

SANICHI TECHNOLOGY BERHADCompany No.661826-K
(Incorporated In Malaysia)**CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SECOND QUARTER ENDED
31 DECEMBER 2008**

(The figures below are unaudited)

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	Current Quarter 31 December 2008 RM'000	Preceding Year Corresponding Quarter 31 December 2007 RM'000	Current Year to 31 December 2008 RM'000	Preceding Year Corresponding Quarter to 31 December 2007 RM'000
Revenue	2,945	6,645	9,779	12,888
Operating expenses	(3,979)	(4,994)	(11,040)	(10,297)
Other operating income	18	18	98	61
(Loss)/Profit from operations	(1,016)	1,669	(1,163)	2,652
Finance costs	(361)	(301)	(765)	(559)
(Loss)/Profit before taxation	(1,377)	1,368	(1,928)	2,093
Tax income/ (expense)	43	(165)	(24)	(297)
(Loss)/Profit after taxation	(1,334)	1,203	(1,952)	1,796
Attributable to:				
Ordinary equity holders of the parent	(1,334)	1,203	(1,952)	1,796
Minority interest	-	-	-	-
	(1,334)	1,203	(1,952)	1,796
(Loss)/Earnings per share (sen)				
Basic (note B13)	(1.2)	1.1	(1.7)	1.6
Diluted (note B13)	(1.2)	1.1	(1.7)	1.6

(The condensed consolidated income statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2008 and accompanying explanatory notes attached to the interim financial statements.)

SANICHI TECHNOLOGY BERHADCompany No.661826-K
(Incorporated In Malaysia)**CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2008**

	(Unaudited) As at 31 December 2008 RM'000	(Audited) As at 30 June 2008 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	28,551	28,124
Prepaid land lease payments	1,705	1,720
Development expenditure	234	234
Goodwill on consolidation	7	7
	<u>30,497</u>	<u>30,085</u>
Current assets		
Inventories	3,900	1,131
Trade receivables	18,833	22,288
Other receivables, deposits and prepayments	2,556	2,871
Tax recoverables	871	608
Fixed deposits	1,138	1,119
Cash and bank balances	298	744
	<u>27,596</u>	<u>28,761</u>
TOTAL ASSETS	<u>58,093</u>	<u>58,846</u>
EQUITY AND LIABILITIES		
EQUITY		
Share capital	11,350	11,350
Share premium	10,586	10,586
Exchange translation reserve	6	3
Retained earnings	6,368	8,320
Equity attributable to equity holders of the parent	<u>28,310</u>	<u>30,259</u>
Non-current liabilities		
Long term borrowings	9,082	9,988
Deferred taxation	122	122
	<u>9,204</u>	<u>10,110</u>
Current liabilities		
Trade payables	2,331	2,650
Other payables and accruals	4,261	2,450
Provision for taxation	16	18
Short term borrowings	12,643	12,579
Bank overdrafts	1,328	780
	<u>20,579</u>	<u>18,477</u>
TOTAL LIABILITIES	<u>29,783</u>	<u>28,587</u>
TOTAL EQUITY AND LIABILITIES	<u>58,093</u>	<u>58,846</u>
Net assets per share attributable to ordinary equity holders of the parent (RM)	0.25	0.27

(The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the financial year ended 30 June 2008 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 SECOND QUARTER ENDED
31 DECEMBER 2008**

(The figures below are unaudited)

	Current Year to 31 December 2008 RM'000	Preceding Year Corresponding Period to 31 December 2007 RM'000
Cash flows from operating activities		
(Loss)/Profit before tax	(1,928)	2,093
Adjustments for:-		
Non-cash items	2,531	2,119
Non-operating items	755	523
Operating profit before changes in working capital	<u>1,358</u>	<u>4,735</u>
Changes in working capital:-		
Net change in current assets	1,001	(1,415)
Net change in current liabilities	1,491	591
Net cash from operations	<u>3,850</u>	<u>3,911</u>
Interest paid	(764)	(559)
Tax paid	(288)	(268)
Net cash from operating activities	<u>2,798</u>	<u>3,084</u>
Cash flows for investing activities		
Interest received	10	35
Increase in development expenditure	-	(16)
Proceeds from disposal of equipment	-	10
Purchase of plant and equipment	(2,942)	(1,633)
Net cash for investing activities	<u>(2,932)</u>	<u>(1,604)</u>
Cash flows for financing activities		
Net drawdown of other short-term bank borrowings	1,333	309
Repayment of term loans	(865)	(926)
Repayment of hire purchase liabilities	(1,312)	(1,197)
Net cash for financing activities	<u>(844)</u>	<u>(1,814)</u>
Net decrease in cash and cash equivalents	(978)	(334)
Effects of changes in exchange rates	3	(28)
Cash and cash equivalents at beginning of the period	<u>1,083</u>	<u>3,290</u>
Cash and cash equivalents at end of the period	<u>108</u>	<u>2,928</u>
Cash and cash equivalents comprise:		
Fixed deposits with licensed banks**	1,138	2,128
Cash and bank balances	298	957
Bank overdrafts	(1,328)	(157)
	<u>108</u>	<u>2,928</u>

