

# **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 fourth quarter ended 30 June 2010 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 its economic useful lives of 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 and it had significant impact which disclosed under Section B1.

### **A2. Seasonality or Cyclicity 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.

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## 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 June 2010</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	19,262	-	-	19,262
Inter segment sales	<u>3,430</u>	<u>-</u>	<u>(3,430)</u>	<u>-</u>
Total Revenue	<u>22,692</u>	<u>-</u>	<u>(3,430)</u>	<u>19,262</u>
<b>Results</b>				
Profit/(Loss) from operations	3,039	(450)	-	2,589
Finance cost	(2,360)	-	-	(2,360)
Income from other investment	-	-	-	-
Profit before tax				<u>229</u>
Income tax expenses	(26)	-	-	<u>(26)</u>
Net profit for the year				<u>203</u>
<b>Other information</b>				
Additional of fixed assets	1,715	-	-	1,715
Depreciation and Amortisation	2,370	198	-	2,568
<b>Consolidated Balance Sheet Assets</b>				
Segment assets	51,863	1,993	-	53,856
Segment liabilities	25,299	3,953	-	29,252

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<b>The Group 30 June 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	16,921	-	-	16,921
Inter segment sales	<u>1,009</u>	<u>-</u>	<u>(1,009)</u>	<u>-</u>
Total Revenue	<u>17,930</u>	<u>-</u>	<u>(1,009)</u>	<u>16,921</u>
<b>Results</b>				
Loss from operations	(8,147)	(1,062)	-	(9,209)
Finance cost	(1,454)	-	-	(1,454)
Income from other investment	-	-	-	<u>-</u>
Loss before tax				(10,663)
Income tax expenses	(172)	-	-	<u>(172)</u>
Net loss for the year				<u>(10,835)</u>
<b>Other information</b>				
Additional of fixed assets	2,913	152	-	3,065
Depreciation and Amortisation	4,997	178	-	5,175
<b>Consolidated Balance Sheet Assets</b>				
Segment assets	49,237	1,602	-	50,839
Segment liabilities	28,211	3,149	-	31,360

## Segment sales

	<b>Current Quarter 30.6.2010 RM'000</b>	<b>Preceding Year Corresponding Quarter to 30.6.2009 RM'000</b>
Malaysia	100	1,286
European countries	1,506	1,082
Other countries in Asia Pacific	1,951	-
	<u>3,557</u>	<u>2,368</u>

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<b>Segment sales</b>	<b>Current Year To date 30.6.2010 RM'000</b>	<b>Preceding Year Corresponding Period to 30.6.2009 RM'000</b>
Malaysia	8,289	10,300
European countries	3,466	4,146
Other countries in Asia Pacific	7,507	2,475
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	19,262	16,921

## **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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### **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 June 2010**

The Group recorded a revenue of RM3.557 million and RM19.262 million for the fourth financial quarter and year-to-date period ended 30 June 2010. The Group's loss before tax ("LBT") and loss after tax ("LAT") for the quarter was RM3.099 million and RM3.097 million respectively.

The Group's revenue of RM19.262 million for the FYE 30 June 2010 represents an increase of approximately 13.8% as compared to the preceding year corresponding period. In addition, the Group generated profit before tax ("PBT") and profit after tax ("PAT") of RM0.229 million and RM0.203 million respectively for the cumulative year ended 30 June 2010, as compared to LBT and LAT of RM10.663 million and RM10.835 million respectively for the preceding year ended 30 June 2009. 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 RM2.575 million for the 12-month year ended 30 June 2010 as compared to RM5.175 million for preceding year corresponding year ended 30 June 2009;
- (b) The Group had total bad debt recovery of RM1.205 million for the financial year ended 30 June 2010; and
- (c) The Group had total allowance for doubtful debts of RM3.690 million and RM1.324 million for the financial year ended 30 June 2009 and year ended 30 June 2010 respectively.

#### **B2. Variation of Results for the Current Quarter Ended 30 June 2010 against Immediate Preceding Quarter**

The Group recorded a decrease of approximately 17.4% in its revenue to RM3.557 million for the quarter ended 30 June 2010 against RM4.308 million for the immediate preceding quarter ended 31 March 2010. However, the Group had bad debt recovery of RM1.087 million which help to improve the overall performance for the preceding quarter ended 31 March 2010 compare to RM0.119 million bad debt recovery for the quarter under review. As a result thereof, the Group registered a LBT of RM3.699 million for the quarter ended 30 June 2010 as compared to a PBT of RM0.908 million in the immediate preceding quarter ended 31 March 2010.

