

# SANICHI TECHNOLOGY BERHAD

Company No. 661826-K  
(Incorporated in Malaysia)

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2017

(The figures below are unaudited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Quarter 31 December 2017	Preceding Year Corresponding Quarter 31 December 2016	Current Year to date 31 December 2017	Preceding Year Corresponding Period 31 December 2016 (Restated)
	RM'000	RM'000	RM'000	RM'000
Revenue	2,861	8,301	36,772	53,778
Cost of sales	(7,191)	(5,747)	(28,686)	(37,155)
<b>Gross (loss) / profit</b>	(4,330)	2,554	8,086	16,623
Other (expense) / income	(1,065)	304	164	3,293
Operating expenses	(7,986)	(2,827)	(23,591)	(12,696)
<b>(Loss) / Profit from operations</b>	(13,381)	31	(15,341)	7,220
Finance costs	27	(27)	(216)	(329)
<b>(Loss) / Profit before taxation</b>	(13,354)	4	(15,557)	6,891
Tax credit / (expense)	(2,380)	-	(2,335)	(3,065)
<b>(Loss) / Profit for the financial period</b>	(15,734)	4	(17,892)	3,826
<b>Other Comprehensive Profit /(Loss), net of tax</b>				
Foreign currency translation	9,349	500	2,244	14
Overprovision of taxation	-	-	-	-
	9,349	500	2,244	14
<b>Total Comprehensive (Loss) / Income For The Financial Period</b>	(6,385)	504	(15,648)	3,840
<b>(Loss) / Income attributable to:</b>				
Owners of the Parent	(15,734)	4	(17,892)	3,826
Non-controlling interest	-	-	-	-
	(15,734)	4	(17,892)	3,826
<b>Total comprehensive (Loss) / Income attributable to:</b>				
Owners of the Parent	(6,385)	504	(15,648)	3,840
Non-controlling interest	-	-	-	-
	(6,385)	504	(15,648)	3,840
<b>(Loss) / Profit per share (sen)</b>				
Basic (note B13)	(5.44)	0.0005	(6.19)	0.004
Diluted (note B13)	(5.44)	0.0005	(6.19)	0.004

(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  
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## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	(Unaudited) As at 31 December 2017 RM'000	(Audited) As at 30 June 2016 RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	42,291	36,245
Deferred tax assets	-	489
	42,291	36,734
<b>Current assets</b>		
Inventories	3,931	5,305
Short term Investment	-	501
Property development cost	46,524	16,589
Trade and other receivables	44,096	72,845
Tax assets / (liabilities)	(1,799)	551
Cash and cash equivalents	68,572	21,443
	161,324	117,234
<b>TOTAL ASSETS</b>	203,615	153,968
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Share capital	93,667	28,614
Retained earnings	55,944	91,963
Share premium	14,087	8,365
Warrant reserve	18,796	10,211
ESOS reserve	1,212	-
ICULS	579	685
Exchange translation reserve	1,802	(442)
Equity attributable to owners of the parent	186,087	139,396
<b>Non-current liabilities</b>		
Borrowings	256	689
Deferred tax liabilities	1,833	1,921
	2,089	2,610
<b>Current liabilities</b>		
Trade and other payables	13,828	11,048
Borrowings	1,611	914
	15,439	11,962
<b>TOTAL LIABILITIES</b>	17,528	14,572
<b>TOTAL EQUITY AND LIABILITIES</b>	203,615	153,968
Net assets per share attributable to owners of the parent (RM)	0.63	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.)

# SANICHI TECHNOLOGY BERHAD

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## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2017

	← Attributable to Owners of the Parent →							Total Equity RM'000
	← Non-Distributable →					ICULS RM'000	Accumulated Losses RM'000	
	Share Capital RM'000	Share Premium RM'000	Translation reserve RM'000	Warrant reserve RM'000	ESOS reserve RM'000			
At 1 July 2016	28,614	8,365	(442)	10,211	-	685	91,963	139,396
Loss for the financial period	-	-	-	-	-	-	(17,892)	(17,892)
Foreign currency translation	-	-	2,244	-	-	-	-	2,244
Issuance and listing of Rights Issue Shares with Warrants D	57,227	5,722	-	8,585	-	-	(18,127)	53,407
Issuance of ESOS	7,720	-	-	-	1,212	-	-	8,932
ICULS	106	-	-	-	-	(106)	-	-
At 31 December 2017	93,667	14,087	1,802	18,796	1,212	579	55,944	186,087
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.)

