

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 third quarter ended 31 March 2013 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 2012.

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 2012.

These are the Group's condensed consolidated interim financial statements for part of the period covered by the Group's first MFRS framework annual financial statements and MFRS 1: First Time Adoption of Malaysia Financial Reporting Standards has been applied.

The transition to MFRS framework does not have any material financial impact to these interim financial statements.

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.

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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 business 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 31 March 2013	Malaysia RM'000	Thailand RM'000	Elimination RM'000	Consolidated RM'000
Revenue				
External sales	1,949	1,441	-	3,390
Inter segment sales	315	-	(315)	-
Total revenue	<u>2,264</u>	<u>1,441</u>	<u>(315)</u>	<u>3,390</u>
Results				
Profit from operation	3,202	(302)	-	2,900
Finance cost	(5)	-	-	(5)
Income from other investment	-	-	-	-
Profit before tax				<u>2,895</u>
Income tax expenses				153
Net profit for the year				<u>3,048</u>
Other Information				
Additions of fixed assets	5,001	-	-	5,001
Depreciation and amortization	1,819	115	-	1,934
Consolidated Balance Sheet				
Assets				
Segment assets	60,061	1,721	-	61,782
Segment liabilities	18,316	4,380	-	22,696

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The Group 31 March 2012	Malaysia RM'000	Thailand RM'000	Elimination RM'000	Consolidated RM'000
Revenue				
External sales	1,578	826	-	2,404
Inter segment sales	360	-	(360)	-
Total revenue	<u>1,938</u>	<u>826</u>	<u>(360)</u>	<u>2,404</u>
Results				
Loss from operation	(3,393)	(446)	-	(3,839)
Finance cost	(1,633)	-	-	(1,633)
Income from other investment	-	-	-	-
Loss before tax				<u>(5,472)</u>
Income tax expenses				-
Net loss for the year				<u>(5,472)</u>
Other Information				
Additions of fixed assets	2,674	95	-	2,769
Depreciation and amortization	1,482	162	-	1,644
Consolidated Balance Sheet				
Assets				
Segment assets	47,017	1,686	-	48,703
Segment liabilities	29,683	3,898	-	33,581

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Segment sales	Current Quarter 31.3.2013 RM'000	Preceding Year Corresponding Quarter to 31.3.2012 RM'000
Malaysia	-	71
European countries	643	437
Other countries in Asia Pacific	497	308
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	1,140	816
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Segment sales	Current Year To date 31.3.2013 RM'000	Preceding Year Corresponding Period to 31.3.2012 RM'000
Malaysia	796	828
European countries	1,468	548
Other countries in Asia Pacific	1,126	1,028
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	3,390	2,404
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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 31 March 2013

The Group recorded a revenue of RM1.140 million for the third quarter ended 31 March 2013. The Group's profit before tax ("PBT") and profit after tax ("PAT") for the quarter were RM7.496 million and RM7.496 million for the period respectively.

The Group's revenue of RM3.390 million for the 9 months period ended 31 March 2013 represents an increase of approximately 41.0% as compared to the preceding year corresponding period. In addition, the Group incurred PBT and PAT of RM2.895 million and RM3.048 million for the both period respectively for the 9 months period ended 31 March 2013, as compared to loss before tax ("LBT ") and loss after tax ("LAT") of RM5.472 million and RM5.472 million for the both period respectively for the preceding year ended 31 March 2012. The reasons for the Group's financial performance were mainly due to constraint on Group's cash flow.

B2. Variation of Results for the Current Quarter Ended 31 March 2013 against Immediate Preceding Quarter

The Group recorded an increase of approximately 31.2% in its revenue to RM1.140 million for the quarter ended 31 March 2013 against RM0.869 million for the immediate preceding quarter ended 31 December 2012. As a result thereof, the Group registered both PBT and PAT of RM7.496 million and RM7.496 million for the current quarter ended 31 March 2013 respectively as compared to both LBT and LAT of RM2.733 million and RM2.733 million respectively in the immediate preceding quarter ended 31 December 2012.

The Group recorded an increase in revenue by approximately RM0.271 million for the current quarter under review compared to preceding quarter ended 31 December 2012. However, performance of the Group will be shown positive and reflect at the coming quarter. The reasons for the Group's financial performance were mainly due to income from waived of finance loan and trade payables of RM9.487 million under the proposed debt restructuring.

