

SANICHI TECHNOLOGY BERHAD

Company No.661826-K
(Incorporated In Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2016

(The figures below are unaudited)

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	Current Quarter 31 December 2016 RM'000	Preceding Year Corresponding Quarter 31 December 2015 RM'000	Current Year to date 31 December 2016 RM'000	Preceding Year Corresponding Period 31 December 2015 RM'000
Revenue	8,301	6,117	17,116	11,371
Cost of sales	(5,747)	(4,105)	(12,493)	(7,903)
Gross profit	2,554	2,012	4,623	3,468
Other income	304	291	663	1,611
Operating expenses	(2,827)	(1,455)	(5,159)	(2,766)
Profit/(Loss) from operations	31	848	127	2,313
Finance costs	(27)	(56)	(82)	(97)
Profit/(Loss) before taxation	4	792	45	2,216
Tax credit/(expense)	-	-	-	-
Profit/(Loss) for the financial period	4	792	45	2,216
Other Comprehensive Income/(Loss), net of tax				
Foreign currency translation	500	56	160	(278)
Total Comprehensive Income/(Loss) For The Financial Period	504	848	205	1,938
Income attributable to:				
Owners of the Parent	4	792	45	2,216
Non-controlling interest	-	-	-	-
	4	792	45	2,216
Total comprehensive income attributable to:				
Owners of the Parent	504	848	205	1,938
Non-controlling interest	-	-	-	-
	504	848	205	1,938
Profit per share (sen)				
Basic (note B13)	0.0005	0.07	0.005	0.19
Diluted (note B13)	0.0005	0.07	0.005	0.19

(The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 30 June 2016 and accompanying explanatory notes attached to the interim financial statements.)

SANICHI TECHNOLOGY BERHAD

Company No.661826-K
(Incorporated In Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	(Unaudited) As at 31 December 2016 RM'000	(Audited) As at 30 June 2016 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	36,422	36,245
Deferred tax assets	489	489
	36,911	36,734
Current assets		
Inventories	4,995	5,305
Short term Investment	10,037	501
Property development cost	39,555	16,589
Trade and other receivables	68,529	72,845
Tax assets	583	551
Cash and cash equivalents	48,781	21,443
	172,480	117,234
TOTAL ASSETS	209,391	153,968
EQUITY AND LIABILITIES		
EQUITY		
Share capital	85,841	28,614
Retained earnings/(Accumulated losses)	65,669	91,963
Share premium	14,087	8,365
Warrant reserve	36,257	10,211
ICULS	685	685
Exchange translation reserve	(282)	(442)
Equity attributable to owners of the parent	202,257	139,396
Non-current liabilities		
Borrowings	218	689
Deferred tax liabilities	1,921	1,921
	2,139	2,610
Current liabilities		
Trade and other payables	4,081	11,048
Borrowings	914	914
	4,995	11,962
TOTAL LIABILITIES	7,134	14,572
TOTAL EQUITY AND LIABILITIES	209,391	153,968
Net assets per share attributable to owners of the parent (RM)	0.24	0.49

(The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 30 June 2016 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 2016**

	← Attributable to Owners of the Parent →					Accumulated Losses RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Translation reserve RM'000	Warrant reserve RM'000	ICULS RM'000		
At 1 July 2016	28,614	8,365	(442)	10,211	685	91,963	139,396
Profit/(Loss) for the financial period	-	-	-	-	-	45	45
Foreign currency translation	-	-	160	-	-	-	160
Issuance and listing of Rights Issue Shares with Warrants D	57,227	5,722	-	26,046	-	(26,339)	62,656
At 31 December 2016	<u>85,841</u>	<u>14,087</u>	<u>(282)</u>	<u>36,257</u>	<u>685</u>	<u>65,669</u>	<u>202,257</u>
At 1 July 2015	114,400	8,365	(295)	32,949	731	(20,396)	135,754
Profit/(Loss) for the financial year	-	-	-	-	-	2,216	2,216
Foreign currency translation	-	-	(278)	-	-	-	(278)
ICULS	50	-	-	-	-	-	50
At 31 December 2015	<u>114,450</u>	<u>8,365</u>	<u>(573)</u>	<u>32,949</u>	<u>731</u>	<u>(18,180)</u>	<u>137,742</u>

(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 2016 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 2016**

(The figures below are unaudited)

