

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 quarter ended 31 March 2017 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 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 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 Mar 2017				
Revenue				
External sales	20,618	-	-	20,618
Inter segment sales	-	-	-	-
Total revenue	<u>20,618</u>	<u>-</u>	<u>-</u>	<u>20,618</u>
Results				
Profit/(Loss) from operations	1,794	(3,867)	-	(2,073)
Finance cost	(122)	-	-	(122)
Income from other investment	-	-	-	-
Profit before tax				<u>(2,195)</u>
Income tax				<u>-</u>
Net profit for the period				<u>(2,195)</u>
Other Information				
Additions of fixed assets	5,066	-	-	5,066
Depreciation and amortization	2,551	-	-	2,551
Consolidated Balance Sheet				
Assets				
Segment assets	155,204	54,707	-	209,911
Segment liabilities	16,410	319	-	16,729

SANICHI TECHNOLOGY BERHAD

Company No. 661826-K
(Incorporated in Malaysia)

The Group	Precision Mould RM'000	Property Development RM'000	Elimination RM'000	Consolidated RM'000
31 Mar 2016				
Revenue				
External sales	18,830	2,166	-	20,996
Inter segment sales	-	-	-	-
Total revenue	<u>18,830</u>	<u>2,166</u>	<u>-</u>	<u>20,996</u>
Results				
Profit/(Loss) from operation	3,521	97	-	3,618
Finance cost	(137)	-	-	<u>(137)</u>
Profit before tax				3,481
Income tax expenses				-
Net profit for the period				<u>3,481</u>
Other Information				
Additions of fixed assets	1,090	-	-	1,090
Depreciation and amortization	2,329	115	-	2,444
Consolidated Balance Sheet Assets				
Segment assets	144,915	2,306	-	147,221
Segment liabilities	6,656	1,371	-	8,027
Segment sales				
			Current Quarter 31.03.2017 RM'000	Preceding Year Corresponding Quarter to 31.03.2016 RM'000
Precision Mould			3,502	9,626
Property Development			-	-
			<u>3,502</u>	<u>9,626</u>

SANICHI TECHNOLOGY BERHAD

Company No. 661826-K
(Incorporated in Malaysia)

Segment sales	Current Year To date 31.03.2017 RM'000	Preceding Year Corresponding Period to 31.03.2016 RM'000
Precision Mould	20,618	20,996
Property Development	-	-
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	20,618	20,996

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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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 March 2017

The Group recorded a revenue of RM 3.502 million for the quarter ended 31 March 2017. The Group's loss before tax ("LBT") and loss after tax ("LAT") for the quarter were RM 2.240 million and RM 2.367 million for the period respectively.

The Group's revenue of RM 20.618 million for the year to date 31 March 2017 represents an decrease of approximately 2% as compared to the preceding corresponding period. The Group achieved LBT and LAT of RM 2.195 million and RM 2.322 respectively for the year to date 31 March 2017, as compared to profit before tax ("PBT") and profit after tax ("PAT") of RM 3.481 million and RM 3.481 million respectively for the preceding year to date 31 March 2016.

The reason for the Group's lower revenue for the current year to date was mainly due to the slow down of business from precision mould segment. The higher gross profit margin is attributed to the adjustments made for the cost of sales overstated in the last quarter. The loss from operations is mainly due to higher operating expenses from property development and precision mould segments.

An unfavorable foreign currency translation of RM 6.548 million for the year to date contributed to a Total Comprehensive Loss of RM 8.870 million for the Group.

B2. Variation of Results for the Current Quarter Ended 31 March 2017 against Immediate Preceding Quarter

The Group recorded a decrease of approximately 64% in its revenue to RM 3.502 million for the quarter ended 31 March 2017 against RM 9.626 million for the immediate preceding quarter ended 31 March 2016. The Group registered LBT and LAT of RM 2.240 million and RM 2.367 million respectively for the current quarter ended 31 March 2017, as compared to PBT and PAT of RM 1.266 million and RM 1.266 million respectively in the immediate preceding quarter ended 31 March 2016.

The Group recorded a decrease in revenue by approximately RM 4.799 million for the current quarter under review as compared to preceding quarter ended 31 December 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 March 2017.

B3. Group's Prospects for FYE 31 December 2017

Barring any unforeseen circumstances, the Board expects the Group's performance to be satisfactory for the financial year ending 31 December 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.

SANICHI TECHNOLOGY BERHAD

Company No. 661826-K
(Incorporated in Malaysia)

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 March 2017 RM'000	31 March 2016 RM'000	31 March 2017 RM'000	31 March 2016 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/(credit)	<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. Status of Corporate Proposals Announced

There were no corporate proposal announced but not completed as at the date of this report.

SANICHI TECHNOLOGY BERHAD

Company No. 661826-K
(Incorporated in Malaysia)

Status of Utilisation of Proceeds

Purpose	Proposed Utilisation	Actual Utilisation as at 31/03/2017	Intended Timeframe for Utilisation	Balance Unutilised	
	RM'000	RM'000		RM'000	%
Completing the construction of a factory building	5,500	4,500	Within eighteen (18) months	1,000	18
Expansion of production capacity	6,000	6,000	Within twenty four (24) months	-	-
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	4,493	Within twenty four (24) months	1,000	18
Estimated expenses for the corporate exercise	1,000	1,000	Immediate	-	-
	62,950	24,950		38,000	60

SANICHI TECHNOLOGY BERHAD

Company No. 661826-K
(Incorporated in Malaysia)

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	704
Hire Purchase Payables	24
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	728
<u>Long Term Borrowings</u>	
Term Loans	45
ICULS	128
Hire Purchase Payables	35
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	208
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Total	936

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.

SANICHI TECHNOLOGY BERHAD

Company No. 661826-K
(Incorporated in Malaysia)

B12. Earnings Per Share (“EPS”)

Basic EPS

	Current quarter ended		Cumulative quarter ended	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
Net profit/(loss) for the period (RM'000)	(2,367)	1,266	(2,322)	3,481
Weighted average number of shares in issue ('000)	858,410	1,143,996	858,410	1,143,976
Basic EPS/(LPS) (sen)	(0.28)	0.11	(0.27)	0.30

Basic EPS/(LPS) 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 March 2017 RM'000	As at 31 March 2016 RM'000
Realized (Loss) / Gain	35,887	(38,943)
Unrealized (Loss) / Gain	2,063	1,205
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Less Consolidation adjustments	37,950	(37,738)
	25,352	20,823
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Total group retained profit	63,302	(16,915)

SANICHI TECHNOLOGY BERHAD

Company No. 661826-K
(Incorporated in Malaysia)

B14. Comprehensive Income Disclosure

	Current quarter ended		Cumulative quarter ended	
	31 March 2017 RM'000	31 March 2016 RM'000	31 March 2017 RM'000	31 March 2016 RM'000
Interest income	183	106	223	158
Interest expense	(40)	(198)	(122)	(295)
Depreciation and amortization	(801)	(893)	(2,551)	(2,444)
Unrealized (Loss) / Gain on foreign exchange	(19)	(1,262)	301	(438)
Realized gain/ (loss) on foreign exchange	68	356	270	1,180
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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.