

# **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 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 2014.

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 2014.

### **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.

# SANICHI TECHNOLOGY BERHAD

Company No. 661826-K  
(Incorporated in Malaysia)

## 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</b>	<b>Malaysia</b>	<b>Thailand</b>	<b>Elimination</b>	<b>Consolidated</b>
<b>31 December 2014</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Revenue</b>				
External sales	15,244	1,280	-	16,524
Inter segment sales	-	-	-	-
Total revenue	<u>15,244</u>	<u>1,280</u>	<u>-</u>	<u>16,524</u>
<b>Results</b>				
Profit from operations	2,504	212	-	2,716
Finance cost	(623)	-	-	(623)
Income from other investment	-	-	-	-
Profit before tax				<u>2,093</u>
Income tax expenses				-
Net profit for the period				<u>2,093</u>
<b>Other Information</b>				
Additions of fixed assets	9,877	79	-	9,956
Depreciation and amortization	1,474	61	-	1,535
<b>Consolidated Balance Sheet Assets</b>				
Segment assets	120,137	2,272	-	122,409
Segment liabilities	5,616	1,458	-	7,074

# SANICHI TECHNOLOGY BERHAD

Company No. 661826-K  
(Incorporated in Malaysia)

<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				-
Net profit for the period				<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
<b>Segment sales</b>				
			<b>Current Quarter 3.12.2014 RM'000</b>	<b>Preceding Year Corresponding Quarter to 31.12.2013 RM'000</b>
Malaysia			-	800
European countries			3,528	2,505
Other countries in Asia Pacific			8,099	4,085
			<u>11,627</u>	<u>7,390</u>

# SANICHI TECHNOLOGY BERHAD

Company No. 661826-K  
(Incorporated in Malaysia)

<b>Segment sales</b>	<b>Current Year To date 31.12.2014 RM'000</b>	<b>Preceding Year Corresponding Period to 31.12.2013 RM'000</b>
Malaysia	1	823
European countries	7,631	2,607
Other countries in Asia Pacific	8,892	10,785
	<hr/> <hr/>	<hr/> <hr/>
	16,524	14,215

## **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 December 2014**

The Group recorded a revenue of RM11.627 million for the second quarter ended 31 December 2014. The Group's profit before tax ( "PBT" ) and profit after tax ( "PAT" ) for the quarter were RM1.504 million for the period respectively.

The Group's revenue of RM16.524 million for the 6 months period ended 31 December 2014 represents an increase of approximately 16.2% as compared to the preceding year corresponding period. In addition, the Group incurred profit before tax ( "PBT" ) and profit after tax ( "PAT" ) of RM2.093 million and RM2.093 million respectively for the 6 months period ended 31 December 2014, as compared to PBT and PAT of RM2.841 million and RM2.841 million for the preceding period ended 31 December 2013. The reasons for the Group's performance in revenue were mainly due to increase in sales from Asia Pacific market.

### **B2. Variation of Results for the Current Quarter Ended 31 December 2014 against Immediate Preceding Quarter**

The Group recorded an increase of approximately 137.4% in its revenue to RM11.627 million for the quarter ended 31 December 2014 against RM4.897 million for the immediate preceding quarter ended 30 September 2014. As a result thereof, the Group registered both PBT and PAT of RM1.504 million for the current quarter ended 31 December 2014, respectively as compared to both profit before tax ( "PBT" ) and PAT of RM589 thousand and RM589 thousand respectively in the immediate preceding quarter ended 30 September 2014.

The Group recorded an increase in revenue by approximately RM6.730 million for the current quarter under review as compared to preceding quarter ended 30 September 2014. The reasons for the Group's revenue were mainly due to high demand from Asia Pacific 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.

# SANICHI TECHNOLOGY BERHAD

Company No. 661826-K  
(Incorporated in Malaysia)

## B5. Tax Expenses

Taxation comprises the following:-

	Individual quarter ended		Cumulative quarter ended	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	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	-	-	-	-
Deferred taxation	-	-	-	-
Net tax charge	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	-	-

## 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

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) 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.
- (iii) 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.