	Current Year to 31 December 2016 RM'000	Preceding Year Corresponding Period to 31 December 2015 RM'000
Cash flows from operating activities		
Profit/(Loss) before tax	45	6,844
Adjustments for:-		
Bad debts written off	-	193
Depreciation of property, plant and equipment	1,750	3,259
Fair value changes in short term investment	-	119
Interest expenses	82	248
Interest income	(40)	(141)
Loss/(gain) on disposal of property, plant and equipment	1,158	19
Unrealised loss/(gain) on foreign exchange	320	593
Operating profit/(loss) before working capital changes	<u>3,315</u>	<u>11,134</u>
Property development costs	(22,966)	(4,159)
Inventories	310	5,565
Receivables	3,991	(18,549)
Payables	<u>(6,967)</u>	<u>6,937</u>
Cash used in operations	(22,317)	928
Interest received	40	141
Tax paid	-	(663)
Net cash from/(used in) operating activities	<u>(22,277)</u>	<u>406</u>
Cash flows from investing activities		
Purchase of short term investment	(9,536)	(620)
Proceeds from disposal of plant and equipment	236	386
Purchase of plant and equipment	<u>(3,321)</u>	<u>(1,543)</u>
Net cash from/(used in) investing activities	<u>(12,621)</u>	<u>(1,777)</u>
Cash flows from financing activities		
Interest paid	(82)	(248)
Proceeds from issuance of shares	62,949	-
Repayment of borrowings	<u>(471)</u>	<u>(784)</u>
Net cash from/(used in) financing activities	<u>62,396</u>	<u>(1,032)</u>
Effects of changes in exchange rates	(160)	(745)
Net increase/(decrease) in cash and cash equivalents	27,338	(3,148)
Cash and cash equivalents at beginning of the period	<u>21,443</u>	<u>24,591</u>
Cash and cash equivalents at end of the period	<u><u>48,781</u></u>	<u><u>21,443</u></u>
Cash and cash equivalents comprise:		
Fixed deposits with licensed banks	9,500	-
Cash and bank balances**	<u>39,281</u>	<u>21,443</u>
	<u><u>48,781</u></u>	<u><u>21,443</u></u>

** Cash and bank balances include amounts held pursuant to Section 7A of the Housing Development (Control and Licensing) Act 1966

(The condensed consolidated statement of cash flow should be read in conjunction with the audited financial statements for the financial year ended 30 June 2016 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 quarter ended 31 December 2016 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 2016.

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 2016, except in the current financial year, the Group has adopted all the new and revised standards which are effective for the financial year beginning 1 July 2016. The adoption of these standards did not have any effect on the financial performance or position of the Group and of the Company.

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 as having two segments from an industry perspective. The reportable segments are the Precision Mould business and the Property Development business. The Precision Mould business is geographically located in Malaysia and Thailand. The Property Development business is geographically located in Malaysia only.

The Group accounted for the construction and development of the Klebang Marina Point property development in accordance with MFRS 111 and MFRS 118, whereby Revenues from the sale of units can only be recognized once the unit is sold and handed over to the buyer.

The Group	Precision Mould	Property Development	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000
31 Dec 2016				
Revenue				
External sales	17,116	-	-	17,116
Inter segment sales	-	-	-	-
Total revenue	<u>17,116</u>	<u>-</u>	<u>-</u>	<u>17,116</u>
Results				
Profit/(Loss) from operations	3,285	(3,158)	-	127
Finance cost	(82)	-	-	(82)
Income from other investment	-	-	-	-
Profit before tax				<u>45</u>
Income tax				<u>-</u>
Net profit for the period				<u>45</u>
Other Information				
Additions of fixed assets	3,321	-	-	3,321
Depreciation and amortization	1,750	-	-	1,750
Consolidated Balance Sheet				
Assets				
Segment assets	149,778	59,613	-	209,391
Segment liabilities	6,890	244	-	7,134

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The Group	Precision Mould RM'000	Property Development RM'000	Elimination RM'000	Consolidated RM'000
31 Dec 2015				
Revenue				
External sales	11,371	-	-	11,371
Inter segment sales	-	-	-	-
Total revenue	<u>11,371</u>	<u>-</u>	<u>-</u>	<u>11,371</u>
Results				
Profit/(Loss) from operation	2,173	(140)	-	2,313
Finance cost	(97)	-	-	<u>(97)</u>
Profit before tax				2,216
Income tax expenses				<u>-</u>
Net profit for the period				<u>2,216</u>
Other Information				
Additions of fixed assets	860	-	-	860
Depreciation and amortization	1,551	-	-	1,551
Consolidated Balance Sheet				
Assets				
Segment assets	129,158	15,967	-	145,125
Segment liabilities	7,156	227	-	7,383
Segment sales				
			Current Quarter 31.12.2016 RM'000	Preceding Year Corresponding Quarter to 31.12.2015 RM'000
Precision Mould			8,301	6,117
Property Development			-	-
			<u>8,301</u>	<u>6,117</u>

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Segment sales	Current Year To date 31.12.2016 RM'000	Preceding Year Corresponding Period to 31.12.2015 RM'000
Precision Mould	17,116	11,371
Property Development	-	-
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	17,116	11,371
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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 significant 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 2016

The Group recorded a revenue of RM 8.301 million for the quarter ended 31 December 2016. The Group's profit before tax ("PBT") and profit after tax ("PAT") for the quarter were RM 4 thousand and RM 4 thousand for the period respectively.

