

# **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 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 2010.

#### 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 2010 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.

### **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.

### **A6. Dividend Paid**

There was no dividend paid during the quarter under review.

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### 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.

The Group 30 September 2010	Malaysia RM'000	Thailand RM'000	Eliminations RM'000	Consolidated RM'000
<b>Revenue</b>				
External sales	4,846	-	-	4,846
Inter segment sales	164	-	(164)	-
Total Revenue	<u>5,010</u>	<u>-</u>	<u>(164)</u>	<u>4,846</u>
<b>Results</b>				
Profit from operations	312	107	-	419
Finance cost	(299)	-	-	(299)
Income from other investment	-	-	-	-
Profit before tax				<u>120</u>
Income tax expenses	(67)	-	-	<u>(67)</u>
Net profit for the year				<u>53</u>
<b>Other information</b>				
Additional of fixed assets	1,806	-	-	1,806
Depreciation and Amortisation	556	48	-	604
<b>Consolidated Balance Sheet Assets</b>				
Segment assets	52,136	1,651	-	53,787
Segment liabilities	25,483	3,663	-	29,146

The Group 30 September 2009	Malaysia RM'000	Thailand RM'000	Eliminations RM'000	Consolidated RM'000
<b>Revenue</b>				
External sales	6,099	-	-	6,099
Inter segment sales	925	-	(925)	-
Total Revenue	<u>7,024</u>	<u>-</u>	<u>(925)</u>	<u>6,099</u>
Profit 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 year				<u>1,640</u>

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### Other information

Additional of fixed assets	27	88	-	115
Depreciation and Amortisation	609	53	-	662

### Consolidated Balance Sheet Assets

Segment assets	51,534	1,581	-	53,115
Segment liabilities	30,315	1,758	-	32,073

### Segment sales

	Current Quarter 30.9.2010 RM'000	Preceding Year Corresponding Quarter to 30.9.2009 RM'000
Malaysia	2,287	2,762
European countries	753	176
Other countries in Asia Pacific	1,806	3,161
	<hr/> 4,846	<hr/> 6,099

### Segment sales

	Current Year To date 30.9.2010 RM'000	Preceding Year Corresponding Period to 30.9.2009 RM'000
Malaysia	2,287	2,762
European countries	753	176
Other countries in Asia Pacific	1,806	3,161
	<hr/> 4,846	<hr/> 6,099

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

On 26 October 2010, the Company announced that its subsidiary companies namely Sanichi Precision Mould Sdn Bhd ("SPM") and Asia Pinnacle Sdn Bhd ("AP") had received letters of demand from EON Bank Berhad for the default in payments on credit facilities totaling RM2,012,145.66 and RM3,545,237.03 respectively. SPM and AP were unable to repay the outstanding sums due within the stipulated period.

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In consequence thereof, the Company was classified under Guidance Note 5 ("GN5") of the ACE

### **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 September 2010**

The Group recorded a revenue of RM4.846 million for the first financial quarter and year-to-date period ended 30 September 2010. The Group's profit before tax ("PBT") and profit after tax ("PAT") for the quarter was RM0.120 million and RM0.053 million respectively.

The Group's revenue of RM4.846 million for the quarter ended 30 September 2010 represents a decrease of approximately 20.5% as compared to the preceding year corresponding period. In addition, the Group generated profit before tax ("PBT") and profit after tax ("PAT") of RM0.120 million and RM0.053 million respectively for the cumulative year ended 30 September 2010, as compared to PBT and PAT of RM1.643 million and RM1.640 million respectively for the preceding quarter ended 30 September 2009. The reasons for the Group's financial performance were mainly due to decrease in sales to the countries in Asia Pacific, particularly in electronic products.

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

The Group recorded an increase of approximately 36.2% in its revenue to RM4.846 million for the quarter ended 30 September 2010 against RM3.557 million for the immediate preceding quarter ended 30 June 2010. As a result thereof, the Group registered a PBT of RM0.120 million for the quarter ended 30 September 2010 as compared to a loss before tax ("LBT") of RM3.099 million in the immediate preceding quarter ended 30 June 2010.

