

SANICHI TECHNOLOGY BERHAD

Company No. 661826-K
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 SEPTEMBER 2018

(The figures below are unaudited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Quarter 30 September 2018 RM'000	Preceding Year Corresponding Quarter 30 September 2017 RM'000	Current Year to date 30 September 2018 RM'000	Preceding Year Corresponding Period 30 September 2017 RM'000
Revenue	12,868	3,890	27,546	-
Cost of sales	(8,653)	(2,053)	(19,832)	-
Gross profit	4,215	1,837	7,714	-
Other income/ (expenses)	1,546	1,229	977	-
Operating expenses	(2,951)	(1,896)	(12,993)	-
Profit /(Loss) from operations	2,810	1,170	(4,302)	-
Finance costs	(30)	(80)	(166)	-
Profit /(Loss) before taxation	2,780	1,090	(4,468)	-
Tax (expense) / credit	(409)	42	(430)	-
Profit / (Loss) for the financial period	2,371	1,132	(4,898)	-
Other Comprehensive (Loss) / Profit, net of tax				
Foreign currency translation	(272)	307	(6,909)	-
Overprovision of taxation	-	-	-	-
	(272)	307	(6,909)	-
Total Comprehensive Profit / (Loss) For The Financial Period	2,099	1,439	(11,807)	-
Profit / (Loss) attributable to:				
Owners of the Parent	2,372	1,132	(4,897)	-
Non-controlling interest	(1)	-	(1)	-
	2,371	1,132	(4,898)	-
Total comprehensive Profit / (Loss) attributable to:				
Owners of the Parent	2,099	1,439	(11,807)	-
Non-controlling interest	-	-	-	-
	2,099	1,439	(11,807)	-
Profit / (Loss) per share (sen)				
Basic (note B13)	0.66	0.13	(1.36)	-
Diluted (note B13)	0.66	0.13	(1.36)	-

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and accompanying explanatory notes attached to the interim financial statements.

Note : In view of the change in financial year end from 30 June 2017 to 31 December 2017, there were no comparative financial information available for the cumulative year to date 9 months financial period end to 30 September 2018.

SANICHI TECHNOLOGY BERHAD

Company No. 661826-K
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2018

	(Unaudited) As at 30 September 2018 RM'000	(Audited) As at 31 December 2017 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	48,876	41,568
	<u>48,876</u>	<u>41,568</u>
Current assets		
Inventories	2,932	3,391
Short term Investment	2,100	-
Property development cost	55,056	46,510
Trade and other receivables	24,829	43,915
Tax assets / (liabilities)	(1,098)	(1,379)
Cash and cash equivalents	74,348	70,239
	<u>158,167</u>	<u>162,676</u>
Assets classified as held for sale	-	853
	<u>207,043</u>	<u>205,097</u>
TOTAL ASSETS		
EQUITY AND LIABILITIES		
EQUITY		
Share capital	120,547	107,451
Retained earnings	59,918	64,816
Warrant reserve	18,796	18,796
ESOS reserve	-	1,212
ICULS	-	579
Exchange translation reserve	(8,850)	(1,941)
Equity attributable to owners of the parent	<u>190,411</u>	<u>190,913</u>
Non-controlling interests	<u>(6)</u>	<u>(4)</u>
Total equity	<u>190,405</u>	<u>190,909</u>
Non-current liabilities		
Borrowings	-	733
Deferred tax liabilities	2,401	2,119
	<u>2,401</u>	<u>2,852</u>
Current liabilities		
Trade and other payables	13,276	9,303
Borrowings	961	1,133
	<u>14,237</u>	<u>10,436</u>
Liabilities classified as held for sale	-	900
	<u>16,638</u>	<u>14,188</u>
TOTAL LIABILITIES	<u>16,638</u>	<u>14,188</u>
TOTAL EQUITY AND LIABILITIES	<u>207,043</u>	<u>205,097</u>
Net assets per share attributable to owners of the parent (RM)	0.51	0.18