The Group's revenue of RM 17.116 million for the year to date 31 December 2016 represents an increase of approximately 51% as compared to the preceding corresponding period. The Group achieved PBT and PAT of RM 0.045 million and RM 0.045 respectively for the year to date 31 December 2016, as compared to PBT and PAT of RM 2.216 million and RM 2.216 million respectively for the preceding year to date 31 December 2015.

The reason for the Group's higher revenue for the current year to date was mainly due to timing differences resulting in certain tooling job completion dates falling within the year to date 31 December 2016. However, higher operating expenses for the Marina Point mixed development resulted in lower profit from operations for the year to date 31 December 2016 at RM 0.127 million, which includes unrealized foreign exchange gains of RM 0.320 million.

A favorable foreign currency translation of RM 0.160 million for the year to date contributed to a Total Comprehensive Profit of RM 0.205 million for the Group.

B2. Variation of Results for the Current Quarter Ended 31 December 2016 against Immediate Preceding Quarter

The Group recorded a decrease of approximately 6% in its revenue to RM 8.301 million for the quarter ended 31 December 2016 against RM 8.815 million for the immediate preceding quarter ended 30 September 2016. The Group registered PBT and PAT of RM 45 thousand and RM 45 thousand respectively for the current quarter ended 31 December 2016, as compared to PBT and PAT of RM 42 thousand and RM 42 thousand respectively in the immediate preceding quarter ended 30 September 2016.

The Group recorded a decrease in revenue by approximately RM 0.514 million for the current quarter under review as compared to preceding quarter ended 30 September 2016. The reason for the Group's lower revenue for the current quarter was mainly due to timing differences resulting in a lower number of tooling job completion dates falling within the quarter ended 31 December 2016.

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. Volatility of foreign exchange rates will continue to impose challenges for the Group's tooling business as a significant percentage of its revenue is derived from overseas markets. The Group's property development business is also expected to provide a diversified source of revenue in the future.

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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	31	31	31
	December	December	December	December
	2016	2015	2016	2015
	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	-	-	-	-
Deferred taxation	-	-	-	-
Net tax charge/(credit)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</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. Status of Corporate Proposals Announced

On behalf of the Board of Directors of Sanichi, Mercury Securities Sdn Bhd had on 29 July 2016, Mercury Securities announced that the Company's Rights Issue with Warrants D had been completed following the listing and quotation of 572,273,460 Rights Shares and 286,136,730 Warrants D as well as 6,054,595 additional Warrants B and 34,889,061 additional Warrants C on the ACE Market of Bursa Securities on 29 July 2016.

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Status of Utilisation of Proceeds

Purpose	Proposed Utilisation	Actual Utilisation as at 31/12/2016	Intended Timeframe for Utilisation	Balance Unutilised	
	RM'000	RM'000		RM'000	%
Completing the construction of a factory building	5,500	3,000	Within eighteen (18) months	2,500	45
Expansion of production capacity	6,000	3,875	Within twenty four (24) months	2,125	35
Marketing expenses	4,000	4,000	Within twenty four (24) months	-	-
Acquisition of properties for investment	36,000	-	Within twenty four (24) months	36,000	100
Acquisition and/or investment in other complementary businesses	4,957	4,957	Within twenty four (24) months	-	-
Working capital	5,493	3,493	Within twenty four (24) months	2,000	36
Estimated expenses for the corporate exercise	1,000	1,000	Immediate	-	-
	62,950	20,325		42,625	68

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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</u>	
Term Loans	890
Hire Purchase Payables	24
	<hr/>
	914
<u>Long Term Borrowings</u>	
Term Loans	45
ICULS	128
Hire Purchase Payables	45
	<hr/>
	218
	<hr/>
Total	<u>1,132</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 2016	31 December 2015	31 December 2016	31 December 2015
Net profit for the period (RM'000)	4	792	45	2,216
Weighted average number of shares in issue ('000)	858,410	1,143,996	858,410	1,143,966
Basic EPS (sen)	<u>0.0005</u>	<u>0.07</u>	<u>0.005</u>	<u>0.19</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 31 December 2016 RM'000	As at 31 December 2015 RM'000
Realized (Loss) / Gain	42,952	(39,900)
Unrealized (Loss) / Gain	2,295	926
	<hr/>	<hr/>
Less Consolidation adjustments	45,247	(38,974)
	20,422	20,794
	<hr/>	<hr/>
Total group retained profit	<u>65,669</u>	<u>(18,180)</u>

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B14. Comprehensive Income Disclosure

	Current quarter ended		Cumulative quarter ended	
	31 December 2016 RM'000	31 December 2015 RM'000	31 December 2016 RM'000	31 December 2015 RM'000
Interest income	40	-	40	-
Interest expense	(42)	(56)	(82)	(623)
Depreciation and amortization	(882)	(749)	(1,750)	(1,535)
Unrealized (Loss) / Gain on foreign exchange	(9)	-	320	403
Realized gain/ (loss) on foreign exchange	129	291	202	(45)

B15. Audit Report of Preceding Annual Financial Statements

The audited financial statements of the Company and its subsidiaries for the FYE 30 June 2016 were not subject to any qualification.