The Group recorded a decrease in revenue by approximately RM0.751 million for the current quarter under review compared to preceding quarter ended 31 March 2010 although there was an increase in the demand for automotive products. This was mainly due to the automotive products requires longer time to complete the fabrication process as compared to electronic products.

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## B3. Group's Prospects for FYE 30 June 2011

The Group is confident that the results for the financial year ending 30 June 2011 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 2011.

## B4. Variance of Profit Forecast

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

## B5. Tax Expenses

Taxation comprises the following:-

	Individual quarter ended		Cumulative quarter ended	
	30 June 2010	30 June 2009	30 June 2010	30 June 2009
	RM'000	RM'000	RM'000	RM'000
In respect of the current period:-				
Current taxation	2	(252)	(26)	(298)
Deferred taxation	-	122	-	122
	<u>2</u>	<u>(130)</u>	<u>(26)</u>	<u>(176)</u>
In respect of the previous period:-				
Taxation	-	4	-	4
Deferred taxation	-	-	-	-
Net tax charge	<u>2</u>	<u>(126)</u>	<u>(26)</u>	<u>(172)</u>

The Group's effective tax rate for this quarter under review was higher mainly due to the Group has non-tax deductible expenses for current quarter profit.

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### 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.

### B8. Status of Corporate Proposals Announced

#### (i) Utilisation Of Proceeds From Private Placement

The Private Placement which was announced on 15 September 2009 has been completed on 12 January 2010. The gross proceeds of RM5,000,000 raised from the Private Placement of 50,000,000 new ordinary shares of RM0.10 each in Sanichi ("Placement Shares") at an issue price of RM0.10 per share has been utilized as follows:

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance Utilisation RM'000	%	Explanations	Expected time frame for utilisation of proceeds from date of listing of Placement Shares
General working capital for the Sanichi Group	2,850	2,850	-	-	-	Within 6 months
Repayment of bank borrowings	2,000	2,000	-	-	-	Within 3 months
Estimated expenses relating to the Private Placement	150	150	-	-	-	Within 3 months
<b>TOTAL</b>	<b>5,000</b>	<b>5,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	

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### (ii) Utilisation Of Proceeds Received From Public Issue

As at 30 June 2010, 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:

<b>Purpose</b>	<b>Proposed Utilisation RM'000</b>	<b>Revised Proposed Utilisation RM'000</b>	<b>Actual Utilisation RM'000</b>	<b>Timeframe for Utilisation</b>	<b>Deviation Amount RM'000</b>	<b>%</b>	<b>Explanations</b>
Capital expenditure	4,000	4,000	4,000	-	-	-	-
Research & Development ("R&D")	2,000	1,782	1,782	-	-	-	-
Repayment of bank borrowings	4,000	4,000	4,000	-	-	-	-
Working Capital	4,160	4,378	4,378	-	-	-	-
Estimated Listing Expenses	1,700	1,700	1,700	-	-	-	-
<b>TOTAL</b>	<b>15,860</b>	<b>15,860</b>	<b>15,860</b>		-	-	

Based on above table, 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 has been fully utilized.



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### 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	2,469
Hire Purchase Payables	1,611
Trade Financing	9,167
Bank overdraft	1,121
	<u>14,368</u>
<u>Long Term Borrowings</u>	
Term Loans	7,247
Hire Purchase Payables	2,206
	<u>9,453</u>
<b>Total</b>	<b><u>23,821</u></b>

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.

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

#### Basic (LPS) / EPS

	Current quarter ended		Cumulative quarter ended	
	30 June 2010	30 June 2009	30 June 2010	30 June 2009
Net (loss) / profit for the period (RM'000)	(3,097)	(10,936)	229	(10,835)
Weighted average number of shares in issue ('000)	163,500	113,500	144,157	113,500
Basic (LPS) / EPS (sen)	(1.9)	(9.6)	(0.1)	(9.5)

Basic (LPS) / EPS is calculated by dividing the net 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.