

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 2011 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.

The significant accounting policies adopted by the Group in this interim financial statement are consistent with those adopted in the financial statements for the year ended 30 June 2010, except for the new and revised FRSs, IC Interpretations and Amendments to FRSs and IC Interpretation as follow:

| FRSs / Interpretations | Financial period beginning on or after |
|--|--|
| FRS 1, First-time Adoption of Financial Reporting Standards | 1 July 2010 |
| Amendments to FRS 1, First-time Adoption of Financial Reporting Standards and FRS 127, Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or a Associate | 1 January 2010 |
| Amendments to FRS 2, Share-based Payment – Vesting Conditions and Cancellations | 1 January 2010 |
| Amendments to FRS 2, Share-based Payment | 1 July 2010 |
| FRS 3, Business Combinations | 1 July 2010 |
| FRS 4, Insurance Contracts | 1 January 2010 |
| Amendments to FRS 5, Non-current Assets Held For Sale and Discontinued Operations | 1 January 2010 |
| Amendments to FRS 5, Non-current Assets Held For Sale and Discontinued Operations | 1 July 2010 |
| FRS 7, Financial Instruments: Disclosures | 1 January 2010 |
| Amendments to FRS 7, Financial Instruments: Disclosures | 1 January 2010 |

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| Amendments to FRS 8, Operating Segments | 1 January 2010 |
| FRS 101, Preparation of Financial Statements | 1 January 2010 |
| Amendment to FRS 107, Statements of cash flows | 1 January 2010 |
| Amendment to FRS 108, Accounting Policies – Changes in Accounting Estimate and Errors | 1 January 2010 |
| Amendment to FRS 110, Events after the reporting period | 1 January 2010 |
| Amendment to FRS 116, Property, plant and equipment | 1 January 2010 |
| Amendment to FRS 117, Leases | 1 January 2010 |
| Amendment to FRS 118, Revenue | 1 January 2010 |
| Amendment to FRS 119, Employee Benefits | 1 January 2010 |
| Amendment to FRS 120, Accounting for Government Grants and Disclosure of Government Assistance | 1 January 2010 |
| FRS 123, Borrowing Costs | 1 January 2010 |
| Amendment to FRS 123, Borrowing Costs | 1 January 2010 |
| Amendment to FRS 127, Consolidated and Separate Financial Statements | 1 January 2010 |
| FRS 127, Consolidated and Separate Financial Statements | 1 July 2010 |
| Amendment to FRS 128, Investments in Associates | 1 January 2010 |
| Amendment to FRS 129, Financial Reporting in Hyperinflationary Economies | 1 January 2010 |
| Amendment to FRS 131, Interest in Joint Ventures | 1 January 2010 |
| Amendment to FRS 132, Financial Instruments: Presentation | 1 January 2010 |
| Amendment to FRS 132, Financial Instruments: Presentation | 1 January 2010 / 1 March 2010 |
| Amendment to FRS 134, Interim Financial Reporting | 1 January 2010 |
| Amendment to FRS 136, Impairment of Assets | 1 January 2010 |
| Amendment to FRS 138, Intangible Assets | 1 January 2010 |
| Amendments to FRS 138, Intangible Assets | 1 July 2010 |
| FRS 139, Financial Instruments: Recognition and Measurement | 1 January 2010 |
| Amendment to FRS 140, Investment Property | 1 January 2010 |

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| IC Interpretation 9, Reassessment of Embedded Derivatives | 1 January 2010 |
| Amendment to IC Interpretation 9, Reassessment of Embedded Derivatives | 1 January 2010 and 1 July 2010 |
| IC Interpretation 10, Interim Financial Reporting and Impairment | 1 January 2010 |
| IC Interpretation 11, FRS 2 – Group and Treasury Share Transactions | 1 January 2010 |
| IC Interpretation 12, Services Concession Arrangements | 1 July 2010 |
| IC Interpretation 13, Customer Loyalty Programmes | 1 January 2010 |
| IC Interpretation 14, FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction | 1 January 2010 |
| IC Interpretation 16, Hedges of a Net Investment in a Foreign Operation | 1 July 2010 |
| IC Interpretation 17, Distributions of Non-cash Assets to Owners | 1 July 2010 |
| TR i – 3, Presentation of Financial Statements of Islamic Financial Instruments | 1 January 2010 |

The adoption of the above FRSs, Amendments to FRSs and IC Interpretation did not result in any significant changes in the accounting policies and the presentation of the financial results of the Group except for the following:

FRS 8: Operating Segments

FRS 8 requires segment information to be presented on a similar basis to that used for internal reporting purposes. As a result, the Group's segmental reporting had been presented based on the internal reporting to the senior management who makes decisions on the allocation of resources and assess the performance of the reportable segments. This standard does not have any impact on the financial position and results of the Group.