B3. Group's Prospects for FYE 30 June 2013

The corporate proposals of the Group had been completed in end March 2013 and the Group will be financially stronger and is expected to show improvement in financial performance in the next quarter.

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	
	31 March 2013	31 March 2013	31 March 2013	31 March 2013
	RM'000	RM'000	RM'000	RM'000
In respect of the current period:-				
Current taxation	-	-	-	-
Deferred taxation	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
In respect of the previous period:-				
Taxation	-	-	153	-
Deferred taxation	-	-	-	-
Net tax charge	<u>-</u>	<u>-</u>	<u>153</u>	<u>-</u>

All the subsidiaries 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

(i) Restructuring Scheme

On behalf of the Board of Directors of STB ("**Board**"), Public Investment Bank Berhad ("**PIVB**") had on 15 May 2012 announced that the Company is proposing to undertake the following:

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(a) proposed reduction of up to RM10,586,318 from the share premium account of STB pursuant to Section 60(2) and 64(1) of the Companies Act, 1965 (“**Act**”) based on the audited financial statements as at 30 June 2011 to set off the accumulated losses of STB (“**Proposed Share Premium Reduction**”);

(b) proposed reduction of the issued and paid-up share capital of the Company pursuant to Section 64(1) of the Act, involving the cancellation of RM0.08 of the par value of each ordinary share of RM0.10 each in STB (“**STB Share(s)**”) and thereafter the consolidation of five (5) ordinary shares of RM0.02 each into one (1) new STB Share of RM0.10 each on an entitlement date to be determined and announced later (“**Proposed Par Value Reduction and Consolidation**”);

(c) proposed increase in authorised share capital of STB from RM25,000,000 comprising 250,000,000 ordinary shares of RM0.10 each to RM100,000,000 comprising 1,000,000,000 ordinary shares of RM0.10 each (“**Proposed Increase in Authorised Share Capital**”);

(d) proposed amendments to the Memorandum and Articles of Association (“**M&A**”) of STB to facilitate the increase in the authorised share capital of STB pursuant to the Proposed Increase in Authorised Share Capital (“**Proposed M&A Amendments**”);

(e) proposed restricted issue of 85,000,000 new STB Shares of RM0.10 each (“**Restricted Issue Shares**”) together with 42,500,000 free Warrants (“**Warrant(s) A**”) to Protev Asia Limited (“**Protev Asia**”) at an issue price of RM0.10 per Restricted Issue Share on the basis of one (1) free Warrant A for every two (2) Restricted Issue Shares subscribed by Protev Asia (“**Proposed Restricted Issue with Warrants**”);

(f) proposed restructuring of debts owing to certain financial institutions and trade creditors of STB and its subsidiaries (“**STB Group**” or the “**Group**”) pursuant to Section 176 of the Act (“**Proposed Debt Restructuring**”);

(g) proposed renounceable rights issue of up to 120,970,000 new STB Shares of RM0.10 each (“**Rights Shares**”) together with up to 60,485,000 free Warrants (“**Warrant(s) B**”) at an issue price of RM0.10 per Rights Share on the basis of two (2) Rights Shares together with one (1) free Warrant B for every two (2) new STB Shares held after the Proposed Share Premium Reduction, the Proposed Par Value Reduction and Consolidation and the Proposed Restricted Issue with Warrants on an entitlement date to be determined and announced later based on a minimum subscription level of 65,000,000 Rights Shares together with 32,500,000 free Warrants B (“**Proposed Rights Issue with Warrants**”); and

(h) proposed exemption to Protev Asia, Herbert Tucakovic and other person(s) acting in concert (“**PACs**”) under Practice Note 9, Paragraph 16.1 of the Malaysian Code on Take-Over and Mergers 2010 (“**Code**”) from the obligation to undertake a mandatory take-over offer to acquire all the remaining STB Shares and convertible securities not already held by Protev Asia and its PACs upon completion of the Proposed Restricted Issue with Warrants as prescribed under Part III of the Code (“**Proposed Exemption**”).

