

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 fourth quarter ended 30 June 2015 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 these 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

The Company Employees' Share Option Scheme ("ESOS") at par value of RM0.10 per share for 260 million shares was exercised resulting in a one-time charge out cost of RM6.24 million as employees' costs in the fourth quarter ended 30th June 2015.

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.

The Group 30 June 2015	Malaysia RM'000	Thailand RM'000	Elimination RM'000	Consolidated RM'000
Revenue				
External sales	40,214	2,624	-	42,838
Inter segment sales	417	-	(417)	-
Total revenue	<u>40,631</u>	<u>2,624</u>	<u>(417)</u>	<u>42,838</u>
Results				
Profit from operations	1,974	922	-	2,896
Finance cost	(705)	-	-	(705)
Income from other investment	-	-	-	-
Profit before tax				<u>2,191</u>
Income tax income				800
Net profit for the year				<u>2,991</u>
Other Information				
Additions of fixed assets	15,106	217	-	15,323
Depreciation and amortization	3,071	129	-	3,200
Consolidated Balance Sheet Assets				
Segment assets	140,661	2,820	-	143,481
Segment liabilities	6,240	1,485	-	7,725

SANICHI TECHNOLOGY BERHAD

Company No. 661826-K
(Incorporated in Malaysia)

The Group 30 June 2014	Malaysia RM'000	Thailand RM'000	Elimination RM'000	Consolidated RM'000
Revenue				
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>
Results				
Profit from operation	4,041	(990)	-	3,051
Finance cost	(1,201)	-	-	(1,201)
Income from other investment	-	-	-	-
Profit before tax				<u>1,850</u>
Income tax expenses				428
Net profit for the period				<u>2,278</u>
Other Information				
Additions of fixed assets	2,025	156	-	2,181
Depreciation and amortization	2,091	90	-	2,181
Consolidated Balance Sheet				
Assets				
Segment assets	65,492	2,414	-	67,906
Segment liabilities	13,967	5,592	-	19,559

Segment sales

	Current Quarter 30.6.2015 RM'000	Preceding Year Corresponding Quarter to 30.6.2014 RM'000
Malaysia	-	-
European countries	5,444	3,513
Other countries in Asia Pacific	6,547	1,810
	<u>11,991</u>	<u>5,323</u>

SANICHI TECHNOLOGY BERHAD

Company No. 661826-K
(Incorporated in Malaysia)

Segment sales	Current Year To date 30.6.2015 RM'000	Preceding Year Corresponding Period to 30.6.2014 RM'000
Malaysia	1	823
European countries	18,033	7,021
Other countries in Asia Pacific	24,804	14,569
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	42,838	22,413

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

By end of the quarter under review, the Company has vide its wholly owned subsidiary, Sanichi Property Sdn Bhd, diversified into property development.

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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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 30 June 2015

The Group recorded a revenue of RM12.408 million for the fourth quarter ended 30 June 2015. The Group's loss before tax ("LBT") and loss after tax ("LAT") for the quarter were RM1.336 million and RM0.536 million for the period respectively.

The Group's revenue of RM42.838 million for the 12 months period ended 30 June 2015 represents an increase of approximately 91.1% as compared to the preceding year corresponding period. In addition, the Group incurred profit before tax ("PBT") and profit after tax ("PAT") of RM2.191 million and RM2.991 million respectively for the 12 months period ended 30 June 2015, as compared to PBT and PAT of RM1.850 million and RM2.278 million for the preceding period ended 30 June 2014. The main reason for the Group's higher performance in revenue was due to increase in sales from European and Asia Pacific market, especially recovery from automotive industries. However, the PBT was reduced by RM6.24 million from RM8.431 million to RM2.191 million, due to the one-time charge out cost arising from the exercise of ESOS at RM0.10 for 260 million shares during the fourth quarter.

B2. Variation of Results for the Current Quarter Ended 30 June 2015 against Immediate Preceding Quarter

The Group recorded a decrease of approximately 16.3% in its revenue to RM11.991 million for the quarter ended 30 June 2015 against RM14.323 million for the immediate preceding quarter ended 31 March 2015. As a result thereof, the Group registered both LBT and LAT of RM1.336 million and RM0.536 million respectively for the current quarter ended 30 June 2015, as compared to both profit before tax ("PBT") and PAT of RM1.433 million and RM1.433 million respectively in the immediate preceding quarter ended 31 March 2015.

The Group recorded a decrease in revenue by approximately RM2.332 million for the current quarter under review as compared to preceding quarter ended 31 March 2015. The reason for the Group's lower revenue was mainly due to lower demand from the Asia Pacific market as compared to the immediate preceding quarter under review.

