

SANICHI TECHNOLOGY BERHAD

Company No.661826-K
(Incorporated In Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2015

(The figures below are unaudited)

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	Current Quarter 31 December 2015 RM'000	Preceding Year Corresponding Quarter 31 December 2014 RM'000	Current Year to date 31 December 2015 RM'000	Preceding Year Corresponding Period 31 December 2014 RM'000
Revenue	6,117	11,627	11,371	16,524
Cost of sales	(4,105)	(7,128)	(7,903)	(10,814)
Gross profit	2,012	4,499	3,468	5,710
Other income	291	(29)	1,611	236
Operating expenses	(1,455)	(2,223)	(2,766)	(3,230)
Profit/(Loss) from operations	848	2,247	2,313	2,716
Finance costs	(56)	(439)	(97)	(623)
Profit/(Loss) before taxation	792	1,808	2,216	2,093
Tax credit/(expense)	-	-	-	-
Profit/(Loss) for the financial period	792	1,808	2,216	2,093
Other Comprehensive Income/(Loss), net of tax				
Foreign currency translation	56	(224)	(278)	(309)
Employees' share option scheme ("ESOS")	-	-	-	-
Deferred tax arising on revaluation surplus	-	-	-	-
Reversal of deferred tax on revaluation surplus	-	-	-	-
	56	(224)	(278)	(309)
Total Comprehensive Income/(Loss) For The Financial Period	848	1,584	1,938	1,784
Income attributable to:				
Owners of the Parent	792	1,808	2,216	2,093
Non-controlling interest	-	-	-	-
	792	1,808	2,216	2,093
Total comprehensive income attributable to:				
Owners of the Parent	848	1,584	1,938	1,784
Non-controlling interest	-	-	-	-
	848	1,584	1,938	1,784
Profit per share (sen)				
Basic (note B13)	0.1	0.2	0.2	0.2
Diluted (note B13)	0.1	0.2	0.2	0.2

(The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 30 June 2015 and accompanying explanatory notes attached to the interim financial statements.)

SANICHI TECHNOLOGY BERHAD

Company No.661826-K
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

	(Unaudited) As at 31 December 2015 RM'000	(Audited) As at 30 June 2015 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	38,964	39,909
Investment	620	-
Inventories	11,430	11,034
Deferred tax assets	2,739	2,739
	53,753	53,682
Current assets		
Inventories	10,179	10,870
Trade receivables	37,346	37,130
Other receivables, deposits and prepayments	26,285	17,205
Tax assets	437	66
Cash and cash equivalents	17,125	24,591
	91,372	89,862
TOTAL ASSETS	145,125	143,544
EQUITY AND LIABILITIES		
EQUITY		
Share capital	114,450	114,400
Retained earnings/(Accumulated losses)	(18,180)	(20,396)
Share premium	8,365	8,365
Warrant reserve	32,949	32,949
ICULS	732	732
Exchange translation reserve	(574)	(296)
Equity attributable to owners of the parent	137,742	135,754
Non-current liabilities		
Borrowings	1,263	1,474
Deferred tax liabilities	850	850
	2,113	2,324
Current liabilities		
Trade payables	2,322	1,819
Other payables, deposits and accruals	1,601	2,292
Borrowings	923	923
Tax liabilities	424	432
	5,270	5,466
TOTAL LIABILITIES	7,383	7,790
TOTAL EQUITY AND LIABILITIES	145,125	143,544
Net assets per share attributable to owners of the parent (RM)	0.12	0.12

(The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 30 June 2015 and accompanying explanatory notes attached to the interim financial statements.)

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED**31 DECEMBER 2015**

(The figures below are unaudited)

	Current Year to 31 December 2015 RM'000	Preceding Year Corresponding Period to 31 December 2014 RM'000
Cash flows from operating activities		
Profit/(Loss) before tax	2,216	2,093
Adjustments for:-		
Depreciation and amortisation	1,551	1,535
Unrealised (gain)/loss on foreign exchange	(646)	(403)
Gain/(loss) on disposal of property, plant and equipment	254	-
Interest expenses	97	623
Interest income	(52)	-
Operating profit/(loss) before working capital changes	<u>3,420</u>	<u>3,848</u>
Inventories	295	(12,354)
Receivables	(8,650)	(6,513)
Payables	(138)	(2,683)
Cash used in operations	<u>(5,073)</u>	<u>(17,702)</u>
Income tax refunded/(paid)	(379)	(86)
Interest paid	(97)	(623)
Interest received	52	-
Net cash from/(used in) operating activities	<u>(5,497)</u>	<u>(18,411)</u>
Cash flows from investing activities		
Investment	(620)	-
Purchase of plant and equipment	(860)	(9,956)
Net cash from/(used in) investing activities	<u>(1,480)</u>	<u>(9,956)</u>
Cash flows from financing activities		
Proceed from issuance of shares	-	66,594
Net repayment of term loans	(202)	(11,186)
Net repayment of hire purchase liabilities	(9)	(6)
Net cash from/(used in) financing activities	<u>(211)</u>	<u>55,402</u>
Effects of changes in exchange rates	(278)	(308)
Net increase/(decrease) in cash and cash equivalents	(7,466)	26,727
Cash and cash equivalents at beginning of the period	<u>24,591</u>	<u>1,528</u>
Cash and cash equivalents at end of the period	<u><u>17,125</u></u>	<u><u>28,255</u></u>
Cash and cash equivalents comprise:		
Fixed deposits with licensed banks**	8,077	10,000
Cash and bank balances	9,048	18,255
	<u><u>17,125</u></u>	<u><u>28,255</u></u>

