

SANICHI TECHNOLOGY BERHAD

Company No. 661826-K
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2017

(The figures below are unaudited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Quarter 30 June 2017 RM'000	Preceding Year Corresponding Quarter 30 June 2016 RM'000	Current Year to date 30 June 2017 RM'000	Preceding Year Corresponding Period 30 June 2016 RM'000
Revenue	9,403	15,666	30,021	36,662
Cost of sales	(6,514)	(11,398)	(19,442)	(24,662)
Gross profit	2,889	4,268	10,579	12,000
Other (expenses) / income	(644)	1,773	-	2,630
Operating expenses	(3,302)	(2,566)	(13,709)	(7,537)
(Loss) / Profit from operations	(1,057)	3,475	(3,130)	7,093
Finance costs	(41)	(111)	(163)	(248)
(Loss) / Profit before taxation	(1,098)	3,364	(3,293)	6,845
Tax credit / (expense)	3	(3,065)	(124)	(3,065)
(Loss) / Profit for the financial period	(1,095)	299	(3,417)	3,780
Other Comprehensive Loss, net of tax				
Foreign currency translation	(864)	(97)	(7,412)	(146)
Overprovision of taxation	-	-	-	-
	(864)	(97)	(7,412)	(146)
Total Comprehensive (Loss) / Income For The Financial Period	(1,959)	202	(10,829)	3,634
(Loss) / Income attributable to:				
Owners of the Parent	(1,095)	299	(3,417)	3,780
Non-controlling interest	-	-	-	-
	(1,095)	299	(3,417)	3,780
Total comprehensive (Loss) / Income attributable to:				
Owners of the Parent	(1,959)	202	(10,829)	3,634
Non-controlling interest	-	-	-	-
	(1,959)	202	(10,829)	3,634
(Loss) / Profit per share (sen)				
Basic (note B13)	(0.07)	0.03	(0.20)	0.38
Diluted (note B13)	(0.07)	0.03	(0.20)	0.38

(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 30 JUNE 2017

	(Unaudited) As at 30 June 2017 RM'000	(Audited) As at 30 June 2016 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	37,454	36,245
Deferred tax assets	489	489
	37,943	36,734
Current assets		
Inventories	7,813	5,305
Short term Investment	10,797	501
Property development cost	46,929	16,589
Trade and other receivables	63,721	72,845
Tax assets	171	551
Cash and cash equivalents	38,350	21,443
	167,781	117,234
TOTAL ASSETS	205,724	153,968
EQUITY AND LIABILITIES		
EQUITY		
Share capital	85,947	28,614
Retained earnings/(Accumulated losses)	62,207	91,963
Share premium	14,087	8,365
Warrant reserve	36,257	10,211
ICULS	579	685
Exchange translation reserve	(7,854)	(442)
Equity attributable to owners of the parent	191,223	139,396
Non-current liabilities		
Borrowings	685	689
Deferred tax liabilities	1,921	1,921
	2,606	2,610
Current liabilities		
Trade and other payables	11,841	11,048
Borrowings	54	914
	11,895	11,962
TOTAL LIABILITIES	14,501	14,572
TOTAL EQUITY AND LIABILITIES	205,724	153,968
Net assets per share attributable to owners of the parent (RM)	0.22	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 30 JUNE 2017

	← Attributable to Owners of the Parent →						Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Translation reserve RM'000	Warrant reserve RM'000	ICULS RM'000	Accumulated Losses RM'000	
At 1 July 2016	28,614	8,365	(442)	10,211	685	91,963	139,396
Loss for the financial period	-	-	-	-	-	(3,417)	(3,417)
Foreign currency translation	-	-	(7,412)	-	-	-	(7,412)
Issuance and listing of Rights Issue Shares with Warrants D	57,227	5,722	-	26,046	-	(26,339)	62,656
ICULS	106	-	-	-	(106)	-	-
At 30 June 2017	85,947	14,087	(7,854)	36,257	579	62,207	191,223
At 1 July 2015	114,400	8,365	(295)	32,949	731	(20,396)	135,754
Profit/(Loss) for the financial year	-	-	(147)	-	-	3,780	3,633
Foreign currency translation	-	-	-	-	-	-	-
ICULS	55	-	-	-	(46)	-	9
Effect of par value reduction	(85,841)	-	-	(22,738)	-	108,579	-
At 30 June 2016	28,614	8,365	(442)	10,211	685	91,963	139,396

