

# **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 forth quarter ended 30 June 2014 have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS") 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 subsidiaries (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.

### **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.

### **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 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 30 June 2014</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	20,310	2,103	-	22,413
Inter segment sales	2,431	-	(2,431)	-
Total revenue	<u>22,741</u>	<u>2,103</u>	<u>(2,431)</u>	<u>22,413</u>
<b>Results</b>				
Profit from operations	4,017	(990)	-	3,027
Finance cost	(1,200)	(1)	-	(1,201)
Income from other investment	-	-	-	-
Profit before tax				<u>1,826</u>
Income tax income				428
Net profit for the year				<u>2,254</u>
<b>Other Information</b>				
Additions of fixed assets	2,014	167	-	2,181
Depreciation and amortization	2,935	118	-	3,053
<b>Consolidated Balance Sheet</b>				
<b>Assets</b>				
Segment assets	65,905	1,903	-	67,808
Segment liabilities	13,985	5,573	-	19,558

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<b>The Group 30 June 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	7,652	1,652	-	9,304
Inter segment sales	935	-	(935)	-
Total revenue	<u>8,587</u>	<u>1,652</u>	<u>(935)</u>	<u>9,304</u>
<b>Results</b>				
Profit from operation	1,785	(544)	-	1,241
Finance cost	(329)	-	-	(329)
Income from other investment	-	-	-	-
Profit before tax				<u>912</u>
Income tax expenses				<u>(6)</u>
Net profit for the year				<u>906</u>
<b>Other Information</b>				
Additions of fixed assets	8,255	-	-	8,255
Depreciation and amortization	2,513	115	-	2,628
<b>Consolidated Balance Sheet</b>				
<b>Assets</b>				
Segment assets	59,541	1,721	-	61,262
Segment liabilities	14,685	4,380	-	19,065
<b>Segment sales</b>				
			<b>Current Quarter 30.6.2014 RM'000</b>	<b>Preceding Year Corresponding Quarter to 30.6.2013 RM'000</b>
Malaysia			-	902
European countries			3,513	3,013
Other countries in Asia Pacific			1,810	1,999
			<u>5,323</u>	<u>5,914</u>

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<b>Segment sales</b>	<b>Current Year To date 30.6.2014 RM'000</b>	<b>Preceding Year Corresponding Period to 30.6.2013 RM'000</b>
Malaysia	823	1,698
European countries	7,021	4,481
Other countries in Asia Pacific	14,569	3,125
	<hr/>	<hr/>
	22,413	9,304

### **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 June 2014**

The Group recorded a revenue of RM5.323 million for the fourth quarter ended 30 June 2014. The Group's loss before tax ("LBT") and profit after tax ("PAT") for the quarter were RM5 thousand and RM0.423 million for the period respectively.

The Group's revenue of RM22.413 million for the 12 months year ended 30 June 2014 represents an increase of approximately 140.9% as compared to the preceding year corresponding period. In addition, the Group incurred profit before tax ("PBT") and profit after tax ("PAT") of RM1.826 million and RM2.254 million for the 12 months year ended 30 June 2014, as compared to PBT and PAT of RM0.912 million and RM0.906 million for the preceding year ended 30 June 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 30 June 2014 against Immediate Preceding Quarter**

The Group recorded an increase of approximately 85.1% in its revenue to RM5.323 million for the quarter ended 30 June 2014 against RM2.875 million for the immediate preceding quarter ended 31 March 2014. As a result thereof, the Group registered both LBT and PAT of RM5 thousand and RM0.423 million for the current quarter ended 30 June 2014, respectively as compared to both loss before tax ("LBT") and loss after tax ("LAT") of RM1.010 million and RM1.010 million, respectively in the immediate preceding quarter ended 31 March 2014.

The Group recorded an increase in revenue by approximately RM2.448 million for the current quarter under review as compared to preceding quarter ended 31 March 2014. The reasons for the Group's revenue were mainly due to higher demand from Euro market as compared to immediate preceding quarter during review.

#### **B3. Group's Prospects for FYE 30 June 2015**

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.