## **SANICHI TECHNOLOGY BERHAD**

Company No. 661826-K  
(Incorporated in Malaysia)

(iv) On behalf of the Board of Directors of Sanichi, the Company had on 9 September 2014 announced that 12,190 ordinary shares at RM0.10 each were issued pursuant to the conversion of Irredeemable Convertible Unsecured Loan Stocks ("ICULS"). The paid-up capital of the Company now stands at 347,983,860 ordinary shares at RM0.10 each.

(v) On behalf of the Board of Directors of Sanichi, PIVB had on 30 September 2014 announced that Sanichi's additional 521,957,503 Rights Shares issued pursuant to the Rights Issue with Warrants will be granted listing and quotation with effect from 9.00 a.m., Wednesday, 1 October 2014; and 347,971,517 Warrants C issued pursuant to the Rights Issue with Warrants will be admitted to the Official List of Bursa Securities and the listing and quotation of these Warrants on the ACE Market will be granted with effect from 9.00 a.m., Wednesday, 1 October 2014.

(vi) On behalf of the Board of Directors of Sanichi, the Company had on 10 October 2014 announced that 13,912,340 ordinary shares at RM0.10 each were issued pursuant to the conversion of Irredeemable Convertible Unsecured Loan Stocks ("ICULS"). The paid-up capital of the Company now stands at 883,853,703 ordinary shares at RM0.10 each.

(vii) On behalf of the Board of Directors of Sanichi, PIVB had on 7 November 2014 announced that the Company had on today submitted all the necessary confirmation in respect of the Employees' Share Option Scheme ("ESOS") to Bursa Securities. Pursuant to the provisions as set out in Rule 6.44 of the ACE Market Listing Requirements of Bursa Securities, the effective date for the implementation of the ESOS is 7 November 2014.

(viii) On behalf of the Board of Directors of Sanichi, PIVB had on 11 November 2014 announced that the Proposed Acquisition is deemed completed upon full payment of the Balance Purchase Consideration on 10 November 2014 in accordance with the terms of the Sale & Purchase Agreement ("SPA") in relation to the Corporate Exercise.

(ix) On behalf of the Board of Directors of Sanichi, the Company had on 4 December 2014 announced that 130,000,000 ordinary shares at RM0.10 each was issued pursuant to ESOS. The paid-up capital of the Company now stands at 1,013,853,703 ordinary shares at RM0.10 each.

(x) On behalf of the Board of Directors of Sanichi, the Company had on 24 December 2014 announced that 53,280 ordinary shares at RM0.10 each were issued pursuant to the conversion of Irredeemable Convertible Unsecured Loan Stocks ("ICULS"). The paid-up capital of the Company now stands at 1,013,906,983 ordinary shares at RM0.10 each.

### **Status of Utilisation of Proceeds**

#### **(A) Proposed Rights Issue with Warrants**

On 26 February 2014, the Company announced that it proposed to implement a 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



## SANICHI TECHNOLOGY BERHAD

Company No. 661826-K  
(Incorporated in Malaysia)

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.

On 23 September 2014, the Company announced that as at the close of acceptance and payment for the Rights Issue with Warrants at 5.00 p.m. on 17 September 2014 (“closing date”), the total valid acceptances and excess applications received under the Rights Issue with Warrants were 732,740,867 Rights Shares. This represents an over-subscription of 210,783,364 Rights Shares or approximately 40.38% over the total of 521,957,503 Rights Shares available for subscription under the Rights Issue with Warrants.

On 30 September 2014, PIVB had on behalf of the Board, announced that 521,957,503 Rights Shares issued pursuant to the Rights Issue with Warrants would be granted listing and quotation with effect from 9.00 a.m., Wednesday, 1 October 2014; and 347,971,517 Warrants C issued pursuant to the Rights Issue with Warrants would be admitted to the Official List of Bursa Securities and the listing and quotation of these Warrants on the ACE Market will be granted with effect from 9.00 a.m., Wednesday, 1 October 2014.

