

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 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 2011.

The significant accounting policies and methods of computation adopted by the Group in this interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 30 June 2011, except for those standards, amendments and interpretations which are effective for financial periods beginning on or after 1 July 2011. The adoption of these standards, amendments and interpretations have no material impact to these interim financial statements.

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.

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 2011	Malaysia RM'000	Thailand RM'000	Eliminations RM'000	Consolidated RM'000
Revenue				
External sales	684	333	-	1,017
Inter segment sales	<u>120</u>	<u>-</u>	<u>(120)</u>	<u>-</u>
Total Revenue	<u>804</u>	<u>333</u>	<u>(120)</u>	<u>1,017</u>
Results				
Loss from operations	(1,409)	(204)	-	(1,613)
Finance cost	(528)	-	-	(528)
Income from other investment	-	-	-	<u>-</u>
Loss before tax				(2,141)
Income tax expenses	-	-	-	<u>-</u>
Net loss for the period				<u>(2,141)</u>
Other information				
Additions of fixed assets	-	95	-	95
Depreciation and Amortisation	489	50	-	539
Consolidated Balance Sheet Assets				
Segment assets	39,954	472	-	40,426
Segment liabilities	28,765	3,661	-	32,426

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The Group 30 September 2010	Malaysia RM'000	Thailand RM'000	Eliminations RM'000	Consolidated RM'000
Revenue				
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>
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 period				<u>53</u>
Other Information				
Additions of fixed assets	1,052	-	-	1,052
Depreciation and Amortisation	556	48	-	604
Consolidated Balance Sheet Assets				
Segment assets	52,136	1,651	-	53,787
Segment liabilities	25,483	3,663	-	29,146

Segment sales

	Current Quarter 30.9.2011 RM'000	Preceding Year Corresponding Quarter to 30.9.2010 RM'000
Malaysia	602	2,287
European countries	-	753
Other countries in Asia Pacific	415	1,806
	<u>1,017</u>	<u>4,846</u>

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Segment sales	Current Year To date 30.9.2011 RM'000	Preceding Year Corresponding Period to 30.9.2010 RM'000
Malaysia	602	2,287
European countries	-	753
Other countries in Asia Pacific	415	1,806
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	1,017	4,846

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

The Group had submitted a Proposed Private Placement to Malaysia Securities Berhad ("Bursa Securities") of up to 16,350,000 new Ordinary Shares of RM0.10 each in STB representing not more than ten percent (10%) of the existing issued and paid-up share capital of STB on 12 October 2011.

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 2011

The Group recorded a revenue of RM1.017 million for the first quarter ended 30 September 2011. The Group's loss before tax ("LBT") and loss after tax ("LAT") for the quarter were RM2.141 million and RM2.141 million respectively.

The Group's revenue of RM1.017 million for the 3 months period ended 30 September 2011 represents a decrease of approximately 376.5% as compared to the preceding year corresponding period. In addition, the Group incurred LBT and LAT of RM2.141 million and RM2.141 million respectively for the 3 months period ended 30 September 2011, as compared to profit before tax ("PBT") and profit after tax ("PAT") of RM0.120 million and RM0.053 million respectively for the preceding period ended 30 September 2010. The reasons for the Group's financial performance were mainly due to lower demand from both local and export markets.

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

The Group recorded an increase of approximately 74.1% in its revenue to RM1.017 million for the quarter ended 30 September 2011 against RM0.584 million for the immediate preceding quarter ended 30 June 2011. As a result thereof, the Group registered a LBT of RM2.141 million for the quarter ended 30 September 2011 as compared to a LBT of RM12.473 million in the immediate preceding quarter ended 30 June 2011.

The Group recorded an increase in revenue by approximately RM0.433 million for the current quarter under review compared to preceding quarter ended 30 June 2011. However, LBT for the quarter ended 30 June 2011 was mainly due to allowance of doubtful debts of RM6.465 million as well as RM2.746 million inventories written down via reduction in closing inventories balance in the immediate preceding quarter ended 30 June 2011.

B3. Group's Prospects for FYE 30 June 2012

The Group is still facing a challenging year.

The Board of Directors of Sanichi had entered into a Memorandum of Understanding ("MOU") with Projektarbeits Technische Beratung Venretung International ("PROTEV") with the intention to form an alliance with PROTEV for a one-stop plastic injection mould fabrication solution centre.

Under the MOU, PROTEV has also expressed interest (without obligation) to explore the possibility of taking up a strategic stake in the Company, the amount of which shall only be determined at a later date.

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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 September 2011	30 September 2010	30 September 2011	30 September 2010
	RM'000	RM'000	RM'000	RM'000
In respect of the current period:-				
Current taxation	-	(67)	-	(67)
Deferred taxation	-	-	-	-
	<u>-</u>	<u>(67)</u>	<u>-</u>	<u>(67)</u>
In respect of the previous period:-				
Taxation	-	-	-	-
Deferred taxation	-	-	-	-
Net tax charge	<u>-</u>	<u>(67)</u>	<u>-</u>	<u>(67)</u>

The Group did not incur tax expenses for this quarter under review mainly due to the business losses for current quarter under review.

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:

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	RM'000
<u>Short Term Borrowings</u>	
Term Loans	10,219
Hire Purchase Payables	3,575
Trade Financing	8,970
Bank overdraft	1,616
	<u>24,380</u>
<u>Long Term Borrowings</u>	
Hire Purchase Payables	44
	<u>44</u>
Total	<u>24,424</u>

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

Certain subsidiary companies of the Group have defaulted in the repayment of the bank borrowings and hire purchase instalments and legal action have been instituted by the lenders for recovery of the principal, interest and other costs. Accordingly, all the term loans and a majority of the hire purchase creditors have been reclassified to short term borrowings.

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 material litigation of the Company are stated as below:

- 1) Sanichi wishes to announce that the Company and its subsidiary companies; i.e. Sanichi Precision Mould Sdn. Bhd. and Asia Pinnacle Sdn. Bhd., have been granted a Stay Order ("Order") of all proceedings against them pursuant to Section 176 of the Companies Act, 1965 by the Kuala Lumpur High Court under the originating summons No:24NCC-224-2011 on 27 July 2011.
- 2) 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 1 ½ 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-

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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.

- 3) 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.
- 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 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.
- 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 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.
- 6) 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.
- 7) 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.
- 8) 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").
- 9) 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

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9/5/2009 to the date of realisation within 21 days from the receipt of the said notice.

- 10) 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

- 11) 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.

B12. Dividend Proposed

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

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B13. (Loss)/Earnings Per Share ("LPS" / "EPS")

Basic (LPS) / EPS

	Current quarter ended		Cumulative quarter ended	
	30 September 2011	30 September 2010	30 September 2011	30 September 2010
Net (loss)/profit for the period (RM'000)	(2,141)	53	(2,141)	53
Weighted average number of shares in issue ('000)	163,500	163,500	163,500	163,500
Basic (LPS) / EPS (sen)	(1.3)	0.1	(1.3)	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.

B14. Retained Profits/(Accumulated Losses)

	As at	As at
	30 September 2011 RM'000	30 September 2010 RM'000
Realized	(11,056)	5,929
Unrealized	-	(242)
	(11,056)	5,687
Less Consolidated adjustment	(7,964)	(7,947)
Total group accumulated losses	(19,020)	(2,260)

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B15. Limited Review By the Independent Auditors

A limited review of the quarterly report for the period ended 30 September 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 2011 were not subject to any qualification.