FRS 101: Presentation of Financial Statements

Prior to the adoption of the revised FRS 101, the components of the financial statements presented consisted of a balance sheet, an income statement, a statement of changes in equity, a cash flow statement and notes to the financial statements. Following the adoption of the revised FRS 101, the components of the interim financial statements presented consist of a statement of financial position, a statement of comprehensive of changes in equity, a statement of cash flow and notes to the financial statements. This standard does not have any impact on the financial position and results of the Group.

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Amendments to FRSs 'Improvement to FRSs (2009)' – FRS 117: Leases

FRS 117 clarifies on the classification of lease of land and buildings. The resulting effect of this FRS taking effect was the reclassification of prepaid lease on land back into property, plant and equipment, rather than being separately classified under prepaid lease payments on the consolidated of financial position, as disclosed below:

| | As restated | As previously stated |
|--|-------------|----------------------|
| | RM'000 | RM'000 |
| <u>Statement of Financial Position</u> | | |
| Property, plant and equipment | 26,608 | 24,949 |
| Prepaid land lease payments | - | 1,659 |

FRS 139, Financial Instruments: Recognition and Measurement

FRS 139 establishes principles for recognizing and measuring financial assets, financial liabilities and commercial contracts to buy and sell non-financial items. This FRS did not result in any significant changes in accounting policies and the presentation of the financial results of the Group except for its associates where the Group share the effects arising from adoption of this Standard.

The Malaysian Accounting Standards Board (MASB) has issued the following new FRSs and IC Interpretations that are yet to be effective and have not been adopted by the Group in preparing these financial statements:

| FRSs / Interpretations | Financial period beginning on or after |
|---|---|
| FRS 1, First-time Adoption of Financial Reporting – Additional Exemptions for First-time adopters | 1 January 2011 |
| Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters (Amendment to FRS 1) | 1 January 2011 |
| Amendments to FRS 1, First-time Adoption of Financial Reporting | 1 January 2011 |
| Amendments to FRS 2, Share-based Payment – Group Cash-settled Share-based Payment Transactions | 1 January 2011 |
| Amendment to FRS 3, Business Combinations | 1 January 2011 |
| Improving Disclosures about Financial Instruments (Amendments to FRS 7) | 1 January 2011 |
| Amendment to FRS 7, Financial Instruments: Disclosures | 1 January 2011 |
| Amendments to FRS 101, Preparation of Financial Statements | 1 January 2011 |

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| Amendments to FRS 121, The effect of changes in foreign exchange rates | 1 January 2011 |
| FRS 124, Related Party Disclosures | 1 January 2012 |
| Amendment to FRS 128, Investments in Associates | 1 January 2011 |
| Amendment to FRS 131, Interests in joint ventures | 1 January 2011 |
| Amendment to FRS 132, Financial Instruments: Presentation | 1 January 2011 |
| Amendment to FRS 134, Interim Financial Reporting | 1 January 2011 |
| Amendment to FRS 139, Financial Instruments: Recognition and Measurement | 1 January 2011 |
| IC Interpretation 4, Determining Whether an Agreement contains a Lease | 1 January 2011 |
| Amendments IC Interpretation 13, Customer Loyalty Programmes | 1 January 2011 |
| Amendments to IC Interpretation 14, Prepayments of a Minimum Funding Requirement | 1 July 2011 |
| IC Interpretation 15, Agreements for the Construction of Real Estate | 1 January 2012 |
| Amendment to IC Interpretation 15, Agreements for the Construction of Real Estate | 30 August 2010 |
| IC Interpretation 18, Transfers of Assets from Customers | 1 January 2011 |
| IC Interpretation 19, Extinguishing Financial Liabilities with Equity Instruments | 1 July 2011 |
| TR 3, Guidance on Disclosure of Transitions of IFRSs | 1 January 2011 |
| TR i-4, Shariah Compliant Sale Contracts | 1 January 2011 |

The new and revised FRSs and Interpretations above are expected to have no significant impact on the financial statements of the Group upon their initial application.

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.

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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.

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 June 2011 | Malaysia RM'000 | Thailand RM'000 | Eliminations RM'000 | Consolidated RM'000 |
|--|----------------------------|----------------------------|--------------------------------|--------------------------------|
| Revenue | | | | |
| External sales | 7,606 | 1,839 | - | 9,445 |
| Inter segment sales | 1,071 | - | (1,071) | - |
| Total Revenue | <u>8,677</u> | <u>1,839</u> | <u>(1,071)</u> | <u>9,445</u> |
| Results | | | | |
| (Loss)/Profit from operations | (13,182) | 387 | - | (12,795) |
| Finance cost | (1,989) | - | - | (1,989) |
| Income from other investment | - | - | - | - |
| Loss before tax | | | | <u>(14,784)</u> |
| Income tax expenses | - | - | - | <u>(142)</u> |
| Net loss for the year | | | | <u>(14,926)</u> |
| Other information | | | | |
| Additional of fixed assets | 1,056 | - | - | 1,056 |
| Depreciation and Amortisation | 2,026 | 195 | - | 2,221 |
| Consolidated Balance Sheet Assets | | | | |
| Segment assets | 39,215 | 2,071 | - | 41,286 |
| Segment liabilities | 27,821 | 3,602 | - | 31,423 |