(The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 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 SEPTEMBER 2018

	Attributable to Owners of the Parent Non-Distributable						Accumulated Profit RM'000	Non-controlling interest RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Translation reserve RM'000	Warrant reserve RM'000	ESOS reserve RM'000	ICULS RM'000			
At 1 January 2018	107,451	-	(1,941)	18,796	1,212	579	64,816	(5)	190,908
Loss for the financial period	-	-	-	-	-	-	(4,898)	(1)	(4,899)
Foreign currency translation	-	-	(6,909)	-	-	-	-	-	(6,909)
Issuance and listing of Rights Issue Shares with Warrants D	-	-	-	-	-	-	-	-	-
Issuance of ESOS	6,012	-	-	-	5,288	5	-	-	11,305
Employee share option reserve transfer to share capital upon ESOS exercised	6,500	-	-	-	(6,500)	-	-	-	-
ICULS	584	-	-	-	-	(584)	-	-	-
At 30 September 2018 (unaudited)	120,547	-	(8,850)	18,796	-	-	59,918	(6)	190,405
At 1 July 2016	28,614	8,365	(442)	10,211	-	685	91,963	-	139,396
Profit/(Loss) for the financial year	-	-	-	-	-	-	(18,562)	-	(18,562)
Foreign currency translation	-	-	(1,499)	-	-	-	-	(5)	(1,504)
Issuance and listing of Rights Issue Shares with Warrants D	57,228	5,722	-	8,585	-	-	(8,585)	-	62,950
Issuance of ESOS	7,416	-	-	-	1,212	-	-	-	8,628
ICULS	106	-	-	-	-	(106)	-	-	-
Transfer pursuant to Companies Act 2016	14,087	(14,087)	-	-	-	-	-	-	-
At 31 December 2017 (audited)	107,451	-	(1,941)	18,796	1,212	579	64,816	(5)	190,908

(The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 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 SEPTEMBER 2018

(The figures below are unaudited)

	Current Year to 30 September 2018 RM'000	Preceding Year Corresponding Period to 30 September 2017 RM'000
Cash flows from operating activities		
(Loss) / Profit before tax	(4,468)	-
Adjustments for:-		
Bad debts written off	-	-
Depreciation of property, plant and equipment	3,582	-
Interest expenses	166	-
Interest income	(1,910)	-
Loss / (gain) on disposal of property, plant and equipment	-	-
Unrealised loss / (gain) on foreign exchange	514	-
Operating profit / (loss) before working capital changes	(2,116)	-
Property development costs	(8,546)	-
Inventories	19,086	-
Receivables	16,579	-
Payables	3,973	-
Cash from / (used in) operations	28,976	-
Interest received	1,910	-
Tax paid	(21)	-
Net cash from / (used in) operating activities	30,865	-
Cash flows from investing activities		
Purchase of short term investment	(2,100)	-
Proceeds from disposal of plant and equipment	-	-
Purchase of plant and equipment	(10,890)	-
Net cash used in investing activities	(12,990)	-
Cash flows from financing activities		
Interest paid	(166)	-
Proceeds from issuance of shares	6,012	-
Repayment of borrowings	(905)	-
Net cash from financing activities	4,941	-
Effects of changes in exchange rates	(6,909)	-
Net increase in cash and cash equivalents	15,907	-
Cash and cash equivalents at beginning of the period	58,441	-
Cash and cash equivalents at end of the period	74,348	-
Cash and cash equivalents comprise:		
Fixed deposits with licensed banks	68,688	-
Cash and bank balances**	5,660	-
	74,348	-

** 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 31 December 2017 and accompanying explanatory notes attached to the interim financial statements.

Note : In view of the change in financial year end from 30 June 2017 to 31 December 2017, there were no comparative financial information available for the cumulative year to date 9 months financial period end to 30 September 2018.

