

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 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 2013.

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 2013.

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 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 materials 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	Malaysia	Thailand	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000
30 September 2013				
Revenue				
External sales	6,551	274	-	6,825
Inter segment sales	-	-	-	-
Total revenue	<u>6,551</u>	<u>274</u>	<u>-</u>	<u>6,825</u>
Results				
Profit from operation	2,265	(200)	-	2,065
Finance cost	(231)	-	-	(231)
Income from other investment	-	-	-	-
Profit before tax				<u>1,834</u>
Income tax expenses				-
Net profit for the year				<u>1,834</u>
Other Information				
Additions of fixed assets	1,450	170	-	1,620
Depreciation and amortization	695	31	-	726
Consolidated Balance Sheet Assets				
Segment assets	65,638	1,383	-	67,021
Segment liabilities	15,393	4,432	-	19,825

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The Group 30 September 2012	Malaysia RM'000	Thailand RM'000	Elimination RM'000	Consolidated RM'000
Revenue				
External sales	900	481	-	1,381
Inter segment sales	255	-	(255)	-
Total revenue	<u>1,155</u>	<u>481</u>	<u>(255)</u>	<u>1,381</u>
Results				
Loss from operation	(917)	(389)	-	(1,306)
Finance cost	(561)	-	-	(561)
Income from other investment	-	-	-	-
Loss before tax				<u>(1,867)</u>
Income tax expenses				153
Net loss for the year				<u>(1,714)</u>
Other Information				
Additions of fixed assets	4	-	-	4
Depreciation and amortization	542	42	-	584
Consolidated Balance Sheet Assets				
Segment assets	47,071	1,560	-	48,631
Segment liabilities	34,930	4,141	-	39,071

Segment sales

	Current Quarter 30.9.2013 RM'000	Preceding Year Corresponding Quarter to 30.9.2012 RM'000
Malaysia	23	573
European countries	102	327
Other countries in Asia Pacific	6,700	481
	<u>6,825</u>	<u>1,381</u>

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Segment sales	Current Year To date 30.9.2013 RM'000	Preceding Year Corresponding Period to 30.9.2012 RM'000
Malaysia	23	573
European countries	102	327
Other countries in Asia Pacific	6,700	481
	<hr/> 6,825	<hr/> 1,381

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 September 2013

The Group recorded a revenue of RM6.825 million for the first quarter ended 30 September 2013. The Group's profit before tax (" PBT ") and profit after tax (" PAT ") for the quarter were RM1.834 million and RM1.834 million for the period respectively.

The Group's revenue of RM6.825 million for the 3 months period ended 30 September 2013 represents an increase of approximately 394.2% as compared to the preceding year corresponding period. In addition, the Group incurred PBT and PAT of RM1.834 million and RM1.834 million for the both period respectively for the 3 months period ended 30 September 2013, as compared to loss before tax (" LBT ") and loss after tax (" LAT ") of RM1.867 million and RM1.714 million for the both period respectively for the preceding year ended 30 September 2012. The reasons for the Group's financial performance were mainly due to higher demand from Asia Pacific market during the quarter under review.

B2. Variation of Results for the Current Quarter Ended 30 September 2013 against Immediate Preceding Quarter

The Group recorded an increase of approximately 54.0% in its revenue to RM6.825 million for the quarter ended 30 September 2013 against RM4.431 million for the immediate preceding quarter ended 30 June 2013. As a result thereof, the Group registered both PBT and PAT of RM1.834 million and RM1.834 million for the current quarter ended 30 September 2013 respectively as compared to both LBT and LAT of RM1.983 million and RM2.136 million respectively in the immediate preceding quarter ended 30 June 2013.

The Group recorded an increase in revenue by approximately RM2.394 million for the current quarter under review compared to preceding quarter ended 30 June 2013. The reasons for the Group's financial performance were mainly due to strong demand recovery from market after completion of corporate restructuring.

B3. Group's Prospects for FYE 30 June 2014

The completion of the corporate proposals of the Group in March 2013 has led to a reduction in gearing and improvement in liquidity. The Group is now in a stronger position to increase production and bid for new projects. The Group ongoing collaboration with Protev is also expected to generate new markets and customers in Europe and the Americas for this financial year.

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 September 2013	30 September 2012	30 September 2013	30 September 2012
	RM'000	RM'000	RM'000	RM'000
In respect of the current period:-				
Current taxation	-	-	-	-
Deferred taxation	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
In respect of the previous period:-				
Taxation	-	159	-	159
Deferred taxation	-	-	-	-
Net tax charge	<hr/>	<hr/>	<hr/>	<hr/>
	-	159	-	159

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.

