

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 2014 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.

SANICHI TECHNOLOGY BERHAD

Company No. 661826-K
(Incorporated in Malaysia)

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 2014	Malaysia RM'000	Thailand RM'000	Elimination RM'000	Consolidated RM'000
Revenue				
External sales	15,549	1,541	-	17,090
Inter segment sales	781	-	(781)	-
Total revenue	<u>16,330</u>	<u>1,541</u>	<u>(781)</u>	<u>17,090</u>
Results				
Profit from operation	3,098	(425)	-	2,673
Finance cost	(842)	-	-	(842)
Income from other investment	-	-	-	-
Profit before tax				<u>1,831</u>
Income tax expenses				<u>-</u>
Net profit for the year				<u>1,831</u>
Other Information				
Additions of fixed assets	1,997	156	-	2,153
Depreciation and amortization	2,175	90	-	2,265
Consolidated Balance Sheet				
Assets				
Segment assets	63,947	2,414	-	66,361
Segment liabilities	13,525	5,592	-	19,117

SANICHI TECHNOLOGY BERHAD

Company No. 661826-K
(Incorporated in Malaysia)

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				<u>153</u>
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
Segment sales				
			Current Quarter 31.3.2014 RM'000	Preceding Year Corresponding Quarter to 31.3.2013 RM'000
Malaysia			-	-
European countries			901	643
Other countries in Asia Pacific			1,974	497
			<u>2,875</u>	<u>1,140</u>

SANICHI TECHNOLOGY BERHAD

Company No. 661826-K
(Incorporated in Malaysia)

Segment sales	Current Year To date 31.3.2014 RM'000	Preceding Year Corresponding Period to 31.3.2013 RM'000
Malaysia	823	796
European countries	3,508	1,468
Other countries in Asia Pacific	12,759	1,126
	<hr/> <hr/>	<hr/> <hr/>
	17,090	3,390

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.

- The rest of this page has been intentionally left blank -

SANICHI TECHNOLOGY BERHAD

Company No. 661826-K
(Incorporated in Malaysia)

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 2014

The Group recorded a revenue of RM2.875 million for the third quarter ended 31 March 2014. The Group's loss before tax ("LBT") and loss after tax ("LAT") for the quarter were RM1.010 million and RM1.010 million for the period respectively.

The Group's revenue of RM17.090 million for the 9 months period ended 31 March 2014 represents an increase of approximately 404.1% as compared to the preceding year corresponding period. In addition, the Group incurred profit before tax ("PBT") and profit after tax ("PAT") of RM1.831 million and RM1.831 million for the both period respectively for the 9 months period ended 31 March 2014, as compared to PBT and PAT of RM2.895 million and RM3.048 million for the both period respectively for the preceding year ended 31 March 2013. The reasons for the Group's improvement in revenue were mainly due to strong demand recovery from market after completion of corporate restructuring.

B2. Variation of Results for the Current Quarter Ended 31 March 2014 against Immediate Preceding Quarter

The Group recorded a decrease of approximately 61.1% in its revenue to RM2.875 million for the quarter ended 31 March 2014 against RM7.390 million for the immediate preceding quarter ended 31 December 2013. As a result thereof, the Group registered both LBT and LAT of RM1.010 million and RM1.010 million for the current quarter ended 31 March 2014 respectively as compared to both PBT and PAT of RM1.007 million and RM1.007 million respectively in the immediate preceding quarter ended 31 December 2013.

The Group recorded a decrease in revenue by approximately RM4.515 million for the current quarter under review compared to preceding quarter ended 31 December 2013. The reasons for the Group's revenue were mainly due to lower demand from both foreign and local market compare against immediate preceding quarter during review.

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 is also diversifying into property development and this is expected to help the Group reduce business risk and improve the Group's financial performance for the financial year.

B4. Variance of Profit Forecast

The Group did not publish any profit forecast for the period/year under review.

SANICHI TECHNOLOGY BERHAD

Company No. 661826-K
(Incorporated in Malaysia)

B5. Tax Expenses

Taxation comprises the following:-

	Individual quarter ended		Cumulative quarter ended	
	31 March 2014	31 March 2013	31 March 2014	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>-</u>	<u>153</u>

All the subsidiaries did not incur tax expenses for this quarter under review mainly due to the unabsorbed business losses and capital allowance to set-off future profit.

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.

SANICHI TECHNOLOGY BERHAD

Company No. 661826-K
(Incorporated in Malaysia)

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

SANICHI TECHNOLOGY BERHAD

Company No. 661826-K
(Incorporated in Malaysia)

Technology Berhad arising from the full conversion of RM10,236 nominal value of ICULS to be issued pursuant to the Proposed Debt Restructuring;

(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.