** Fixed deposits with licensed banks have been pledged to licensed banks for banking facilities granted to the Group.

(The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the financial year ended 30 June 2008 and accompanying explanatory notes attached to the interim financial statements.)

SANICHI TECHNOLOGY BERHADCompany No.661826-K
(Incorporated In Malaysia)**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SECOND QUARTER ENDED 31 DECEMBER 2008**

(The figures below are unaudited)

	← Attributable to Equity Holders of the Parent →				Total Equity RM'000
	Share Capital RM'000	Non-Distributable Share Premium RM'000	Translation reserve RM'000	Distributable Retained Profit RM'000	
At 1 July 2008	11,350	10,586	3	8,320	30,259
Loss for the period	-	-	-	(1,952)	(1,952)
Exchange translation differences	-	-	3	-	3
Total recognised expenses for the period	-	-	3	(1,952)	(1,949)
At 31 December 2008	11,350	10,586	6	6,368	28,310
At 1 July 2007	11,350	10,586	(59)	8,033	29,910
Profit for the period	-	-	-	1,796	1,796
Exchange translation differences	-	-	(28)	-	(28)
Total recognised income for the period	-	-	(28)	1,796	1,768
At 31 December 2007	11,350	10,586	(87)	9,829	31,678

(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 2008 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 second quarter ended 31 December 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 "Company") and its subsidiary companies (collectively known as "Sanichi Group" or "Group") for the financial year ended ("FYE") 30 June 2008.

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 2008.

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 material 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 issuance and repayment of debts and equity securities, share buy-backs and shares held as treasury shares.

A6. Dividend Paid

There was no dividend paid during the quarter under review.

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A7. Segmental Reporting

(A) By Business Segment

No business segmental information is presented as the Group is operating principally within a single business segment.

(B) By Geographical Segment

Segment sales	Current	Preceding Year
	Quarter	Corresponding
	31.12.2008	Period to
	RM'000	31.12.2007
		RM'000
Malaysia	2,050	4,196
European countries	805	-
Other countries in Asia Pacific	90	2,449
	<hr/> 2,945	<hr/> 6,645

Segment assets	As at	As at
	31.12.2008	30.6.2008
	RM'000	RM'000
Malaysia	55,834	55,696
Thailand	2,259	3,150
	<hr/> 58,093	<hr/> 58,846

Capital expenditure	Current Year To Date	
	31.12.2008	31.12.2007
	RM'000	RM'000
Malaysia	2,790	1,633
Thailand	152	-
	<hr/> 2,942	<hr/> 1,633

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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 Period Ended 31 December 2008

The Group recorded a revenue of RM2.945 million and RM9.779 million for the second financial quarter and year-to-date period ended 31 December 2008 respectively. Advance Precision Injection Mould ("APIM") contributed RM1.553 million, representing approximately 53% of the revenue for the quarter under review. The Group's loss before tax ("LBT") for the quarter was RM1.377 million and loss after tax ("LAT") for the quarter was RM1.334 million.

The Group's revenue of RM9.779 million for the cumulative quarter ended 31 December 2008 represents a decrease of approximately 24% as compared to the preceding year corresponding quarter. As a result of the decline in revenue, the Group suffered a LBT of RM1.928 million and a LAT of RM1.952 million respectively for the cumulative quarter ended 31 December 2008 as opposed to a profit before tax of RM2.093 million and a profit after tax of RM1.796 million for the preceding year corresponding quarter ended 31 December 2007. The reasons for the decline in the Group's financial performance are set out in Section B2 below.

B2. Variation of Results for the Current Quarter Ended 31 December 2008 against Immediate Preceding Quarter

The Group recorded a decrease of approximately 57% in its revenue to RM2.945 million for the quarter ended 31 December 2008 against RM6.834 million for the immediate preceding quarter ended 30 September 2008. As a result thereof, the Group registered a LBT of RM1.377 million for the quarter ended 31 December 2008 as compared to a LBT of RM0.551 million in the immediate preceding quarter ended 30 September 2008.