B3. Group's Prospects for FYE 30 June 2017

The Group has diversified into property development whilst continuing with its existing core business. The Group expects its property development project in Malacca will contribute earnings to the Group when the project is launched this year.

However, the volatility of foreign exchange rates will impose challenges for the Group as a significant percentage of its revenue are derived from overseas markets.

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	
	30 June 2015 RM'000	30 June 2014 RM'000	30 June 2015 RM'000	30 June 2014 RM'000
In respect of the current period:-				
Current taxation	(353)	(6)	(353)	(6)
Deferred taxation	(784)	833	(784)	833
	<u>(1,137)</u>	<u>827</u>	<u>(1,137)</u>	<u>827</u>
In respect of the previous period:-				
Taxation	-	-	-	-
Deferred taxation	1,937	(399)	1,937	(399)
Net tax charge	<u>800</u>	<u>428</u>	<u>800</u>	<u>428</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.

SANICHI TECHNOLOGY BERHAD

Company No. 661826-K
(Incorporated in Malaysia)

B8. Status of Corporate Proposals Announced

- (i) 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.
- (ii) 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.
- (iii) 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.
- (iv) On behalf of the Board of Directors of Sanichi, the Company had on 25 March 2015 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 1,143,906,983 ordinary shares at RM0.10 each.
- (v) On behalf of the Board of Directors of Sanichi, the Company had on 12 June 2015 announced that 89,130 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 1,143,996,113 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 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

SANICHI TECHNOLOGY BERHAD

Company No. 661826-K
(Incorporated in Malaysia)

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 30/06/2015	Intended Timeframe for Utilisation	Balance Unutilised	
	RM'000	RM'000		RM'000	%
Funding for the acquisition	7,007	7,007	Within six (6) months	-	-
Repayment of bank borrowings	13,000	13,000	Within six (6) months	-	-
Funding for the Project	22,500	12,000	Within thirty-six (36) months	10,500	20.12
Working capital	8,689	8,689	Within eighteen (18) months	-	-
Estimated expenses for the Corporate Exercise	1,000	1,000	Within three (3) months	-	-
	52,196	41,696		10,500	20.12

(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.

SANICHI TECHNOLOGY BERHAD

Company No. 661826-K
(Incorporated in Malaysia)

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 for 260,000,000 new shares at an exercise price of RM0.10 to eligible employees under its ESOS. The vesting period of the options is 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 pursuant to ESOS ("Batch 1"). As at 31 March 2015, the proceeds of RM13,000,000 from the ESOS (Batch 1) has been fully utilized as working capital.

On 25 March 2015, the Company announced that 130,000,000 ordinary shares at RM0.10 each has been issued pursuant to ESOS ("Batch 2"). As at 30 June 2015, there were no utilization of the proceeds from the said 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	1,400
Hire Purchase Payables	18
ICULS	139
	<hr/>
	1,557
<u>Long Term Borrowings</u>	
Term Loans	766
Hire Purchase Payables	74
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	840
	<hr/>
Total	2,397

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.

SANICHI TECHNOLOGY BERHAD

Company No. 661826-K
(Incorporated in Malaysia)

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	
	30 June 2015	30 June 2014	30 June 2015	30 June 2014
Net profit/(loss) for the period (RM'000)	(536)	423	2,991	2,278
Weighted average number of shares in issue ('000)	1,143,917	347,972	872,622	347,972
Basic EPS (sen)	<u>0.0</u>	<u>0.1</u>	<u>0.3</u>	<u>0.7</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.

B14. Retained Profits/(Accumulated Losses)

	As at	As at
	30 June 2015	30 June 2014
	RM'000	RM'000
Realized (Loss) / Gain	(42,185)	(14,090)
Unrealized (Loss) / Gain	937	165
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Less Consolidated adjustment	(41,248)	(14,255)
	20,852	20,794
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Total group retained profit	(20,396)	6,539

SANICHI TECHNOLOGY BERHAD

Company No. 661826-K
(Incorporated in Malaysia)

B15. Comprehensive Income Disclosure

	Current quarter ended		Cumulative quarter ended	
	30 June 2015 RM'000	30 June 2014 RM'000	30 June 2015 RM'000	30 June 2014 RM'000
Interest income	(80)	(4)	(119)	(4)
Interest expense	41	357	705	1,200
Depreciation and amortization	884	788	3,200	3,030
Deposit written off	-	73	-	73
Bad debt written off	-	9	-	9
Inventory written off	-	-	-	3
Impairment loss on trade receivables	-	672	-	672
Reversal of provision no longer required	-	(767)	-	(767)
Unrealised Loss / (Gain) on foreign exchange	(520)	276	(936)	(441)
Realized (gain)/ loss on foreign exchange	(588)	-	(546)	(170)
(Gain) / Loss on disposal of property, plant and equipments	-	-	(5)	13

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.