** Fixed deposits with licensed banks have been pledged to licensed banks for banking facilities granted to the Group.

(The condensed consolidated statement of cash flow should be read in conjunction with the audited financial statements for the financial year ended 30 June 2015 and accompanying explanatory notes attached to the interim financial statements.)

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2015

	Attributable to Owners of the Parent					Accumulated Losses RM'000	Total RM'000	Non- controlling interest RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Warrant reserve RM'000	Translation reserve RM'000	ICULS RM'000				
At 1 July 2015	114,400	8,365	32,949	(296)	732	(20,396)	135,754	-	135,754
Total comprehensive income /(loss) for the period	-	-	-	(278)	-	2,216	1,938	-	1,938
Employees' share option	-	-	-	-	-	-	-	-	-
Issuance of shares	-	-	-	-	-	-	-	-	-
Right issue with warrants	50	-	-	-	-	-	50	-	50
At 31 December 2015	114,450	8,365	32,949	(574)	732	(18,180)	137,742	-	137,742
At 1 July 2014	34,797	2,125	3,024	203	1,660	6,539	48,348	-	48,348
Total comprehensive income /(loss) for the period	-	-	-	(309)	-	2,093	1,784	-	1,784
Issuance of shares	66,594	-	-	-	(1,391)	-	65,203	-	65,203
At 31 December 2014	101,391	2,125	3,024	(106)	269	8,632	115,335	-	115,335

(The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 30 June 2015 and accompanying explanatory notes attached to the interim financial statements.)

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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 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 2015.

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 2015.

A2. Seasonality or Cyclicity 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. The Malaysian segment is in design and fabrication of precision moulds and tooling, and property development. The Thailand segment is in design and fabrication of precision moulds and tooling only.

The Group	Malaysia	Thailand	Elimination	Consolidated
30 December 2015	RM'000	RM'000	RM'000	RM'000
Revenue				
External sales	9,680	1,691	-	11,371
Inter segment sales	-	-	-	-
Total revenue	<u>9,680</u>	<u>1,691</u>	<u>-</u>	<u>11,371</u>
Results				
Profit from operations	2,252	61	-	2,313
Finance cost	(97)	-	-	(97)
Income from other investment	-	-	-	-
Profit before tax				<u>2,216</u>
Income tax income				-
Net profit for the period				<u>2,216</u>
Other Information				
Additions of fixed assets	860	-	-	860
Depreciation and amortization	1,419	132	-	1,551
Consolidated Balance Sheet Assets				
Segment assets	141,945	3,180	-	145,125
Segment liabilities	6,532	851	-	7,383

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The Group 31 December 2014	Malaysia RM'000	Thailand RM'000	Elimination RM'000	Consolidated RM'000
Revenue				
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>
Results				
Profit from operation	2,504	212	-	2,716
Finance cost	(623)	-	-	(623)
Income from other investment	-	-	-	-
Profit before tax				<u>2,093</u>
Income tax expenses				<u>-</u>
Net profit for the period				<u>2,093</u>
Other Information				
Additions of fixed assets	9,877	79	-	9,956
Depreciation and amortization	1,474	61	-	1,535
Consolidated Balance Sheet				
Assets				
Segment assets	120,137	2,272	-	122,409
Segment liabilities	5,616	1,458	-	7,074
Segment sales				
			Current Quarter 31.12.2015 RM'000	Preceding Year Corresponding Quarter to 31.12.2014 RM'000
Malaysia			-	-
European countries			4,116	3,528
Other countries in Asia Pacific			2,001	8,099
			<u>6,117</u>	<u>11,627</u>

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Segment sales	Current Year To date 31.12.2015 RM'000	Preceding Year Corresponding Period to 31.12.2014 RM'000
Malaysia	-	1
European countries	7,900	7,631
Other countries in Asia Pacific	3,471	8,892
	<hr/> <hr/>	<hr/> <hr/>
	11,371	16,524

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

During the quarter under review, there were no changes in the composition of the Group.

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 2015

The Group recorded a revenue of RM 6.117 million for the quarter ended 31 December 2015. The Group's profit before tax ("PBT") and profit after tax ("PAT") for the quarter were RM 0.792 million each for the period respectively.