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### B5. Tax Expenses

Taxation comprises the following:-

	Individual quarter ended		Cumulative quarter ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
	RM'000	RM'000	RM'000	RM'000
In respect of the current period:-				
Current taxation	(6)	-	(6)	-
Deferred taxation	833	-	833	-
	<u>827</u>	<u>-</u>	<u>827</u>	<u>-</u>
In respect of the previous period:-				
Taxation	-	(159)	-	(6)
Deferred taxation	(399)	-	(399)	-
Net tax charge	<u>428</u>	<u>(159)</u>	<u>428</u>	<u>(6)</u>

### 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**

1. (i) 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");
- (ii) Reference is made to (i) 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 ("Listing Application") 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.

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(iii) Reference is made to (i) & (ii) above. On behalf of the Board of Directors of Sanichi, PIVB had on 26 May 2014 announced that Bursa Securities had, vide its letter dated 23 May 2014, approved the Listing Application with conditions.

(iv) On behalf of the Board of Directors of Sanichi, PIVB had on 14 August 2014 announced that the Deed Poll for Warrants C constituting the terms and conditions of up to 429,927,880 Warrants C to be issued pursuant to the Proposed Rights Issue with Warrants has been duly executed on 14 August 2014.

(v) On behalf of the Board of Directors of Sanichi, PIVB had on 15 August 2014 announced the important relevant dates for Proposed Rights Issue with Warrants with regards to (iv) above.

(vi) On behalf of the Board of Directors of Sanichi, PIVB had on 20 August 2014 announced that Sanichi Property Sdn Bhd and Top Creation Property Sdn Bhd ("TCSB") had, via an exchange of letter (which was accepted and signed by TCSB on 20 August 2014), mutually agreed to extend the Stipulated Period expiring on 25 August 2014 for a further period of approximately four (4) months to 26 December 2014 to enable the parties to fulfil the Conditions Precedent within the Stipulated Period as set out in the Sale & Purchase Agreement.

### **2. Utilisation of Proceeds from Private Placement as at 30 June 2014**

The utilisation proceeds from the Private Placement of RM3 million which was completed on 13 September 2013 have been fully utilized as at 30 June 2014.



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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	1,631
Hire Purchase Payables	12
Trade Financing	1,036
ICULS	737
Bank overdraft	697
	<hr/> 4,113
<u>Long Term Borrowings</u>	
Term Loans	10,473
Hire Purchase Payables	84
	<hr/> 10,557
<b>Total</b>	<hr/> <b>14,670</b> <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.

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

#### Basic EPS/(LPS)

	Current quarter ended		Cumulative quarter ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
Net profit/(loss) for the period (RM'000)	423	(2,142)	2,254	906
Weighted average number of shares in issue ('000)	347,972	139,861	337,014	192,657
Basic EPS/(LPS) (sen)	0.1	(1.0)	0.7	0.5

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

The Company has no dilutive potential ordinary share as at the end of the reporting period and therefore the diluted earnings per ordinary share has not been presented.

### B14. Retained Profits/(Accumulated Losses)

	As at 30 June 2014 RM'000	As at 30 June 2013 RM'000
Realized (Loss) / Gain	(14,415)	(15,787)
Unrealized (Loss) / Gain	441	(315)
	(13,974)	(16,102)
Less Consolidated adjustment	20,407	20,364
<b>Total group retained profit/(accumulated losses)</b>	<b>6,433</b>	<b>4,262</b>

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### B15. Comprehensive Income Disclosure

	Current quarter ended		Cumulative quarter ended	
	30 June 2014 RM'000	30 June 2013 RM'000	30 June 2014 RM'000	30 June 2013 RM'000
Interest income	(4)	(9)	(4)	(39)
Interest expense	357	297	1,201	302
Depreciation and amortization	788	696	3,053	2,630
Bad debt recovered	-	-	-	(35)
Bad debt written off	9	49	9	49
Deposit written off	73	-	73	-
Income from finance loan waived	-	118	-	(6,673)
Income from trade payables waived	-	176	-	(2,520)
Inventories written off	-	-	3	-
Impairment loss on trade receivables	672	-	672	-
Reversal of provision no longer required	(767)	-	(767)	-
Unrealised Loss / (Gain) on foreign exchange	276	202	(441)	202
Realized gain of foreign exchange (Gain) / Loss on disposal of property, plant and equipments	-	277	(170)	(29)
	-	277	13	277

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### **B16. Audit Report of Preceding Annual Financial Statements**

The audited financial statements of the Company and its subsidiaries for the FYE 30 June 2013 were subject to unqualified opinion except for Sanichi Mould (Thailand) Co. Ltd which has been qualified due to physical count of inventories not performed.