

# **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 second quarter ended 31 December 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 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 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.

<b>The Group 31 December 2013</b>	<b>Malaysia RM'000</b>	<b>Thailand RM'000</b>	<b>Elimination RM'000</b>	<b>Consolidated RM'000</b>
<b>Revenue</b>				
External sales	13,576	639	-	14,215
Inter segment sales	1,091	-	(1,091)	-
Total revenue	<u>14,667</u>	<u>639</u>	<u>(1,091)</u>	<u>14,215</u>
<b>Results</b>				
Profit from operation	3,861	(499)	-	3,362
Finance cost	(521)	-	-	(521)
Income from other investment	-	-	-	-
Profit before tax				<u>2,841</u>
Income tax expenses				<u>-</u>
Net profit for the year				<u>2,841</u>
<b>Other Information</b>				
Additions of fixed assets	1,949	170	-	2,119
Depreciation and amortization	1,435	62	-	1,497
<b>Consolidated Balance Sheet Assets</b>				
Segment assets	65,833	1,374	-	67,207
Segment liabilities	14,366	4,628	-	18,994

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<b>The Group 31 December 2012</b>	<b>Malaysia RM'000</b>	<b>Thailand RM'000</b>	<b>Elimination RM'000</b>	<b>Consolidated RM'000</b>
<b>Revenue</b>				
External sales	1,486	764	-	2,250
Inter segment sales	375	-	(375)	-
Total revenue	<u>1,861</u>	<u>764</u>	<u>(375)</u>	<u>2,250</u>
<b>Results</b>				
Loss from operation	(2,900)	(630)	-	(3,530)
Finance cost	(1,070)	-	-	(1,070)
Income from other investment	-	-	-	-
Loss before tax				<u>(4,600)</u>
Income tax expenses				153
Net loss for the year				<u>(4,447)</u>
<b>Other Information</b>				
Additions of fixed assets	3,938	-	-	3,938
Depreciation and amortization	1,169	79	-	1,248
<b>Consolidated Balance Sheet</b>				
<b>Assets</b>				
Segment assets	56,992	1,323	-	58,315
Segment liabilities	38,844	4,159	-	43,003

## Segment sales

	<b>Current Quarter 31.12.2013 RM'000</b>	<b>Preceding Year Corresponding Quarter to 31.12.2012 RM'000</b>
Malaysia	800	223
European countries	2,505	498
Other countries in Asia Pacific	4,085	148
	<u>7,390</u>	<u>869</u>

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<b>Segment sales</b>	<b>Current Year To date 31.12.2013 RM'000</b>	<b>Preceding Year Corresponding Period to 31.12.2012 RM'000</b>
Malaysia	823	796
European countries	2,607	825
Other countries in Asia Pacific	10,785	629
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	14,215	2,250

## **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 December 2013**

The Group recorded a revenue of RM7.390 million for the second quarter ended 31 December 2013. The Group's profit before tax ( "PBT" ) and profit after tax ( "PAT" ) for the quarter were RM1.007 million and RM1.007 million for the period respectively.

The Group's revenue of RM14.215 million for the 6 months period ended 31 December 2013 represents an increase of approximately 531.8% as compared to the preceding year corresponding period. In addition, the Group incurred PBT and PAT of RM2.841 million and RM2.841 million for the both period respectively for the 6 months period ended 31 December 2013, as compared to loss before tax ( "LBT " ) and loss after tax ( "LAT" ) of RM4.600 million and RM4.447 million for the both period respectively for the preceding year ended 31 December 2012. The reasons for the Group's financial performance were mainly due to higher demand from Asia Pacific and Europe market during the quarter under review.

### **B2. Variation of Results for the Current Quarter Ended 31 December 2013 against Immediate Preceding Quarter**

The Group recorded an increase of approximately 8.3% in its revenue to RM7.390 million for the quarter ended 31 December 2013 against RM6.825 million for the immediate preceding quarter ended 30 September 2013. As a result thereof, the Group registered both PBT and PAT of RM1.007 million and RM1.007 million for the current quarter ended 31 December 2013 respectively as compared to both PBT and PAT of RM1.834 million and RM1.834 million respectively in the immediate preceding quarter ended 30 September 2013.