The Group recorded an increase in revenue by approximately RM1.289 million for the current quarter under review compared to preceding quarter ended 30 June 2010. This was mainly due to the recovery from local sales segment.

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

The Group is facing a very challenging year following the Group was classified under GN5. In addition, the Group was stress with existing financial constraint and material litigations as disclosed in A8 and B11. Despite of that the management will continue to strengthen and improve its financial positions.

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

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

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### B5. Tax Expenses

Taxation comprises the following:-

	Individual quarter ended		Cumulative quarter ended	
	30 Sept 2010	30 Sept 2009	30 Sept 2010	30 Sept 2009
	RM'000	RM'000	RM'000	RM'000
In respect of the current period:-				
Current taxation	(67)	(3)	(67)	(3)
Deferred taxation	-	-	-	-
	<u>(67)</u>	<u>(3)</u>	<u>(67)</u>	<u>(3)</u>
In respect of the previous period:-				
Taxation	-	-	-	-
Deferred taxation	-	-	-	-
Net tax charge	<u>(67)</u>	<u>(3)</u>	<u>(67)</u>	<u>(3)</u>

The Group's effective tax rate for this quarter under review was higher mainly due to the Group has a subsidiary incur business losses for current quarter under review.

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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**

There was no corporate proposal announced during the quarter under review.

### **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	4,944
Hire Purchase Payables	1,424
Trade Financing	9,017
Bank overdraft	1,490
	<u>16,875</u>
<u>Long Term Borrowings</u>	
Term Loans	4,569
Hire Purchase Payables	2,381
	<u>6,950</u>
<b>Total</b>	<b><u>23,825</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.

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### **B11. Material Litigation**

There were material litigation which as listed below:

Sanichi wishes to announce that Sanichi (as Corporate Guarantor) and the Company's wholly-owned subsidiary namely Asia Pinnacle Sdn Bhd ("AP") had on 8 November 2010 received Notices of Demand for default in payment of monthly instalments amounting to RM25,744.73 in respect of a Hire-Purchase Facility granted by Orix Credit Leasing Sdn Bhd ("Orix").

- 1) SANICHI's subsidiary, Sanichi Precision Mould Sdn Bhd ("SPM") was served a Petition dated 20 October 2010 on 29 October 2010 pursuant to a notice under Section 218 of the Companies Act, 1965.

The total amount claimed under by the Petitioner against SPM was RM4,519.00 together with interest thereon at the rate of 8% per annum from 9/5/2009 to the date of realisation within 21 days from the receipt of the said notice.

- 2) Sanichi wishes to announce that Sanichi and the Company's wholly-owned subsidiaries namely Sanichi Precision Mould Sdn Bhd ("SPM") and Asia Pinnacle Sdn Bhd ("AP") had on 22 October 2010 received Notices of Demand in respect of the default in payment of principal and interest on credit facilities granted by EON Bank Berhad ("EON") as follows:

Name of subsidiary: SPM

Type of Facility:

- (i) Overdraft of RM2,000,000
  - (ii) Tradelines of RM2,500,000
  - (iii) Foreign Exchange Contract Line of RM300,000
- Default Amount: RM2,102,145.66

Name of subsidiary: AP

Type of Facility:

- (i) Overdraft of RM500,000
  - (ii) Tradelines of RM3,500,000
  - (iii) Foreign Exchange Contract Line of RM300,000
- Default Amount: RM3,545,237.03

### **B12. Dividend Proposed**

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



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### B13. Earnings Per Share (“EPS”)

#### Basic EPS

	Current quarter ended		Cumulative quarter ended	
	30 Sept 2010	30 Sept 2009	30 Sept 2010	30 Sept 2009
Net profit for the period (RM'000)	53	1,640	53	1,640
Weighted average number of shares in issue ('000)	163,500	113,500	163,500	113,500
Basic EPS (sen)	<u>0.0</u>	<u>1.4</u>	<u>0.0</u>	<u>1.4</u>

Basic 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 2010 were not subject to any qualification.