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| The Group 31 June 2010 | Malaysia RM'000 | Thailand RM'000 | Eliminations RM'000 | Consolidated RM'000 |
|--|----------------------------|----------------------------|--------------------------------|--------------------------------|
| Revenue | | | | |
| 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> |
| Profit 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> |
| Other information | | | | |
| Additional of fixed assets | 1,715 | - | - | 1,715 |
| Depreciation and Amortisation | 2,370 | 198 | - | 2,568 |
| Consolidated Balance Sheet Assets | | | | |
| Segment assets | 51,864 | 1,993 | - | 53,857 |
| Segment liabilities | 25,300 | 3,953 | - | 29,253 |

Segment sales

| | Current Quarter 30.6.2011 RM'000 | Preceding Year Corresponding Quarter to 30.6.2010 RM'000 |
|---------------------------------|---|---|
| Malaysia | 326 | 100 |
| European countries | - | 1,506 |
| Other countries in Asia Pacific | 258 | 1,951 |
| | <u>584</u> | <u>3,557</u> |

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| Segment sales | Current Year To date 30.6.2011 RM'000 | Preceding Year Corresponding Period to 30.6.2010 RM'000 |
|---------------------------------|--|--|
| Malaysia | 4,997 | 8,289 |
| European countries | 1,535 | 3,466 |
| Other countries in Asia Pacific | 2,913 | 7,507 |
| | <hr/> <hr/> | <hr/> <hr/> |
| | 9,445 | 19,262 |

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

There were no material events subsequent to the end of 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 2011

The Group recorded a revenue of RM0.584 million for the fourth quarter ended 30 June 2011. The Group's loss before tax ("LBT") and loss after tax ("LAT") for the quarter were RM12.473 million and RM12.615 million respectively.

The Group's revenue of RM9.445 million for the 12 months period ended 30 June 2011 represents a decrease of approximately 51.0% as compared to the preceding year corresponding period. In addition, the Group generated LBT and LAT of RM14.784 million and RM14.926 million respectively for the 12 months period ended 30 June 2011, as compared to profit before tax ("PBT") and profit after tax ("PAT") of RM0.229 million and RM0.203 million respectively for the preceding year ended 30 June 2010. The reasons for the Group's financial performance were mainly due to decrease in sales for both local and export markets.

B2. Variation of Results for the Current Quarter Ended 30 June 2011 against Immediate Preceding Quarter

The Group recorded a decrease of approximately 76.4% in its revenue to RM0.584 million for the quarter ended 30 June 2011 against RM2.470 million for the immediate preceding quarter ended 31 March 2011. As a result thereof, the Group registered a LBT of RM12.473 million for the quarter ended 30 June 2011 as compared to a LBT of RM0.742 million in the immediate preceding quarter ended 31 March 2011.

The Group recorded a decrease in revenue by approximately RM1.886 million for the current quarter under review compared to preceding quarter ended 31 March 2011.

B3. Group's Prospects for FYE 30 June 2012

The Group is still facing a challenging year following a very tight cash flow position.

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 June 2011 | 30 June 2010 | 30 June 2011 | 30 June 2010 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| In respect of the current period:- | | | | |
| Current taxation | (26) | 2 | (26) | (26) |
| Deferred taxation | - | - | - | - |
| | <u>(26)</u> | <u>2</u> | <u>(26)</u> | <u>(26)</u> |
| In respect of the previous period:- | | | | |
| Taxation | (116) | - | (116) | - |
| Deferred taxation | - | - | - | - |
| Net tax charge | <u>(142)</u> | <u>2</u> | <u>(142)</u> | <u>(26)</u> |

The Group's effective tax rate for this quarter under review was high mainly due to the Group incurred non tax deductible expenses 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:

| | RM'000 |
|------------------------------|----------------------|
| <u>Short Term Borrowings</u> | |
| Term Loans | 10,186 |
| Hire Purchase Payables | 3,901 |
| Trade Financing | 9,769 |
| Bank overdraft | 1,579 |
| | <u>25,435</u> |
| <u>Long Term Borrowings</u> | |
| Term Loans | - |
| Hire Purchase Payables | - |
| | <u>-</u> |
| Total | <u>25,435</u> |

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

All the long term borrowings have been reclassified to short term borrowings as they have become due and payable within the next twelve months.