The Group recorded an increase in revenue by approximately RM0.565 million for the current quarter under review compared to preceding quarter ended 30 September 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	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	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>-</u>	<u>153</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.

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## **B8. Status of Corporate Proposals Announced**

### (a) Restructuring Scheme

(i) 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).

(ii) 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.

(iii) 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.

(iv) 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.

(iv) 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.

(v) 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.

(vi) 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”);

(vii) On behalf of the Board of Directors of Sanichi, the Company had on 13 September 2013 announced 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;

(viii) 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.

(ix) On behalf of the Board of Directors of Sanichi, the Company had on 31 December 2013 announced the issuance of 102,360 new ordinary shares of RM0.10 each in Sanichi Technology Berhad arising from the full conversion of RM10,236 nominal value of ICULS to be issued pursuant to the Proposed Debt Restructuring;

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(x) On behalf of the Board of Directors of Sanichi, the Company had on 10 February 2014 announced the issuance of 279,280 new ordinary shares of RM0.10 each in Sanichi Technology Berhad arising from the full conversion of RM27,928 nominal value of ICULS to be issued pursuant to the Proposed Debt Restructuring;

(xi) On behalf of the Board of Directors of Sanichi, the Company had on 20 February 2014 announced that the one (1) ordinary share representing 50% of the total issued and paid-up capital of Sanichi Property Sdn Bhd (1068338-P) (“SPSB”) which was held by Dato’ Dr Pang Chow Huat on behalf of Sanichi had on 20 February 2014 been transferred to Sanichi thereby resulting in SPSB becoming a wholly-owned subsidiary of Sanichi.

### (b) Utilisation Of Proceeds From Private Placement

The Private Placement which was completed on 13 September 2013. The gross proceeds of RM3,000,000 raised from the Private Placement of 30,000,000 new ordinary shares of RM0.10 each in Sanichi (“Placement Shares”) at an issue price of RM0.10 per share has been utilized as follows:

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance Utilisation RM'000	%	Explanations	Expected time frame for utilisation of proceeds from date of listing of Placement Shares
Expenses for the Private Placement	101	78	23	77	Balance unutilized would be used for the expansion of Thailand's operation	Within 2 weeks
Expansion of the operation in Thailand	2,899	1,699	1,200	41	-	Within 12 months
<b>TOTAL</b>	<b>3,000</b>	<b>1,777</b>	<b>1,223</b>	<b>41</b>	-	



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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:

	<b>RM'000</b>
<u>Short Term Borrowings (Secured)</u>	
Term Loans	3,338
Hire Purchase Payables	12
Trade Financing	1,036
ICULS	1,421
Bank overdraft	663
	<u>6,470</u>
<u>Long Term Borrowings</u>	
Term Loans	9,839
Hire Purchase Payables	88
	<u>9,927</u>
<b>Total</b>	<u><u>16,397</u></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	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Net profit/(loss) for the period (RM'000)	1,007	(2,733)	2,841	(4,447)
Weighted average number of shares in issue ('000)	331,711	38,803	321,211	36,669
Basic EPS/(LPS) (sen)	0.3	(7.0)	0.9	(12.1)

Basic EPS/(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
	31 December 2013 <b>RM'000</b>	31 December 2012 <b>RM'000</b>
Realized (Loss) / Gain	(14,110)	(16,416)
Unrealized (Loss) / Gain	780	-
	(13,330)	(16,416)
Less Consolidated adjustment	20,407	19,549
<b>Total group retained profit/(accumulated losses)</b>	<b>7,077</b>	<b>3,133</b>

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### B15. Comprehensive Income Disclosure

	Current quarter ended		Cumulative quarter ended	
	31 December 2013 RM'000	31 December 2012 RM'000	31 December 2013 RM'000	31 December 2012 RM'000
Interest income	-	-	-	(3)
Interest expense	291	510	521	1,071
Depreciation and amortization	771	664	1,497	1,248
Bad debt recovered	-	-	-	(35)
Bad debt written off	-	-	-	-
Income from finance loan waived	-	-	-	-
Income from trade payables waived	-	-	-	-
Loss / (Gain) on foreign exchange	(39)	-	(780)	-
(Gain) / Loss on disposal of property, plant and equipments	-	-	13	-

### 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.