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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 2018 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”) 31 December 2017.

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 31 December 2017, 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 January 2018. 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	Precision Mould	Property Development	Elimination	Consolidated
30 September 2018	RM'000	RM'000	RM'000	RM'000
Revenue				
External sales	19,583	7,963	-	27,546
Inter segment sales	-	-	-	-
Total revenue	<u>19,583</u>	<u>7,963</u>	<u>-</u>	<u>27,546</u>
Results				
Profit/(Loss) from operations	(4,050)	(252)	-	(4,302)
Finance cost	(166)	-	-	(166)
Income from other investment	-	-	-	-
Loss before tax				<u>(4,468)</u>
Income tax				<u>(430)</u>
Net loss for the period				<u>(4,898)</u>
Other Information				
Additions of fixed assets	10,890	-	-	10,890
Depreciation and amortization	3,582	-	-	3,582
Consolidated Balance Sheet Assets				
Segment assets	142,180	64,863	-	207,043
Segment liabilities	16,638	-	-	16,638

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The Group	Precision Mould RM'000	Property Development RM'000	Elimination RM'000	Consolidated RM'000
30 September 2017				
Revenue				
External sales	3,890	-	-	3,890
Inter segment sales	-	-	-	-
Total revenue	<u>3,890</u>	<u>-</u>	<u>-</u>	<u>3,890</u>
Results				
Profit/(Loss) from operation	1,758	(588)	-	1,170
Finance cost	(81)	-	-	<u>(80)</u>
Profit before tax				1,090
Income tax credit				<u>42</u>
Net profit for the period				<u>1,132</u>
Other Information				
Additions of fixed assets	6,382	-	-	6,382
Depreciation and amortization	1,086	-	-	1,086
Consolidated Balance Sheet Assets				
Segment assets	151,933	57,897	-	209,830
Segment liabilities	14,164	1,227	-	15,391

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 September 2018

	Individual period (period ended 30 September 2018)			Cumulative period		
	Current Year Quarter	Preceding Year Corresponding Quarter	Changes (in Amount)	Current Year-to-date	Preceding Year Corresponding Period	Changes (in Amount)
	30 Sep 2018	30 Sep 2017		30 Sep 2018	30 Sep 2017	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	12,868	3,890	8,978	14,678	-	N/A
Operating (loss) / profit	2,810	1,170	1,640	(7,112)	-	N/A
Profit / (Loss) before interest and tax	2,810	1,170	1,640	(7,112)	-	N/A
Profit / (Loss) before tax	2,780	1,090	1,690	(7,248)	-	N/A
Profit / (Loss) after tax	2,371	1,132	1,239	(7,269)	-	N/A
Profit / (Loss) attributable to ordinary equity holders of the parent	2,372	1,132	1,240	(7,269)	-	N/A

The Group recorded a revenue of RM 12.868 million for the quarter ended 30 September 2018. The Group's profit before tax ("PBT") and profit after tax ("PAT") for the quarter were RM 2.780 million and RM 2.371 million for the period respectively.

The Group recorded a revenue of RM 14.678 million for the year to date 30 September 2018. The Group achieved loss before tax ("LBT") and loss after tax ("LAT") of RM 7.248 million and RM 7.269 respectively for the year to date 30 September 2018.

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B2. Variation of Results for the Current Quarter Ended 30 June 2018 against Immediate Preceding Quarter

	Current Quarter 30/09/2018 RM'000	Preceding Quarter 30/06/2018 RM'000	Variance RM'000
Revenue	12,868	5,613	7,255
Operating (Loss) / Profit	2,810	(6,864)	9,674
(Loss) / Profit before Interest and tax	2,810	(6,864)	9,674
(Loss) / Profit before tax	2,780	(6,914)	9,694
(Loss) / Profit after tax	2,371	(6,925)	9,296
Loss attributable to ordinary equity holders of the parent holders of the parent	2,372	(6,925)	9,297