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

The material litigation of the Company are stated as below:

- 1) We refer to the announcement made on 21 February 2011 by Sanichi in respect of the default in payment by the Company's wholly owned subsidiary, Sanichi Precision Mould Sdn. Bhd. ("SPM") of the banking facilities granted by United Overseas Bank (Malaysia) Bhd ("UOB"). The banking facilities were secured inter alia by a first party legal first legal charge for RM 2,500,000 and second legal charge for RM6,000,000 registered with Presentation No. 71671/2005 and Presentation No. 71672/2005 created over a 1½ storey factory at PLO 135, Jalan Cyber 5, Senai Industrial Estate Phase 3, 81400 Senai, Johor held under HS(D) No. 370623, PTD 6552, Mukim Senai, District of Johor Bahru ("the Land") registered under SPM. The Company wishes to inform that SPM had on 24 June 2011 received a Saman Pemula No: MT-24-F1508-2011 from UOB's solicitors, Messrs Raja Darryl & Loh. Under the Saman Pemula, UOB has applied for the Land to be sold under the provisions of Section 257 of the National Land Code 1965 for the purposes of settlement of the amount owing to UOB.
- 2) Advertisement of Winding-up Petition served on Sanichi Precision Mould Sdn Bhd ("Sanichi Precision") by Kowa Technologies Sdn Bhd. The Winding-up Petition was dated 12 April 2011 and was served on SPM on 27 April 2011. The Petitioner's claims are for the sum of RM16,383.60 as at 6 February 2009 in respect of balance due for goods sold and delivered at SPM's request. The interest rate on the amount claimed is 8% per annum from 7 February 2009 to the date of realisation.
- 3) The Board of Directors of Sanichi wishes to announce that the Company's wholly-owned subsidiary namely Sanichi Precision Mould Sdn Bhd ("SPM") had on 25 March 2011 received a Notice of Demand in respect of the default in payment of the Banking Facilities totaling RM1,979,657.46 granted by RHB Bank Berhad.
- 4) The Board of Directors of Sanichi wishes to announce that the Company's wholly-owned subsidiary namely Sanichi Precision Mould Sdn Bhd ("SPM") had on 14 January 2011 received a Notice of Demand in respect of the default in payment of the Fixed Loan 1, 2, 3 and 4 Facilities totaling RM8,440,126.15 granted by United Overseas Bank Malaysia Berhad.
- 5) The Board of Directors of Sanichi wishes to announce that the Company's wholly-owned subsidiary namely Sanichi Precision Mould Sdn Bhd ("SPM") had on 11 November 2010 received a Notice of Demand in respect of the default in payment of the Term Loan Facilities totaling RM805,105.10 granted by OCBC Bank (Malaysia) Berhad.

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- 6) The Board of Directors of Sanichi wishes to announce that the Company's wholly-owned subsidiary namely Asia Pinnacle Sdn Bhd ("AP") had on 11 November 2010 received a Notice of Demand in respect of the default in payment of the Islamic Multi Trade Line-i (MTL-i) Facility totaling RM2,179,788.44 granted by RHB Islamic Bank Berhad.
- 7) 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").
- 8) 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.

- 9) 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

- 10) Sanichi wishes to announce that the Company and its wholly-owned subsidiary namely Sanichi Precision Mould Sdn Bhd ("SPM") had on 20 December 2010 received Notices of Demand for default in payment of monthly instalments in respect of 10 Hire Purchase Facility(ies) granted by RHB Bank Berhad ("RHB").
Total default amount was RM3,665,712.97.

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B12. Dividend Proposed

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

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

Basic (LPS) / EPS

| | Current quarter ended | | Cumulative quarter ended | |
|---|-----------------------|-----------------|--------------------------|-----------------|
| | 30 June 2011 | 30 June 2010 | 30 June 2011 | 30 June 2010 |
| Net (loss)/profit for the period (RM'000) | (12,615) | (3,097) | (14,926) | 203 |
| Weighted average number of shares in issue ('000) | 163,500 | 163,500 | 163,500 | 144,157 |
| Basic (LPS) / EPS (sen) | (7.7) | (1.9) | (9.1) | 0.1 |

Basic (LPS) / EPS 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.

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B14. Retained Profits/(Accumulated Losses)

| | As at 30 June 2011 RM'000 | As at 31 March 2011 RM'000 |
|---------------------------------------|--|---|
| Realized | (9,864) | 2,891 |
| Unrealized | 572 | 432 |
| | <hr/> | <hr/> |
| Less Consolidated adjustment | (9,292) | 3,323 |
| | (7,947) | (7,947) |
| | <hr/> | <hr/> |
| Total group accumulated losses | (17,239) | (4,624) |

B15. Limited Review By the Independent Auditors

A limited review of the quarterly report for the year ended 30 June 2011 was performed by the Independent Auditors.

B16. 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.