

SANICHI TECHNOLOGY BERHADCompany No.661826-K
(Incorporated In Malaysia)**CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE FOURTH QUARTER ENDED
30 JUNE 2008**

(The figures below are unaudited)

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	Current Quarter 30 June 2008 RM'000	Preceding Year Corresponding Quarter 30 June 2007 RM'000	Current Year to 30 June 2008 RM'000	Preceding Year Corresponding Year to 30 June 2007 RM'000
Revenue	5,286	7,906	24,154	24,904
Operating expenses	(6,583)	(4,726)	(22,507)	(17,410)
Other operating (expenses)/income	(83)	228	155	338
(Loss)/Profit from operations	(1,380)	3,408	1,802	7,832
Finance costs	(390)	(208)	(1,267)	(622)
(Loss)/Profit before taxation	(1,770)	3,200	535	7,210
Income tax expense	165	(500)	(223)	(835)
(Loss)/Profit after taxation	(1,605)	2,700	312	6,375
Attributable to:				
Ordinary equity holders of the parent	(1,605)	2,700	312	6,375
Minority interest	-	-	-	-
	(1,605)	2,700	312	6,375
(Loss)/Earnings per share (sen)				
Basic (note B13)	(1.4)	2.4	0.3	5.9
Diluted (note B13)	(1.4)	2.4	0.3	5.9

(The condensed consolidated income statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2007 and accompanying explanatory notes attached to the interim financial statements.)

SANICHI TECHNOLOGY BERHAD

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**CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2008**

	(Unaudited) As at 30 June 2008 RM'000	(Audited) As at 30 June 2007 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	28,132	19,481
Prepaid land lease payments	1,720	1,750
Development expenditure	259	242
Goodwill on consolidation	7	7
	30,118	21,480
Current assets		
Inventories	1,131	952
Trade receivables	22,340	22,034
Other receivables, deposits and prepayments	2,514	1,257
Tax recoverables	608	-
Fixed deposits	1,119	2,092
Cash and bank balances	744	1,475
	28,456	27,810
TOTAL ASSETS	58,574	49,290
EQUITY AND LIABILITIES		
EQUITY		
Share capital	11,350	11,350
Share premium	10,586	10,586
Exchange translation reserve	3	(59)
Retained earnings	7,777	8,033
Equity attributable to equity holders of the parent	29,716	29,910
Non-current liabilities		
Long term borrowings	9,988	9,368
Deferred taxation	843	727
	10,831	10,095
Current liabilities		
Trade payables	2,651	1,542
Progress billings	107	272
Other payables and accruals	1,892	1,052
Provision for taxation	18	223
Short term borrowings	12,579	5,919
Bank overdrafts	780	277
	18,027	9,285
TOTAL LIABILITIES	28,858	19,380
TOTAL EQUITY AND LIABILITIES	58,574	49,290
Net assets per share attributable to ordinary equity holders of the parent (RM)	0.26	0.26

(The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the financial year ended 30 June 2007 and accompanying explanatory notes attached to the interim financial statements.)

SANICHI TECHNOLOGY BERHADCompany No.661826-K
(Incorporated In Malaysia)**CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE FOURTH QUARTER ENDED
30 JUNE 2008**

(The figures below are unaudited)

	Current Year to 30 June 2008 RM'000	Preceding Year Corresponding Year to 30 June 2007 RM'000
Cash flows from/(for) operating activities		
Profit before tax	535	7,210
Adjustments for:-		
Non-cash items	4,332	2,242
Non-operating items	1,186	537
Operating profit before changes in working capital	<u>6,053</u>	<u>9,989</u>
Changes in working capital:-		
Net change in current assets	(1,735)	(10,553)
Net change in current liabilities	1,783	(392)
Net cash from/(for) operations	<u>6,101</u>	<u>(956)</u>
Interest paid	(1,244)	(585)
Tax paid	(921)	(658)
Net cash from/(for) operating activities	<u>3,936</u>	<u>(2,199)</u>
Cash flows for investing activities		
Interest received	59	48
Increase in prepaid land lease payments	-	(911)
Increase in intangible assets	(17)	(242)
Proceeds from disposal of property, plant and equipment	232	529
Purchase of plant and equipment	(6,540)	(8,533)
Net cash for investing activities	<u>(6,266)</u>	<u>(9,109)</u>
Cash flows from financing activities		
Dividend paid	(568)	-
Drawdown of term loan	-	6,647
Proceeds from public issue	-	15,860
Payment of listing expenses	-	(2,224)
Net drawdown/(repayment) of other short-term bank borrowings	5,116	(3,652)
Repayment of term loans	(2,480)	(1,141)
Repayment of hire purchase liabilities	(2,003)	(1,023)
Net cash from financing activities	<u>65</u>	<u>14,467</u>
Net (decrease)/increase in cash and cash equivalents	(2,265)	3,159
Effects of changes in exchange rates	58	(59)
Cash and cash equivalents at beginning of the period	<u>3,290</u>	<u>190</u>
Cash and cash equivalents at end of the period	<u>1,083</u>	<u>3,290</u>
Cash and cash equivalents comprise:		
Fixed deposits with licensed banks	1,119	2,092
Cash and bank balances	744	1,475
Bank overdrafts	(780)	(277)
	<u>1,083</u>	<u>3,290</u>