The Group's revenue of RM 11,371 million for the 6 months' period ended 31 December 2015 represents a decrease of approximately 31.18% as compared to the preceding corresponding period. The Group achieved PBT and PAT of RM 2.216 million respectively for the 6 month period ended 31 December 2015, as compared to PBT and PAT of RM 2.093 million for the preceding period ended 31 December 2014.

The main reason for the Group's lower performance in revenue for the year to date was mainly due to lower demand from the Euro market as compared to the preceding corresponding period. Profit from operations however, increased partly due to higher contribution from other operating income which includes unrealized gains on foreign exchange of RM 0.646 million.

B2. Variation of Results for the Current Quarter Ended 31 December 2015 against Immediate Preceding Quarter

The Group recorded an increase of approximately 16.43% in its revenue to RM 6.117 million for the quarter ended 31 December 2015 against RM 5.254 million for the immediate preceding quarter ended 30 September 2015. As a result, the Group registered both PBT and PAT of RM 0.792 million respectively for the current quarter ended 31 December 2015, as compared to both PBT and PAT of RM 1.423 million respectively in the immediate preceding quarter ended 30 September 2015.

The Group recorded an increase in revenue by approximately RM 0.863 million for the current quarter under review as compared to preceding quarter ended 30 September 2015. The reason for the Group's higher revenue for the current quarter was mainly due to timing differences resulting in certain tooling job completion dates falling within the quarter ended 31 December 2015.

B3. Group's Prospects for FYE 30 June 2017

Barring any unforeseen circumstances, the Board expects the Group's performance to be satisfactory for the financial year ending 30 June 2017.

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

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B4. Variance of Profit Forecast

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

B5. Tax Expenses

Taxation comprises the following:-

	Individual quarter ended		Cumulative quarter ended	
	31 December 2015 RM'000	31 December 2014 RM'000	31 December 2015 RM'000	31 December 2014 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.

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B7. Status of Corporate Proposals Announced

- (i) 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.
- (ii) On behalf of the Board of Directors of Sanichi, the Company had on 18 September 2015 announced that 507,120 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 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.

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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 31/12/2015	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	14,500	Within thirty-six (36) months	8,000	15.32
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	44,196		8,000	15.32

(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.

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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 of RM0.10 each has been issued pursuant to ESOS ("Batch 1"). As at 31 March 2015, the proceeds of RM130,000,000 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 31 December 2015, the proceeds from the said ESOS has yet to be utilized.

B8. 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	825
Hire Purchase Payables	10
ICULS	88
	<hr/>
	923
<u>Long Term Borrowings</u>	
Term Loans	1,189
Hire Purchase Payables	74
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	1,263
	<hr/>
Total	<u><u>2,186</u></u>

The Group does not have any foreign borrowings and debt securities as at the date of this report.

B9. Off Balance Sheet Financial Instruments

There were no off balance sheet financial instruments as at the date of this report.

B10. Material Litigation

There was no material litigation involving the Group as at the date of this report.

B11. Dividend Proposed

No dividend was declared and recommended for payment during the quarter under review.

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B12. Earnings Per Share ("EPS")

Basic EPS

	Current quarter ended		Cumulative quarter ended	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Net profit for the period (RM'000)	792	1,808	2,216	2,093
Weighted average number of shares in issue ('000)	1,143,966	883,261	1,143,966	990,663
Basic EPS (sen)	<u>0.1</u>	<u>0.2</u>	<u>0.2</u>	<u>0.2</u>

Basic EPS is calculated by dividing the net profit 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 earnings per share of the Group is calculated by dividing the profit for the financial period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial period adjusted for the effects of dilutive potential ordinary shares.

The diluted earnings per share is the same as basic earnings per share as the exercise prices of warrant, ICULS and ESOS are higher than the average market price of the ordinary shares during the financial period.

B13. Retained Profits/(Accumulated Losses)

	As at	As at
	31 December 2015 RM'000	31 December 2014 RM'000
Realized (Loss) / Gain	(39,900)	(12,623)
Unrealized (Loss) / Gain	926	403
	<hr/>	<hr/>
Less Consolidation adjustments	(38,974)	(12,220)
	20,794	20,852
	<hr/>	<hr/>
Total group retained profit	(18,180)	8,632

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B14. Comprehensive Income Disclosure

	Current quarter ended		Cumulative quarter ended	
	31 December 2015 RM'000	31 December 2014 RM'000	31 December 2015 RM'000	31 December 2014 RM'000
Interest income	-	-	52	-
Interest expense	(56)	(291)	(97)	(623)
Depreciation and amortization	(749)	(771)	(1,551)	(1,535)
Unrealised (Loss) / Gain on foreign exchange	-	39	646	403
Realized gain/ (loss) on foreign exchange	291	-	824	(45)

B15. Audit Report of Preceding Annual Financial Statements

The audited financial statements of the Company and its subsidiaries for the FYE 30 June 2015 were not subject to any qualification.