The Group recorded an increase of approximately 129% in its revenue to RM 12.868 million for the quarter ended 30 September 2018 against RM 5.613 million for the immediate preceding quarter ended 30 June 2018. The Group registered PBT and PAT of RM 2.780 million and RM 2.371 million respectively for the current quarter ended 30 September 2018, as compared to LBT and LAT of RM 6.914 million and RM 6.925 million respectively in the immediate preceding quarter ended 30 June 2018. The reason for the Group's higher revenue for the current quarter was mainly due to slow recovery of tooling job completion recorded as well as the contribution from property development division within the quarter ended 30 September 2018. A higher profit in current quarter was mainly due to the contribution from property development segment.

B3. Group's Prospects for FYE 31 December 2018

Barring any unforeseen circumstances, the Board expects the Group's performance to be challenging for the financial year ending 31 December 2018. Volatility of foreign exchange rates will continue to affect the Group's tooling business as a significant percentage of its revenue is derived from overseas markets. The Group property project in Melaka is expected to be completed in early 2019.

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	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
In respect of the current period:-				
Current taxation	(409)	(42)	(430)	-
Deferred taxation	-	-	-	-
	<u>(409)</u>	<u>(42)</u>	<u>(430)</u>	<u>-</u>
In respect of the previous period:-				
Taxation	-	-	-	-
Deferred taxation	-	-	-	-
Net tax charge/(credit)	<u>(409)</u>	<u>(42)</u>	<u>(430)</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.

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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 1,012,285,042 new ordinary shares in Sanichi (“Sanichi Shares” or “Shares”) (“Rights Shares”) together with up to 506,142,521 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”). Bursa Malaysia had vide its letter dated 18 July 2018 approved this proposal. Shareholders via the deed poll had passed the resolution of EGM held on 27 August 2018. For more details, please refer to Bursa Malaysia announcement.

Status of Utilisation of Proceeds

Purpose	Proposed Utilisation	Actual Utilisation as at 30/09/2018	Intended Timeframe for Utilisation	Balance Unutilised	
	RM'000	RM'000		RM'000	%
Completing the construction of a factory building	5,500	5,500	Within eighteen (18) months	-	-
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	26,950		36,000	57

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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	961
	<hr/>
	961
<u>Long Term Borrowings</u>	
Term Loans	-
ICULS	-
Hire Purchase Payables	-
	<hr/>
	-
	<hr/>
Total	<u>961</u>

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 30 September 2018				
	Current	1 – 3 months	3 – 6 months	More than 6 months	Total
	RM'00	RM'00	RM'00	RM'00	RM'00
	0	0	0	0	0
Precision mould division	1,766	3,362	3,220	6,605	14,953
Property development division	131	180	1	249	561
Total	1,897	3,542	3,221	6,854	15,514

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	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
Net (loss) / profit for the period (RM'000)	2,372	1,132	(4,897)	-
Weighted average number of shares in issue ('000)	360,487	858,997	360,487	-
Basic EPS / (LPS) (sen)	<u>0.66</u>	<u>0.13</u>	<u>(1.36)</u>	<u>-</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. Comprehensive Income / (Expenses) Disclosure

	Current quarter ended		Cumulative quarter ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Interest income	1,196	1,313	1,910	-
Interest expense	(30)	(80)	(166)	-
Depreciation and amortization	(1,686)	(1,086)	(3,582)	-
Unrealized (Loss) / Gain on foreign exchange	321	868	(514)	-
Realized (loss) / gain on foreign exchange	25	(78)	(490)	-
Share based payments	<u>(5,288)</u>	<u>-</u>	<u>(5,288)</u>	<u>-</u>

B15. Audit Report of Preceding Annual Financial Statements

The audited financial statements of the Company and its subsidiaries for the FYE 31 December 2017 were not subject to any qualification.