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Collectively the Proposed Share Premium Reduction, the Proposed Par Value Reduction and Consolidation, the Proposed Increase in Authorised Share Capital, the Proposed M&A Amendments, the Proposed Restricted Issue with Warrants, the Proposed Debt Restructuring, the Proposed Rights Issue with Warrants and the Proposed Exemption shall hereinafter referred to as the ("**Multiple Proposals**").

(ii) Court Convened Meeting of Scheme Creditors

The Company had at the Adjourned Court Convened Meetings held on 3 July 2012 and Court Convened Meetings held on 25 June 2012 obtained the requisite approvals from the Scheme Creditors of its subsidiary companies, Sanichi Precision Mould Sdn Bhd and Asia Pinnacle Sdn Bhd.

(iii) Extension of Stay Order pursuant to Section 176 of the Companies Act, 1965

The Company had on 30 July 2012 announced that it has received a notification from its Solicitors notifying of the Sealed Court Order dated 25 July 2012 where the Kuala Lumpur High Court had on 25 July 2012 granted a further extension of Stay Order ("Order") pursuant to Section 176 of the Companies Act, 1965 to restrain all further proceedings against STB and its subsidiaries for a period of six (6) months from 26 July 2012 to 25 January 2013. The Order is an extension of the Stay Order dated 19 January 2012 which expired on 25 July 2012. The Order does not have any financial and operational impact on STB.

(iv)The Board of Directors had on 4 September 2012 vide PIVB announced that the solicitor for the Company had on 3 September 2012 received a sealed copy of the court order from the High Court of Malaya sanctioning the Schemes of Arrangement pursuant to Section 176 of the Companies Act, 1965 undertaken as an integral part of the Proposed Debt Restructuring.

(v)The Board of Directors had on 30 September 2012 vide PIVB announced that Securities Commission Malaysia (Private Debt Securities) had vide its letter dated 26 September 2012 approved the Proposed issuance of RM4,623,656 nominal value of 4% irredeemable convertible unsecured loan stocks ("ICULS") at 100% of the nominal value of RM0.10 each pursuant to the Proposed Debt Restructuring under the Private Debt Securities Guidelines.

(vi)The Board of Directors had on 25 October 2012 vide PIVB announced that Bursa Malaysia Securities Berhad ("Bursa Securities") had vide its letter dated 25 October 2012 approved the following:-

- i) Admission to the Official List of Bursa Securities and the listing and quotation for up to 60,485,000 Warrants B to be issued pursuant to the Proposed Rights Issue with Warrants; and

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- ii) Listing of and quotation for:-
 - a) 85,000,000 Restricted Issue Shares to be issued pursuant to the Proposed Restricted Issue with Warrants;
 - b) 8,766,320 Settlement Shares to be issued pursuant to the Proposed Debt Restructuring;
 - c) Up to 120,970,000 Rights Shares to be issued pursuant to the Proposed Rights Issue with Warrants;
 - d) Up to 46,236,560 new Sanichi Shares arising from the full conversion of RM4,623,656 nominal value of ICULS to be issued pursuant to the Proposed Debt Restructuring; and
 - e) Up to 102,985,000 new Sanichi Shares arising from the full exercise of 42,500,000 Warrants A and 60,485,000 Warrants B to be issued pursuant to the Proposed Restricted Issue with Warrants and the Proposed Rights Issue with Warrants, respectively.

(vii) The approval for the Proposed Restricted Issue with Warrants, the Proposed Debt Restructuring and the Proposed Rights Issue with Warrants are subject to certain conditions as contained in Bursa Securities letter.

(viii) The Shareholders of the Company had at the Extraordinary General Meeting held on 21 November 2012 approved all the resolutions as set out in the Notice of EGM dated 30 October 2012 vide show of hands except for Ordinary Resolution 4 which was decided on a poll as required under the Malaysian Code on Take-Overs and Mergers 2010.

(ix) The Board of Directors had on 22 November 2012 vide PIVB announced that an application in respect of the Proposed Exemption has been submitted to the Securities Commission Malaysia on even date.

(x) The Board of Directors had on 26 November 2012 vide PIVB announced that the Securities Commission Malaysia had vide its letter dated 23 November 2012, which was received on 26 November 2012, approved the application by Protev Asia Limited (formerly known as Oceanaire International Limited) and its persons acting in concert for the Proposed Exemption.

