the existing issued and paid-up share capital of Sanichi (“Proposed Private Placement”).

Sanichi is currently still negotiating and finalising the terms and conditions with the identified places on the allocation of the placement shares.

Further to the above and on behalf of the Company, MIMB had on 13 November 2009 announced that the submission of the application to Bursa Malaysia Securities Berhad and the issuance of the circular to the shareholders of Sanichi for the Proposed Private Placement has been extended by a further two (2) months from 15 November 2009.

- (ii) Utilisation Of Proceeds Received From Public Issue

As at 30 September 2009, the status of utilisation of the gross proceeds of RM15.86 million raised from the public issue of 30,499,980 new ordinary shares of RM0.10 each in Sanichi at an issue price of RM0.52 per share in conjunction with the listing of Sanichi on the ACE Market of the Bursa Securities is as follows:

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Timeframe for Utilisation	Deviation Amount RM'000	%	Explanations
Capital expenditure	4,000	4,000	-	-	-	-
Research & Development (“R&D”)	2,000	1,782	By 7 September 2009*	218	11	(i)
Repayment of bank borrowings	4,000	4,000	-	-	-	-
Working Capital	4,160	4,160	-	-	-	-
Estimated Listing Expenses	1,700	1,700	-	-	-	-
<b>TOTAL</b>	<b>15,860</b>	<b>15,642</b>		<b>218</b>	<b>11</b>	

#### Notes:

- \* The SC had, vide its letter dated 3 September 2008, approved an extension of time up to 7 September 2009 for the utilisation of the remaining R&D proceeds and stipulated that any further extension of time or variation of utilisation of listing proceeds in the future will not require the SC's approval.



## SANICHI TECHNOLOGY BERHAD

Company No. 661826-K  
(Incorporated in Malaysia)

- (i) *The Company had on 21 October 2009, announced to Bursa Securities that the Company will allocate the unutilized balance of RM218,000 as at 30 September 2009, which was earmarked for R&D, for the Working Capital of the Group. The Working Capital will be utilised within twelve (12) months from 7 September 2009.*

### B9. Group Borrowings and Debt Securities

The Group's borrowings, all repayable in Ringgit Malaysia and secured, as at the end of the quarter under review are as follows:

	<b>RM'000</b>
<u>Short Term Borrowings</u>	
Term Loans	2,138
Hire Purchase Payables	1,845
Trade Financing	12,670
Bank overdraft	2,335
	<hr/> 18,988 <hr/>
<u>Long Term Borrowings</u>	
Term Loans	3,294
Hire Purchase Payables	2,861
	<hr/> 6,155 <hr/>
<b>Total</b>	<hr/> <b>25,143</b> <hr/>

The Group does not have any foreign borrowings and debt securities as at the date of this report.

### B10. Off Balance Sheet Financial Instruments

There were no off balance sheet financial instruments as at the date of this report.

### B11. Material Litigation

The Group is not engaged in any material litigation either as plaintiff or defendant and the Directors do not have any knowledge of any proceedings pending or threatened against the Group as at the date of this report.

### B12. Dividend Proposed

No dividend was declared and recommended for payment during the quarter under review.

## SANICHI TECHNOLOGY BERHAD

Company No. 661826-K  
(Incorporated in Malaysia)

### B13. Earnings Per Share (“EPS”) / Loss Per Share (“LPS”)

#### Basic EPS/(LPS)

	Current quarter ended		Cumulative quarter ended	
	30 Sept 2009	30 Sept 2008	30 Sept 2009	30 Sept 2008
Net profit/(loss) for the period (RM'000)	1,640	(618)	1,640	(618)
Weighted average number of shares in issue ('000)	113,500	113,500	113,500	113,500
Basic EPS/(LPS) (sen)	1.4	(0.5)	1.4	(0.5)

Basic EPS/(LPS) is calculated by dividing the net (loss)/profit attributable to the ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the period.

#### Diluted EPS

Diluted EPS is equal to the basic EPS as there were no convertible or option outstanding which can be potentially converted into ordinary shares in both the previous and current financial periods.

### B14. Audit Report of Preceding Annual Financial Statements

The audited financial statements of the Company and its subsidiary companies for the FYE 30 June 2009 were not subject to any qualification.