(xii) On behalf of the Board of Directors of Sanichi, PIVB had on 26 February 2014 announced that the Company proposes to undertake the following:-

- (a) proposed renounceable rights issue of up to 644,891,820 new ordinary shares of RM0.10 each in STB (“STB Shares”) (“Rights Shares”) together with up to 429,927,880 free detachable warrants (“Warrants C”) at an issue price of RM0.10 per Rights Share on the basis of three (3) Rights Shares together with two (2) Warrants C for every two (2) existing STB Shares held on an entitlement date to be determined and announced later based on a minimum subscription level of 90,000,000 Rights Shares together with 60,000,000 Warrants C (“Proposed Rights Issue with Warrants”);
- (b) proposed diversification of the business of Sanichi and its subsidiaries (“STB Group” or “Group”) into property development and property investment (“Proposed Diversification”);
- (c) proposed acquisition of a parcel of freehold land held under Geran 14939, Lot 129, Pekan Klebang, Seksyen 1, District of Melaka Tengah, State of Melaka, measuring approximately 8,672 square meters (or equivalent to approximately 93,345 square feet) in area by Sanichi Property Sdn Bhd, a wholly-owned subsidiary of STB, from Top Creation Property Sdn Bhd, for a total cash consideration of RM7,700,000 (“Proposed Acquisition”);
- (d) proposed establishment of an employee share option scheme (“ESOS” or “Scheme”) of up to thirty per cent (30%) of the prevailing issued and paid-up share capital of the Company (excluding treasury shares) for the eligible employees (including Directors) of the Group after the Proposed Rights Issue with Warrants, who meet the criteria of eligibility for participation in the ESOS as set out in the by-laws containing the rules, terms and conditions of the ESOS (“Proposed ESOS”);
- (e) proposed increase in the authorised share capital of STB from RM100,000,000 comprising 1,000,000,000 STB Shares to RM500,000,000 comprising 5,000,000,000 STB Shares (“Proposed Increase in Authorised Share Capital”); and
- (f) proposed amendments to the Memorandum and Articles of Association of Sanichi (“M&A”) to facilitate the Proposed Diversification, the Proposed Increase in Authorised Share Capital and the Proposed ESOS (“Proposed M&A Amendments”);

SANICHI TECHNOLOGY BERHAD

Company No. 661826-K
(Incorporated in Malaysia)

(xiii) Reference is made to (xii) above. On behalf of the Board of Directors of Sanichi, PIVB had on 27 March 2014 announced that the Company had on 27 March 2014 submitted the listing application to Bursa Securities for the following:

- (a) admission of the Warrants C to the Official List of the ACE Market of Bursa Securities; and
- (b) listing of and quotation for the Rights Shares, the Warrants C and the new STB Shares to be issued arising from the full exercise of the Warrants C and Options on the ACE Market of Bursa Securities.

(b) Utilisation Of Proceeds From Private Placement as at 31 March 2014

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	0.77	Balance unutilized would be used for the expansion of Thailand's operation	Within 2 weeks
Expansion of the operation in Thailand	2,899	2,349	550	18.33		-
TOTAL	3,000	2,427	573	19.10	-	

SANICHI TECHNOLOGY BERHAD

Company No. 661826-K
(Incorporated in Malaysia)

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	680
	<hr/> 6,487
<u>Long Term Borrowings</u>	
Term Loans	9,558
Hire Purchase Payables	88
	<hr/> 9,646
Total	<hr/> 16,133 <hr/>

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.

SANICHI TECHNOLOGY BERHAD

Company No. 661826-K
(Incorporated in Malaysia)

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

Basic EPS/(LPS)

	Current quarter ended		Cumulative quarter ended	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
Net profit/(loss) for the period (RM'000)	(1,000)	7,496	1,841	3,048
Weighted average number of shares in issue ('000)	331,733	128,178	324,787	72,455
Basic EPS/(LPS) (sen)	(0.3)	5.8	0.6	4.2

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 31 March 2014 RM'000	As at 31 March 2013 RM'000
Realized (Loss) / Gain	(15,046)	(10,628)
Unrealized (Loss) / Gain	717	-
	(14,329)	(10,628)
Less Consolidated adjustment	20,407	19,549
Total group retained profit/(accumulated losses)	6,078	8,821

SANICHI TECHNOLOGY BERHAD

Company No. 661826-K
(Incorporated in Malaysia)

B15. Comprehensive Income Disclosure

	Current quarter ended		Cumulative quarter ended	
	31 March 2014 RM'000	31 March 2013 RM'000	31 March 2014 RM'000	31 March 2013 RM'000
Interest income	-	(27)	-	(30)
Interest expense	322	(1,065)	843	5
Depreciation and amortization	768	686	2,265	1,934
Bad debt recovered	-	-	-	(35)
Bad debt written off	-	-	-	-
Income from finance loan waived	-	(6,791)	-	(6,791)
Income from trade payables waived	-	(2,696)	-	(2,696)
Unrealised Loss / (Gain) on foreign exchange	63	-	(717)	-
(Gain) / Loss on disposal of property, plant and equipments	-	277	13	277
	=====	=====	=====	=====

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.