The utilization of the gross proceeds of RM52,196,000 from the renounceable rights issue is as follows:-

Purpose	Proposed Utilisation	Actual Utilisation as at 31/12/14	Intended Timeframe for Utilisation	Balance Unutilised	
	RM'000	RM'000		RM'000	%
Funding for the acquisition	7,007	7,007	Within six (6) months	0	0
Repayment of bank borrowings	13,000	13,000	Within six (6) months	0	0
Funding for the Project	22,500	10,000	Within thirty-six (36) months	12,500	23.95
Working capital	8,689	6,000	Within eighteen (18) months	2,689	5.15
Estimated expenses for the Corporate Exercise	1,000	934	Within three (3) months	66	0.13
	52,196	36,941		15,255	29.23

# SANICHI TECHNOLOGY BERHAD

Company No. 661826-K  
(Incorporated in Malaysia)

## (B) ESOS

On 26 February 2014, the Company announced that it proposed to establish and implement an ESOS 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.

The gross proceeds arising from the exercise of the options, if any, would be for Sanichi Group's working capital requirements.

On 7 November 2014, the Company had made an offer of options of 260,000,000 at an exercise price of RM0.10 to eligible employees under the ESOS. The options are vested on the date of offer.

On 4 December 2014, the Company announced that 130,000,000 ordinary shares at RM0.10 each has been issued under the ESOS.

As at 31 December 2014, there were no utilization of the gross proceeds from the ESOS.

## 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	2,495
Hire Purchase Payables	12
ICULS	730
	<hr/>
	3,237
<u>Long Term Borrowings</u>	
Term Loans	208
Hire Purchase Payables	78
	<hr/>
	286
	<hr/>
<b>Total</b>	<b><u><u>3,523</u></u></b>

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.

# SANICHI TECHNOLOGY BERHAD

Company No. 661826-K  
(Incorporated in Malaysia)

## 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.

## B13. Earnings Per Share ( “EPS” )

### Basic EPS

	Current quarter ended		Cumulative quarter ended	
	31	31	31	31
	December	December	December	December
	2014	2013	2014	2013
Net profit for the period (RM'000)	1,504	1,007	2,093	2,841
Weighted average number of shares in issue ('000)	883,261	331,711	990,663	321,211
Basic EPS (sen)	<u>0.2</u>	<u>0.3</u>	<u>0.2</u>	<u>0.9</u>

Basic EPS 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.

# SANICHI TECHNOLOGY BERHAD

Company No. 661826-K  
(Incorporated in Malaysia)

## B14. Retained Profits/(Accumulated Losses)

	As at 31 December 2014 <b>RM'000</b>	As at 31 December 2013 <b>RM'000</b>
Realized (Loss) / Gain	(12,623)	(14,110)
Unrealized (Loss) / Gain	403	780
	<hr/>	<hr/>
Less Consolidated adjustment	(12,220) 20,852	(13,330) 20,407
<b>Total group retained profit</b>	<hr/> <b>8,632</b> <hr/>	<hr/> <b>7,077</b> <hr/>

## B15. Comprehensive Income Disclosure

	Current quarter ended		Cumulative quarter ended	
	31 December 2014 <b>RM'000</b>	31 December 2013 <b>RM'000</b>	31 December 2014 <b>RM'000</b>	31 December 2013 <b>RM'000</b>
Interest income	-	-	-	-
Interest expense	439	291	623	521
Depreciation and amortization	773	771	1,535	1,497
Bad debt recovered	-	-	-	-
Bad debt written off	-	-	-	-
Reversal of provision no longer required	-	-	-	-
Unrealised Loss / (Gain) on foreign exchange	(497)	(39)	(403)	(780)
Realized (gain)/ loss on foreign exchange	(7)	-	45	-
(Gain) / Loss on disposal of property, plant and equipments	-	-	-	13
	<hr/>	<hr/>	<hr/>	<hr/>

## B16. Audit Report of Preceding Annual Financial Statements

The audited financial statements of the Company and its subsidiaries for the FYE 30 June 2014 were not subject to any qualification.