(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 30 JUNE 2017

(The figures below are unaudited)

	Current Year to 30 June 2017 RM'000	Preceding Year Corresponding Period to 30 June 2016 RM'000
Cash flows from operating activities		
Profit/(Loss) before tax	(3,293)	6,845
Adjustments for:-		
Bad debts written off	-	193
Depreciation of property, plant and equipment	3,480	3,259
Fair value changes in short term investment	-	119
Interest expenses	163	248
Interest income	(246)	(141)
Loss/(gain) on disposal of property, plant and equipment	2,158	19
Unrealised loss/(gain) on foreign exchange	(734)	592
Operating profit before working capital changes	1,528	11,134
Property development costs	(30,340)	(4,159)
Inventories	(5,560)	5,565
Receivables	14,880	(18,549)
Payables	1,084	6,937
Cash (used in) / from operations	(18,408)	928
Interest received	246	141
Tax paid	(127)	(663)
Net cash (used in) / from operating activities	(18,289)	406
Cash flows from investing activities		
Purchase of short term investment	(10,296)	(620)
Proceeds from disposal of plant and equipment	236	387
Purchase of plant and equipment	(5,357)	(1,544)
Net cash used in investing activities	(15,417)	(1,777)
Cash flows from financing activities		
Interest paid	(163)	(248)
Proceeds from issuance of shares	63,055	-
Repayment of borrowings	(860)	(784)
Net cash from/(used in) financing activities	62,032	(1,032)
Effects of changes in exchange rates	(7,280)	(745)
Net increase/(decrease) in cash and cash equivalents	21,046	(3,148)
Cash and cash equivalents at beginning of the period	17,304	24,591
Cash and cash equivalents at end of the period	38,350	21,443
Cash and cash equivalents comprise:		
Fixed deposits with licensed banks	6,500	-
Cash and bank balances**	31,850	21,443
	38,350	21,443

** 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 30 June 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 except for the conversion of Irredeemable Convertible Unsecured Loan Stocks (“ICULS”) that 504,966 shares had been converted to share capital.

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
30 June 2017				
Revenue				
External sales	30,021	-	-	30,021
Inter segment sales	-	-	-	-
Total revenue	<u>30,021</u>	<u>-</u>	<u>-</u>	<u>30,021</u>
Results				
Profit/(Loss) from operations	737	(3,867)	-	(3,130)
Finance cost	(163)	-	-	(163)
Income from other investment	-	-	-	-
Profit before tax				<u>(3,293)</u>
Income tax				<u>(124)</u>
Net profit for the period				<u>(3,417)</u>
Other Information				
Additions of fixed assets	5,357	-	-	5,357
Depreciation and amortization	3,480	-	-	3,480
Consolidated Balance Sheet				
Assets				
Segment assets	147,533	58,191	-	205,724
Segment liabilities	14,130	371	-	14,501

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The Group	Precision Mould RM'000	Property Development RM'000	Elimination RM'000	Consolidated RM'000
30 June 2016				
Revenue				
External sales	36,662	-	-	36,662
Inter segment sales	-	-	-	-
Total revenue	<u>36,662</u>	<u>-</u>	<u>-</u>	<u>36,662</u>
Results				
Profit/(Loss) from operation	8,290	(1,197)	-	7,093
Finance cost	(248)	-	-	<u>(248)</u>
Profit before tax				6,845
Income tax expenses				<u>(3,065)</u>
Net profit for the period				<u>3,780</u>
Other Information				
Additions of fixed assets	5,000	303	-	5,303
Depreciation and amortization	3,209	50	-	3,259
Consolidated Balance Sheet				
Assets				
Segment assets	261,045	35,103	(142,180)	153,968
Segment liabilities	130,904	11,104	(127,436)	14,572
Segment sales				
			Current Quarter 30.06.2017 RM'000	Preceding Year Corresponding Quarter to 30.06.2016 RM'000
Precision Mould			9,403	15,666
Property Development			-	-
			<u>9,403</u>	<u>15,666</u>

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Segment sales	Current Year To date 30.06.2017 RM'000	Preceding Year Corresponding Period to 30.06.2016 RM'000
Precision Mould	30,021	36,662
Property Development	-	-
	<hr/> 30,021 <hr/>	<hr/> 36,662 <hr/>

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 except for those disclosed in note B7.