(xi) The Board of Directors had on 7 December 2012 vide PIVB announced that the High Court of Malaya had on 7 December 2012 granted an order confirming the Proposed Share Premium Reduction and the Proposed Par Value Reduction and Consolidation pursuant to Sections 60(2) and 64(1) of the Companies Act, 1965 ("Act") ("Court Order").

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(xii)The Board of Directors had on 10 December 2012 vide PIVB announced the Entitlement (Notice of Book Closure) to determine the shareholders of Sanichi who will be subject to the reduction of the issued and paid-up share capital of Sanichi pursuant to Section 64(1) of the Act, involving the cancellation of RM0.08 of the par value of each ordinary share of RM0.10 each in Sanichi (“Sanichi Share”) and thereafter the consolidation of five (5) ordinary shares of RM0.02 each into one (1) new Sanichi Share of RM0.10 each (“Par Value Reduction and Consolidation”).

(xiii)The Board of Directors had on 18 December 2012 vide PIVB announced that the Deed Poll for Warrants A constituting the terms and conditions of the 42,500,000 Warrants A to be issued pursuant to the Proposed Restricted Issue with Warrants has been duly executed on 18 December 2012.

(xiv)The Board of Directors had on 24 December 2012 vide PIVB announced that the Sealed order of the High Court of Malaya dated 7 December 2012 confirming the Proposed Share Premium Reduction and the Proposed Par Value Reduction and Consolidation has been lodged with the Companies Commission of Malaysia on even date.

Consequently, the par value reduction of the existing ordinary shares of Sanichi and thereafter the consolidation of five (5) ordinary shares of RM0.02 each into one (1) new ordinary share of RM0.10 each has become effective today and from 26 December 2012, the new consolidated ordinary shares of RM0.10 each will be quoted and traded on the ACE Market of Bursa Securities.

Pursuant to the completion of the Proposed Par Value and Consolidation, the new issued and paid-up share capital of Sanichi is RM3,597,000 comprising 35,970,000 ordinary shares of RM0.10 each.

(xv)The Board of Directors had on 26 December 2012 vide PIVB announced that the Proposed Par Value Reduction and Consolidation was completed with the listing of and quotation for the 35,970,000 new ordinary shares of RM0.10 each in Sanichi on the ACE Market of Bursa Securities effective from 9.00 a.m. on 26 December 2012.

In addition to the Proposed Par Value Reduction and Consolidation, other proposals namely the Proposed Share Premium Reduction, the Proposed Increase in Authorised Share Capital and the Proposed M&A Amendments, were also completed.

(xvi)The Board of Directors had on 28 December 2012 vide PIVB announced that the Proposed Restricted Issue with Warrants has been completed on 28 December 2012 following the listing of and quotation for the 85,000,000 new ordinary shares of RM0.10 each in Sanichi on the ACE Market of Bursa Securities.

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(xvii)The Board of Directors had on 14 January 2013 vide PIVB announced that the Trust Deed constituting the terms and conditions of RM4,623,656 nominal value of 4%, five year irredeemable convertible unsecured loan stocks at 100% of the nominal value of RM0.10 each to be issued pursuant to the Proposed Debt Restructuring has been duly executed on 14 January 2013; and the Deed Poll for Warrants B constituting the terms and conditions of up to 60,485,000 Warrants B to be issued pursuant to the Proposed Rights Issue with Warrants has been duly executed on 14 January 2013.

(xviii)The Board of Directors had on 31 January 2013 vide PIVB announced the Entitlement (Notice of Book Closure) for the Renounceable Rights Issue of up to 120,970,000 new ordinary shares of RM0.10 each in Sanichi (“Rights Shares”) together with up to 60,485,000 free warrants (“Warrants B”) at an issue price of RM0.10 per Rights Share on the basis of two (2) Rights Shares together with one (1) free Warrant B for every two (2) existing ordinary shares of RM0.10 each held at 5.00 p.m. on 19 February 2013, based on a minimum subscription level of 65,000,000 Rights Shares together with 32,500,000 free Warrants B (“Rights Issue with Warrants”).