(The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the financial year ended 30 June 2007 and accompanying explanatory notes attached to the interim financial statements.)

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FOURTH QUARTER ENDED
30 JUNE 2008**

(The figures below are unaudited)

	Share Capital		Atributable to Equity Holders of the Parent		Distributable Retained Profit	Total Equity	
	RM'000	RM'000	Share Premium	Non-Distributable Reserve on Consolidation			RM'000
At 1 July 2007	11,350	-	10,586	-	(59)	8,033	29,910
Dividend paid	-	-	-	-	-	(568)	(568)
Profit for the year	-	-	-	-	-	312	312
Exchange translation differences	-	-	-	-	62	-	62
Total recognised income / (expenses) for the year	-	-	-	-	62	(256)	(194)
At 30 June 2008	11,350	-	10,586	-	3	7,777	29,716
At 1 July 2006	8,300	-	-	1,693	-	(35)	9,958
Effect of adopting FRS 3	-	-	-	(1,693)	-	1,693	-
At 1 July 2006, restated	8,300	-	-	-	-	1,658	9,958
Issue of shares	3,050	12,810	-	-	-	-	15,860
Listing expenses	-	(2,224)	-	-	-	-	(2,224)
Profit for the year	-	-	-	-	-	6,375	6,375
Exchange translation differences	-	-	-	-	(59)	-	(59)
At 30 June 2007	11,350	-	10,586	-	(59)	8,033	29,910

(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 2007 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 fourth quarter ended 30 June 2008 have been prepared in accordance with Financial Reporting Standards ("FRS") 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 MESDAQ Market ("MMLR"). The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of Sanichi Technology Berhad ("Sanichi" or "the Company") and its subsidiaries (collectively known as "Sanichi Group" or "the Group"), for the financial year ended ("FYE") 30 June 2007.

Changes in Accounting Policies

The accounting policies and presentations adopted by the Group for these interim condensed financial statements are consistent with the most recent audited financial statements for the FYE 30 June 2007.

FRS 124 - Related Party Disclosures has been issued and are effective for financial periods beginning on or after 1 October 2006 and will be effective for the Group's financial statements for the financial year ended 30 June 2008.

The following revised FRS has been issued and are effective for financial periods beginning on or after 1 July 2007 and will be effective for the Group's and the Company's financial statements for the financial year ended 30 June 2008:-

FRS 107	Cash Flow Statements
FRS 112	Income Taxes
FRS 118	Revenue
FRS 121	Amendment to Financial Reporting Standard FRS 121 - The Effects of Changes in Foreign Exchange Rates - <i>Net Investment in a Foreign Operation</i>
FRS 137	Provisions, Contingent Liabilities and Contingent Assets

The adoption of the above FRS does not have any significant financial impact to the Group for the current quarter under review.

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.

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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 material changes in estimates of amounts reported in prior interim periods of the current financial year or 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 issuance and repayment of debts and equity securities, share buy-backs and shares held as treasury shares.

A6. Dividend Paid

There is no dividend paid during the quarter under review.

A7. Segmental Reporting

(A) BY BUSINESS SEGMENT

No business segment al information has been presented as the Group is operating principally in one industry segment.

(B) BY GEOGRAPHICAL SEGMENT

Segment sales	Current Quarter 30.6.2008 RM'000	Current Year To Date 30.6.2008 RM'000
Malaysia	175	12,784
European countries	1,580	2,661
Other countries in Asia Pacific	3,531	8,709
	<hr/> 5,286	<hr/> 24,154

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A7. Segmental Reporting (Cont'd)

Segment assets	As at 30.6.2008 RM'000
Malaysia	55,424
Other	3,150
	<hr/>
	58,574
	<hr/>
 Capital expenditure	 Current Year To Date 30.6.2008 RM'000
Malaysia	11,725
Other	1,460
	<hr/>
	13,185
	<hr/>

Comparatives are not presented as the overseas subsidiary company commenced its operations during the financial year ended 30 June 2008.