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 30 June 2017

The Group recorded a revenue of RM 9.403 million for the quarter ended 30 June 2017. The Group's loss before tax ("LBT") and loss after tax ("LAT") for the quarter were RM 1.098 million and RM 1.095 million for the period respectively.

The Group's revenue of RM 30.021 million for the year to date 30 June 2017 represents a decrease of approximately 18% as compared to the preceding corresponding period. The Group achieved LBT and LAT of RM 3.293 million and RM 3.417 respectively for the year to date 30 June 2017, as compared to profit before tax ("PBT") and profit after tax ("PAT") of RM 6.845 million and RM 3.780 million respectively for the preceding year to date 30 June 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 slightly higher gross profit margin is attributed to the improvement of overall operation. 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 7.412 million for the year to date contributed to a Total Comprehensive Loss of RM 10.829 million for the Group.

B2. Variation of Results for the Current Quarter Ended 30 June 2017 against Immediate Preceding Quarter

The Group recorded a decrease of approximately 40% in its revenue to RM 9.403 million for the quarter ended 30 June 2017 against RM 15.666 million for the immediate preceding quarter ended 30 June 2016. The Group registered LBT and LAT of RM 1.098 million and RM 1.095 million respectively for the current quarter ended 30 June 2017, as compared to PBT and PAT of RM 3.364 million and RM 0.299 million respectively in the immediate preceding quarter ended 30 June 2016.

The Group recorded an increase in revenue by approximately RM 5.901 million for the current quarter under review as compared to preceding quarter ended 31 March 2017. The reason for the Group's higher revenue for the current quarter was mainly due to improvement of tooling job completion recorded within the quarter ended 30 June 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 continues to pursue in property segment to thrive, assess growth potential and opportunities towards enhancing its bottom line and improving shareholder value. The Group would focus in its core values and take all necessary initiatives to create value for shareholders.

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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	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
In respect of the current period:-				
Current taxation	(3)	21	(3)	21
Deferred taxation	-	2,203	-	2,203
	<u>(3)</u>	<u>2,224</u>	<u>(3)</u>	<u>2,224</u>
In respect of the previous period:-				
Taxation	-	(275)	124	(275)
Deferred taxation	-	1,116	-	1,116
Net tax charge/(credit)	<u>-</u>	<u>3,065</u>	<u>124</u>	<u>3,065</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

There were no corporate proposal announced but not completed as at the date of this report except for on 21 July 2017 the Company proposes to undertake consolidation of every 3 ordinary shares in Sanichi ("Sanichi Shares" or "Shares") into 1 Sanichi Share ("Proposed Share Consolidation") and (ii) amendments to the by-laws governing the Company's existing employee share option scheme ("By-Laws") ("Proposed By-Laws Amendments"). For more details, please refer to Bursa announcements that Company had made on 21 July 2017, 24 July 2017, 25 July 2017 and 28 July 2017. The proposals had voted in a meeting by poll on 18 August 2017 and the results of the poll being carried.

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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	4,600	Within eighteen (18) months	900	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	4,793	Within twenty four (24) months	700	18
Estimated expenses for the corporate exercise	1,000	1,000	Immediate	-	-
	62,950	25,350		37,600	60

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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	30
Hire Purchase Payables	24
	<hr/> 54
<u>Long Term Borrowings</u>	
Term Loans	527
ICULS	128
Hire Purchase Payables	30
	<hr/> 685
Total	<hr/> 739 <hr/>

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	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
Net (loss) / profit for the period (RM'000)	(1,095)	299	(3,417)	3,780
Weighted average number of shares in issue ('000)	1,667,689	1,001,365	1,667,689	1,001,365
Basic (LPS) / EPS (sen)	(0.07)	0.03	(0.20)	0.38

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	As at
	30 June 2017	30 June 2016
	RM'000	RM'000
Realized Gain	69,355	75,396
Unrealized Gain / (Loss)	734	(4,228)
	<hr/>	<hr/>
Less Consolidation adjustments	70,089	71,168
	(7,882)	20,795
	<hr/>	<hr/>
Total group retained profit	62,207	91,963

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B14. Comprehensive Income Disclosure

	Current quarter ended		Cumulative quarter ended	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Interest income	23	(17)	246	141
Interest expense	(41)	47	(163)	(248)
Depreciation and amortization	(929)	(815)	(3,480)	(3,259)
Unrealized Gain / (Loss) on foreign exchange	433	(155)	734	(593)
Realized (loss) / gain on foreign exchange	(82)	(411)	188	769

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.