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B8. Status of Corporate Proposals Announced

(i) 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.

(ii) The Board of Directors had on 14 June 2013 vide TA Securities Holdings Bhd (“TA Securities”) announced that the Company proposed to undertake the Proposed Private Placement of up to ten percent (10%) of the issued and paid-up share capital of STB (excluding treasury shares, if any).

(iii) The Board of Directors had on 18 June 2013 vide TA Securities announced that the Company had on 18 June 2013 submitted an application to Bursa Malaysia for the listing of and quotation for the Placement Shares on the ACE Market of Bursa Securities.

(iv) The Board of Directors had on 19 June 2013 vide PIVB announced the revision to the timeframe for the utilisation of proceeds from the Rights Issue with Warrants.

(v) The Board of Directors had on 6 August 2013 vide TA Securities provide additional information to the announcements made on 14 June 2013 and 18 June 2013 respectively in relation to the Proposed Private Placement.

(vi) The Board of Directors had on 7 August 2013 vide TA Securities announced that Bursa Securities had, vide its letter dated 7 August 2013, approved the listing of and quotation for up to 39,992,000 Placement Shares to be issued pursuant to the Proposed Private Placement subject to certain conditions.

(vii) 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.

(viii) On behalf of the Board of Directors of Sanichi, TA Securities Holdings Berhad had on 5 September 2013 announced the fixing of the issue price for the placement of 30,000,000 Placement Shares (“Price-fixing Date”) at RM0.10 per Placement Share (“Issue Price”);

(ix) On behalf of the Board of Directors of Sanichi, the Company had on 13 September 2013 announce the issuance of 30,000,000 new ordinary shares of RM0.10 each in Sanichi Technology Berhad pursuant to the Private Placement of up to ten percent (10%) of the issued and paid-up share capital of Sanichi (excluding treasury shares, if any) that was announced on 14 June 2013;

(x) On behalf of the Board of Directors of Sanichi, the Company had on 31 October 2013 announced that the Company had incorporated a subsidiary namely Sanichi Property Sdn Bhd (“SPSB”). The principal activities of SPSB is property development and is currently dormant.

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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:

	RM'000
<u>Short Term Borrowings (Secured)</u>	
Term Loans	3,338
Hire Purchase Payables	12
Trade Financing	1,036
ICULS	1,421
Bank overdraft	658
	<u>6,465</u>
<u>Long Term Borrowings</u>	
Term Loans	10,136
Hire Purchase Payables	92
	<u>10,228</u>
Total	<u>16,693</u>

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

There was no material litigation involving 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. Earnings/(Loss) Per Share ("EPS/(LPS)")

Basic EPS/(LPS)

	Current quarter ended		Cumulative quarter ended	
	30 September 2013	30 September 2012	30 September 2013	30 September 2012
Net profit/(loss) for the period (RM'000)	1,834	(1,714)	1,834	(1,714)
Weighted average number of shares in issue ('000)	310,711	179,985	310,711	179,985
Basic EPS/(LPS) (sen)	0.6	(1.0)	0.6	(1.0)

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)

	As at	As at
	30 September 2013 RM'000	30 September 2012 RM'000
Realized (Loss) / Gain	(15,077)	(38,657)
Unrealized (Loss) / Gain	741	-
	(14,336)	(38,657)
Less Consolidated adjustment	20,432	19,549
Total group retained profit/(accumulated losses)	6,096	(19,108)

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B15. Comprehensive Income Disclosure

	Current quarter ended		Cumulative quarter ended	
	30 September 2013 RM'000	30 September 2012 RM'000	30 September 2013 RM'000	30 September 2012 RM'000
Interest income	-	(3)	-	(3)
Interest expense	231	561	231	561
Depreciation and amortization	726	584	726	584
Bad debt recovered	-	(35)	-	(35)
Bad debt written off	-	-	-	-
Income from finance loan waived	-	-	-	-
Income from trade payables waived	-	-	-	-
Loss / (Gain) on foreign exchange	741	-	741	-
(Gain) / Loss on disposal of property, plant and equipments	13	-	13	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

B16. Audit Report of Preceding Annual Financial Statements

The audited financial statements of the Company and its subsidiary companies for the FYE 30 June 2013 were subject to modified opinion with emphasis on the Company's going concern.