# SANICHI TECHNOLOGY BERHAD

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## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 31 DECEMBER 2017

(The figures below are unaudited)

	Current Year to 31 December 2017 RM'000	Preceding Year Corresponding Period to 31 December 2016 RM'000
<b>Cash flows from operating activities</b>		
(Loss) / Profit before tax	(15,557)	45
Adjustments for:-		
Bad debts written off	-	-
Depreciation of property, plant and equipment	5,540	1,750
Fair value changes in short term investment	-	-
Interest expenses	216	82
Interest income	(1,686)	(40)
Loss/(gain) on disposal of property, plant and equipment	2,323	1,158
Unrealised (gain) / loss on foreign exchange	(396)	320
Operating (loss) / profit before working capital changes	(9,560)	3,315
Property development costs	(29,935)	(22,966)
Inventories	28,749	310
Receivables	(295)	3,991
Payables	2,780	(6,967)
Cash (used in) / from operations	(8,261)	(22,317)
Interest received	1,686	40
Tax paid	(127)	-
Net cash used in operating activities	(6,702)	(22,277)
<b>Cash flows from investing activities</b>		
Purchase of short term investment	501	(9,536)
Proceeds from disposal of plant and equipment	236	236
Purchase of plant and equipment	(14,145)	(3,321)
Net cash used in investing activities	(13,408)	(12,621)
<b>Cash flows from financing activities</b>		
Interest paid	(216)	(82)
Proceeds from issuance of shares	64,947	62,949
Repayment of borrowings	264	(471)
Net cash from financing activities	64,995	62,396
Effects of changes in exchange rates	2,244	(160)
Net increase in cash and cash equivalents	47,129	27,338
Cash and cash equivalents at beginning of the period	21,443	21,443
<b>Cash and cash equivalents at end of the period</b>	<b>68,572</b>	<b>48,781</b>
<b>Cash and cash equivalents comprise:</b>		
Fixed deposits with licensed banks	63,425	9,500
Cash and bank balances**	5,147	39,281
	<b>68,572</b>	<b>48,781</b>

\*\* 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.)

# **SANICHI TECHNOLOGY BERHAD**

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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 September 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 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 except for the exercise of (1) 7,812,500 shares at RM0.16 per share under employee share option scheme (“ESOS”) and (2) 8,000,000 shares at RM0.101 per share under employee share option scheme (“ESOS”).

### **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.

<b>The Group</b>	<b>Precision Mould</b>	<b>Property Development</b>	<b>Elimination</b>	<b>Consolidated</b>
<b>31 December 2017</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Revenue</b>				
External sales	36,772	-	-	36,772
Inter segment sales	-	-	-	-
Total revenue	<u>36,772</u>	<u>-</u>	<u>-</u>	<u>36,772</u>
<b>Results</b>				
Profit/(Loss) from operations	(5,652)	(9,689)	-	(15,341)
Finance cost	(216)	-	-	(216)
Income from other investment	-	-	-	-
Loss before tax				<u>(15,557)</u>
Income tax				<u>(2,335)</u>
Net loss for the period				<u>(17,892)</u>
<b>Other Information</b>				
Additions of fixed assets	14,145	-	-	14,145
Depreciation and amortization	5,540	-	-	5,540
<b>Consolidated Balance Sheet Assets</b>				
Segment assets	150,904	52,711	-	203,615
Segment liabilities	17,236	292	-	17,528

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<b>The Group</b>	<b>Precision Mould RM'000</b>	<b>Property Development RM'000</b>	<b>Elimination RM'000</b>	<b>Consolidated RM'000</b>
<b>31 December 2016</b>				
<b>Revenue</b>				
External sales	53,778	-	-	53,778
Inter segment sales	-	-	-	-
Total revenue	<u>53,778</u>	<u>-</u>	<u>-</u>	<u>53,778</u>
<b>Results</b>				
Profit/(Loss) from operation	2,865	(4,355)	-	7,220
Finance cost	(82)	-	-	<u>(329)</u>
Profit before tax				6,891
Income tax expenses				<u>(3,065)</u>
Net profit for the period				<u>3,826</u>
<b>Other Information</b>				
Additions of fixed assets	3,321	-	-	3,321
Depreciation and amortization	1,750	-	-	1,750
<b>Consolidated Balance Sheet Assets</b>				
Segment assets	149,778	59,613	-	209,391
Segment liabilities	6,890	244	-	7,134
<b>Segment sales</b>				
			<b>Current Quarter 31.12.2017 RM'000</b>	<b>Preceding Year Corresponding Quarter to 31.12.2016 RM'000</b>
Precision Mould			2,861	8,301
Property Development			-	-
			<u>2,861</u>	<u>8,301</u>