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

There was no material event subsequent to the end of the quarter under review up to the date of this report which has not been reflected in the financial statements for the quarter under review.

A9. Changes in the Composition of the Group

There were no changes in the composition of the Group during the quarter under review.

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 MMLR (APPENDIX 9B)

B1. Review of Group's Results for the Current Quarter and Year-to-Date Ended 30 June 2008

The Group recorded a revenue of RM5.29 million for the current quarter and RM24.15 million for the year ended 30 June 2008. Advance Precision Injection Mould ("APIM") contributed approximately 69.20% of revenue for the 3 months period ended 30 June 2008. The Group's loss before tax ("LBT") for the quarter was RM1.77 million and profit before tax ("PBT") for the year ended 30 June 2008 was RM0.54 million.

For the financial year ended 30 June 2007, the Group recorded a revenue of RM24.90 million and PBT of RM7.21 million.

Based on a year on year comparison, revenue has been relatively stable. However, the Group PBT declined significantly from RM7.21 million to RM0.54 million mainly due to the following:-

- During the year, the Group embarked on its strategy to capture the larger moulds and tooling market from the automotive and electrical and electronic industry. This resulted in significant investments into human resources as well as machinery and equipment. However, this resulted in significantly higher expenditure in respect of staff payroll and depreciation charges, as a time lag exists before such investments are paid off in respect of orders from large tooling customers;
- The Group's setting up of a subsidiary company in Thailand during the financial year also contributed to the decrease in the Group's profits for the financial year ended 30 June 2008 as the Thailand subsidiary has yet to achieve profitability during the financial year; and
- The Group incurred a foreign exchange loss of approximately RM0.39 million for the financial year ended 30 June 2008 as compared to a gain of RM0.10 million for the financial year ended 30 June 2007 in respect of its sales denominated in foreign currencies, due to the strengthening of the Malaysian Ringgit against the Thai Baht and United States Dollar.

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B2. Variation of Results for the Current Quarter Ended 30 June 2008 against Immediate Preceding Quarter

The Group recorded a decrease of approximately 11.5% in its revenue to RM5.29 million for the fourth quarter ended 30 June 2008 against RM5.98 million for the immediate preceding quarter ended 31 March 2008 whilst PBT decreased to a LBT position of RM1.77 million for the fourth quarter ended 30 June 2008 as compared to PBT of RM0.21 million in the immediate preceding quarter ended 31 March 2008.

The slight decrease in revenue is mainly due to delay in order confirmation from some of the Group's customers while the LBT of RM1.77 million was mainly due to:-

- increase in the price of raw materials which the Group was not able to transfer to customers on a timely basis;
- significant foreign exchange losses arising from sales denominated in foreign currencies; and
- increase in factory labour and overheads cost for reasons highlighted in section B1 above.

B3. Group's Prospects for FYE 2009

Barring unforeseen adverse changes in the global economy, the Board expects the Group's performance to improve for the financial year ending 30 June 2009 due to the following:-

- The Group expects its strategy to penetrate into the large moulds and tooling market to pay off in the form of orders from customers in this industry segment;
- Lower losses to be incurred by the Group's subsidiary in Thailand as sales and productivity is expected to improve; and
- Readjustment of selling prices to pass on the higher raw materials costs to customers.

B4. Variance of Profit Forecast

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

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B5. Tax Expense

Taxation comprises the following:-

	Individual quarter ended		Cumulative quarter ended	
	30	30	30	30
	June	June	June	June
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
In respect of the current period:-				
Current taxation	(273)	467	179	833
Deferred taxation	69	42	69	164
	<u>(204)</u>	<u>509</u>	<u>248</u>	<u>997</u>
In respect of the previous period:-				
Current taxation	(8)	-	(72)	(153)
Deferred taxation	47	(9)	47	(9)
Net tax (credit)/ charge	<u>(165)</u>	<u>500</u>	<u>223</u>	<u>835</u>

The effective tax rate of the Group's current tax charge for the period is lower than statutory tax rate mainly due to overprovision of taxation in previous period, while the tax charge for the financial year ended 30 June 2008 was higher than the statutory tax rate mainly due to non-deductible expenses incurred by its foreign subsidiary company.

B6. Profit 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. Purchase and Disposal of Quoted and Marketable Securities

There was no purchase or disposal of quoted and marketable securities during the quarter under review and financial year-to-date.