(xix)The Board of Directors had on 18 February 2013 vide PIVB announced that the Abridged Prospectus in relation to the Rights Issue with Warrants, together with the Notice of Provisional Allotment and Rights Subscription Form, have been duly registered with the Securities Commission Malaysia and lodged with the Registrar of Companies on 18 February 2013.

(xx)The Board of Directors had on 13 March 2013 vide PIVB announced that as at the close of acceptance and payment for the Rights Issue with warrants on 6 March 2013, the total valid acceptances and excess applications for 153,501,840 Rights Shares together with 76,750,920 free Warrants B were received. This represents an over-subscription of 32,531,840 Rights Shares together with 16,265,920 free Warrants B or approximately 26.89% over the total of 120,970,000 Rights Shares together with 60,485,000 free Warrants B available for subscription under the Rights Issue with Warrants.

(xxi)The Board of Directors had on 18 March 2013 vide PIVB announced that the 8,766,320 Settlement Shares issued pursuant to the Debt Restructuring, the 120,970,000 Rights Shares together with 60,485,000 Warrants B would be admitted to the Official List of Bursa Securities and granted listing and quotation on 20 March 2013.

(xxii)The Board of Directors had on 30 March 2013 vide PIVB announced that the Corporate Exercise of the Company had completed on 20 March 2013 following the admission of 8,766,320 Settlement Shares issued pursuant to the Debt Restructuring, 120,970,000 Rights Shares and 60,485,000 Warrants B on the ACE Market of Bursa Securities on 20 March 2013.

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(xxiii) Utilisation Of Proceeds From Private Placement

The Private Placement which was announced on 12 October 2011 has been completed on 5 December 2011. The gross proceeds of RM1,635,000 raised from the Private Placement of 16,350,000 new ordinary shares of RM0.10 each in Sanichi ("Placement Shares") at an issue price of RM0.10 per share has been fully utilized during the first quarter 2013.

(xxiv) The Group has proceeded to implement the settlement terms and conditions with its Scheme Creditors under the Scheme of Arrangement approved by the shareholders, creditors and Bursa Securities.

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 (Secured)</u>	
Term Loans	3,338
Hire Purchase Payables	-
Trade Financing	-
Bank overdraft	-
	<u>3,338</u>
<u>Long Term Borrowings</u>	
Term Loans	<u>13,350</u>
Total	<u>16,688</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.

B10. Off Balance Sheet Financial Instruments

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

B11. Material Litigation

There was no material litigation involving the Group as at the date of this report.

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B12. Dividend Proposed

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

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

Basic EPS/(LPS)

	Current quarter ended		Cumulative quarter ended	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
Net profit/(loss) for the period (RM'000)	7,496	(1,572)	3,048	(5,472)
Weighted average number of shares in issue ('000)	128,178	163,500	72,455	163,500
Basic EPS/(LPS) (sen)	5.8	(0.9)	4.2	(3.2)

Basic LPS is calculated by dividing the net loss 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)

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	As at 31 March 2013 RM'000	As at 31 March 2012 RM'000
Realized (Loss) / Gain	(10,628)	(14,112)
Unrealized (Loss) / Gain	-	(274)
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	(10,628)	(14,386)
Less Consolidated adjustment	19,549	(7,964)
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Total group retained profit/(accumulated losses)	8,821	(22,350)

B15. Comprehensive Income Disclosure

	Current quarter ended		Cumulative quarter ended	
	31 March 2013 RM'000	31 March 2012 RM'000	31 March 2013 RM'000	31 March 2012 RM'000
Interest income	(27)	(4)	(30)	(15)
Interest expense	(1,065)	560	5	1,633
Depreciation and amortization	686	561	1,934	1,644
Bad debt recovered	-	-	(35)	(624)
Bad debt written off	-	-	-	-
Income from finance loan waived	(6,791)	-	(6,791)	-
Income from trade payables	(2,696)	-	(2,696)	-
Loss / (Gain)on foreign exchange	-	107	-	274
(Gain) / Loss on disposal of property, plant and equipments	277	38	277	(59)
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B16. Audit Report of Preceding Annual Financial Statements

The audited financial statements of the Company and its subsidiary companies for the FYE 30 June 2012 were subject to modified opinion with emphasis on the Company's going concern.