## A8. Material Events Subsequent to the End of the Quarter under Review

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There were no material events subsequent to the end of the quarter under review except for those disclosed

<b>Segment sales</b>	<b>Current Year To date 31.12.2017 RM'000</b>	<b>Preceding Year Corresponding Period to 31.12.2016 RM'000</b>
Precision Mould	36,772	53,778
Property Development	-	-
	<hr/>	<hr/>
	36,772	53,778
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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 31 December 2017

	Individual period (period ended 31 Dec 2017)			Cumulative period		
	Current Year Quarter	Preceding Year Corresponding Quarter	Changes (in Amount)	Current Year-to-date	Preceding Year Corresponding Period	Changes (in Amount)
	31 Dec 2017	31 Dec 2016		31 Dec 2017	31 Dec 2016	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	2,861	8,301	(5,440)	36,772	53,778	(17,006)
Operating profit / (loss)	(13,381)	31	(13,412)	(15,341)	7,220	(22,561)
Profit / (Loss) before interest and tax	(13,381)	31	(13,412)	(15,341)	7,220	(22,561)
Profit/ (Loss) before tax	(13,354)	4	(13,358)	(15,557)	6,891	(22,448)
Profit / (Loss) after tax	(15,734)	4	(15,738)	(17,892)	3,826	(21,718)
Profit / (Loss) attributable to ordinary equity holders of the parent	(15,734)	4	(15,738)	(17,892)	3,826	(21,718)

The Group recorded a revenue of RM 2.861 million for the quarter ended 31 December 2017. The Group's loss before tax ("LBT") and loss after tax ("LAT") for the quarter were RM 13.353 million and RM 15.73 million for the period respectively.

The Group's revenue of RM 36.772 million for the year to date 31 December 2017 represents a decrease of approximately 32% as compared to the preceding corresponding period. The Group achieved LBT and LAT of RM 15.56 million and RM 17.891 respectively for the year to date 31 December 2017, as compared to profit before tax ("PBT") and profit after tax ("PAT") of RM 6.891 million and RM 3.826 million respectively for the preceding year to date 31 December 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 lower gross profit margin is attributed to the timing differences in matching sales and cost of sales especially in precision mould division.

A favorable foreign currency translation of RM 2.244 million for the year to date contributed to a Total Comprehensive Loss of RM 9.410 million for the Group.

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

	Current Quarter 31/12/2017 RM'000	Preceding Quarter 30/09/2017 RM'000	Variance RM'000
Revenue	2,861	3,890	(1,029)
Operating (Loss) / Profit	(13,381)	1,170	(14,551)
(Loss) / Profit before Interest and tax	(13,381)	1,170	(14,551)
(Loss) / Profit before tax	(13,354)	1,090	(14,444)
(Loss) / Profit after tax	(15,734)	1,132	(16,866)
Loss attributable to ordinary equity holders of the parent holders of the parent	(15,734)	1,132	(16,866)

The Group recorded a decrease of approximately 26% in its revenue to RM 2.861 million for the quarter ended 31 December 2017 against RM 3.890 million for the immediate preceding quarter ended 30 September 2017. The Group registered LBT and LAT of RM 13.35 million and RM 15.73 million respectively for the current quarter ended 31 December 2017, as compared to PBT and PAT of RM 1.090 million and RM 1.132 million respectively in the immediate preceding quarter ended 30 September 2017. The reason for the Group's lower revenue for the current quarter was mainly due to slower of tooling job completion recorded within the quarter ended 31 December 2017. A lower profit was mainly due to the share based payments being charged out and higher operation costs.

### B3. Group's Prospects for FYE 31 December 2018

Barring any unforeseen circumstances, the Board expects the Group's performance to be satisfactory for the financial year ending 31 December 2018. 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 successful of the Group heavily rely on the operation efficiency, ability to secure contracts, interest rate, government policies as well as changes in global environment. The Group would focus in its core values and take all necessary initiatives to create value for shareholders.