B8. Status of Corporate Proposals Announced

(i) On 5 December 2007, the Group announced the following corporate proposals:

- (a) A proposed private placement of up to 11,350,000 new ordinary shares of RM0.10 each in the Company ("Sanichi Shares"), representing up to 10% of the existing issued and paid-up share capital at an issue price to be determined later ("Proposed Private Placement"); and

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B8. Status of Corporate Proposals Announced (*Cont'd*)

- (b) A proposed special issue of up to 53,507,200 Sanichi Shares, representing up to 30% of the enlarged issued and paid-up share capital of the Company, (after the Proposed Private Placement and Proposed Special Issue), at an issue price to be determined later ("Proposed Special Issue").

(hereinafter, the Proposed Private Placement and Proposed Special Issue shall be collectively referred to as the "Proposals").

On 19 February 2008, the Group announced that the Securities Commission ("SC") had, *vide* its letter dated 18 February 2008 approved the Proposals subject to certain terms and conditions.

Further to the above, on 25 March 2008, the Group announced that the Ministry of International Trade and Industry ("MITI") approved the Proposals *vide* its letter dated 25 March 2008 subject to certain terms and conditions.

Apart from the approvals received from SC and MITI, the Proposals are conditional upon the approvals of the following:

- (a) MITI for the recognition of the Bumiputera placees to be identified;
- (b) Bursa Malaysia Securities Berhad for the listing of and quotation for the placement shares and the special issue shares to be issued pursuant to the Proposals; and
- (c) The shareholders of Sanichi at an extraordinary general meeting to be convened.

The Proposals are pending implementation.

Alliance Investment Bank Berhad ("Alliance"), on behalf of the Company, submitted applications to the SC to seek its approval for an extension of time up to 18 February 2009 for the implementation of the Proposed Special Issue and Proposed Private Placement. The SC had, *vide* its letters dated 10 July 2008 and 11 August 2008, approved the extension of time, subject to certain terms and conditions.

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B8. Status of Corporate Proposals Announced (Cont'd)

(ii) Utilisation Of Proceeds Received From Public Issue

As at 30 June 2008, the status of utilisation of the gross proceeds of RM15.86 million raised from the public issue of 30,499,980 new ordinary shares of RM0.10 each in Sanichi at an issue price of RM0.52 per share in conjunction with the listing of Sanichi on the MESDAQ Market of Bursa Securities is as follows:

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Intended Timeframe for Utilisation	Deviation Amount RM'000	%	Explanations
Capital expenditure	4,000	4,000	-	-	-	-
Research & Development	2,000	988	By 7 September 2008	1,012	51	-
Repayment of bank borrowings	4,000	4,000	-	-	-	-
Working Capital	4,160	4,160	-	-	-	-
Estimated Listing Expenses	1,700	1,700	-	-	-	-
TOTAL	15,860	14,848		1,012	51	

Alliance had, on behalf of the Group, on 22 August 2008, submitted an application to the SC to seek its approval for an extension of time up to 7 September 2009 to utilise the remaining research and development proceeds of approximately RM1,012,000. The application is currently pending SC's decision.

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B9. 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	2,608
Hire Purchase Payables	2,398
Trade Financing	7,573
Bank overdraft	780
	<hr/> 13,359
<u>Long Term Borrowings</u>	
Term Loans	5,161
Hire Purchase Payables	4,827
	<hr/> 9,988
Total	<hr/> <hr/> 23,347

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

B10. Off Balance Sheet Financial Instruments

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

B11. Material Litigation

The Group is not engaged in any material litigation either as plaintiff or defendant and the Directors do not have any knowledge of any proceedings pending or threatened against 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.

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B13. Loss Per Share ("LPS") / Earnings Per Share ("EPS")

Basic EPS

	Current quarter ended		Cumulative quarter ended	
	30 June 2008 RM'000	30 June 2007 RM'000	30 June 2008 RM'000	30 June 2007 RM'000
(Loss)/Profit for the period (RM'000)	(1,605)	2,700	312	6,375
Weighted average number of shares in issue ('000)	113,500	113,500	113,500	108,570
Basic (LPS)/ EPS (sen)	(1.4)	2.4	0.3	5.9

Basic EPS/ (LPS) is calculated by dividing the net profit/ (loss) attributable to the ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the period.

Diluted EPS/ (LPS)

Diluted EPS/ (LPS) is equal to the basic EPS/ (LPS) as there were no convertible or option outstanding which can be potentially converted into ordinary shares in both the previous and current financial periods.

B14. Audit Report of Preceding Annual Financial Statements

The audited financial statements of the Company and its subsidiaries for the FYE 30 June 2007 were not subject to any qualification.