### B4. Variance of Profit Forecast

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

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### B5. Tax Expenses

Taxation comprises the following:-

	Individual quarter ended		Cumulative quarter ended	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
In respect of the current period:-				
Current taxation	(2,380)	-	(2,335)	21
Deferred taxation	-	-	-	2,203
	<u>(2,380)</u>	<u>-</u>	<u>(2,335)</u>	<u>2,224</u>
In respect of the previous period:-				
Taxation	-	-	-	(275)
Deferred taxation	-	-	-	1,116
Net tax charge/(credit)	<u>(2,380)</u>	<u>-</u>	<u>(2,335)</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.

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### 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 9 October 2017 the Company proposes to undertake the proposed renounceable rights issue of up to 990,585,448 new ordinary shares in Sanichi ("Sanichi Shares" or "Shares") ("Rights Shares") together with up to 495,292,724 free detachable warrants in Sanichi ("Warrants E") on the basis of 2 Rights Shares together with 1 free Warrant E for every 1 existing Sanichi Share held by entitled shareholders of Sanichi on an entitlement date to be determined later ("Proposed Rights Issue With Warrants"). For more details, please refer to Bursa Malaysia announcement.

#### Status of Utilisation of Proceeds

Purpose	Proposed Utilisation	Actual Utilisation as at 31/12/2017	Intended Timeframe for Utilisation	Balance Unutilised	
	RM'000	RM'000		RM'000	%
Completing the construction of a factory building	5,500	5,000	Within eighteen (18) months	500	9
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	5,493	Within twenty four (24) months	-	-
Estimated expenses for the corporate exercise	1,000	1,000	Immediate	-	-
	62,950	26,250		36,500	58

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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	-
Hire Purchase Payables	1,611
	<u>1,611</u>
<u>Long Term Borrowings</u>	
Term Loans	251
ICULS	5
Hire Purchase Payables	-
	<u>256</u>
<b>Total</b>	<b><u><u>1,867</u></u></b>

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

### B9. Trade Receivables

The Group's normal trade credit terms granted to trade receivables ranged from 1 month to 2 months (2016: 1 month to 2 months). Other credit terms are assessed and approved on a case by case basis. There are no trade receivables from related parties.

	As at quarter ended 31 December 2017				
	Current	1 – 3 months	3 – 6 months	More than 6 months	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
	0	0	0	0	0
Precision mould division	2,899	2,566	3,271	30,103	38,839
Property development division	841	189	-	39	1,069
<b>Total</b>	<b>3,740</b>	<b>2,755</b>	<b>3,271</b>	<b>30,142</b>	<b>39,908</b>

### B10. Off Balance Sheet Financial Instruments

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

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## B11. Material Litigation

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

## 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	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Net (loss) / profit for the period (RM'000)	(15,734)	4	(17,892)	3,822
Weighted average number of shares in issue ('000)	288,980	858,410	288,980	858,410
Basic (LPS) / EPS (sen)	<u>(5.44)</u>	<u>0.0005</u>	<u>(6.19)</u>	<u>0.004</u>

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.

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## B14. Retained Profits/(Accumulated Losses)

	As at 31 December 2017 <b>RM'000</b>	As at 30 June 2016 <b>RM'000</b>
Realized Gain	63,430	75,396
Unrealized Gain / (Loss)	396	(4,228)
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Less Consolidation adjustments	63,826 (7,882)	71,168 20,795
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<b>Total group retained profit</b>	<b>55,944</b>	<b>91,963</b>

## B15. Comprehensive Income / (Expenses) Disclosure

	Current quarter ended		Cumulative quarter ended	
	31 December 2017 <b>RM'000</b>	31 December 2016 <b>RM'000</b>	31 December 2017 <b>RM'000</b>	31 December 2016 <b>RM'000</b>
Interest income	127	40	1,686	40
Interest expense	27	(42)	(216)	(82)
Depreciation and amortization	(974)	(882)	(5,540)	(1,750)
Share based payments	(4,920)	-	(4,920)	-
Unrealized Gain / (Loss) on foreign exchange	(1,206)	(9)	396	(320)
Realized (loss) / gain on foreign exchange	119	129	229	202
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## B16. 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.