The decrease in revenue was mainly due to lower sales to overseas customers especially from the Asia Pacific countries by approximately RM2.1 million. This was in turn linked to the weak consumer sentiments as a result of the global economic slowdown.

In tandem with the decrease in revenue, LBT for the quarter ended 31 December 2008 had increased by RM0.826 million to RM1.377 million as compared to the preceding quarter ended 30 September 2008. In addition, the Group also recorded higher production related overhead costs, which further compounded on the decline in the Group's LBT for the quarter under review.

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B3. Group's Prospects for FYE 30 June 2009

The Group expects the FYE 30 June 2009 to be a challenging year due to the continuing weak consumer sentiments as a result of the global economic slowdown. It is expected that sales of moulds and tooling to the consumer electronics industry will further decline in FYE 30 June 2009. However, the Board of Directors of Sanichi ("Board") is hopeful that the expected increase in sales from the Group's existing customers in the automotive industry for the FYE 30 June 2009 will partially offset the expected decrease in sales to the consumer electronics industry.

Notwithstanding the decline in sales, the Board expects the raw materials cost to decline in the 2nd half of the FYE 30 June 2009 due to the sharp decline in price of metals. Coupled with the cost cutting measures presently being undertaken by the Group's management, the Board foresees that the Group's results for the 2nd half of the FYE 30 June 2009 to be improved.

B4. Variance of Profit Forecast

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

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B5. Tax Income/ (Expense)

Taxation comprises the following:-

	Individual quarter ended		Cumulative quarter ended	
	31 December 2008 RM'000	31 December 2007 RM'000	31 December 2008 RM'000	31 December 2007 RM'000
In respect of the current period:-				
Current taxation	11	(165)	(24)	(297)
Deferred taxation	29	-	-	-
	<u>40</u>	<u>(165)</u>	<u>(24)</u>	<u>(297)</u>
In respect of the previous period:-				
Deferred taxation	3	-	-	-
Net tax charge	<u>43</u>	<u>(165)</u>	<u>(24)</u>	<u>(297)</u>

The Group's effective tax rate is not applicable for this quarter as the Group has recorded losses for the current quarter under review.

The tax income of RM11,000 for the current quarter under review is the result of the overprovision of tax charges from previous quarter and after deducting the current quarter tax charges for the profit making entities of the Group.

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.

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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") ("Placement 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
 - (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 ("Special Issue Shares"), (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 collectively be 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.

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

On behalf of the Company, Alliance Investment Bank Berhad ("Alliance") had submitted applications to the SC to seek its approval for an extension of time up to 18 February 2009 ("First Extension") for the implementation of the Proposals. The SC had, *vide* its letters dated 10 July 2008 and 11 August 2008, approved the First Extension.

Further to the above and on behalf of the Company, Alliance had, on 4 February 2009, submitted an application to the SC for a further extension of time up to 18 August 2009 and 18 February 2010 for the implementation of the Proposed Private Placement and the Proposed Special Issue respectively.

Concurrent to the above, Alliance had also submitted an application to the Equity Compliance Unit of the SC ("ECU") for the following:

- (a) waiver for the implementation of the Proposed Special Issue; and
- (b) waiver for the requirement of having to set-aside 30% of the Placement Shares for subscription by Bumiputera investors to be issued pursuant to the Proposed Private Placement,

based on the flexibility accorded by SC on the enhancement of Bumiputera allocation process announced on 12 November 2008.

The above applications are pending the SC's and ECU's decisions.

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(ii) Utilisation Of Proceeds Received From Public Issue

As at 31 December 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 the Bursa Securities is as follows:

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Timeframe for Utilisation	Deviation Amount RM'000	%	Explanations
Capital expenditure	4,000	4,000	-	-	-	-
Research & Development	2,000	1,265	By 7 September 2009*	735	37	-
Repayment of bank borrowings	4,000	4,000	-	-	-	-
Working Capital	4,160	4,160	-	-	-	-
Estimated Listing Expenses	1,700	1,700	-	-	-	-
TOTAL	15,860	15,125		735	37	

Note:

* The SC had, vide its letter dated 3 September 2008, approved an extension of time up to 7 September 2009 for the utilisation of the remaining R&D proceeds and stipulated that any further extension of time or variation of utilisation of listing proceeds in the future will not require the SC's approval.

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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	1,853
Hire Purchase Payables	1,884
Trade Financing	8,906
Bank overdraft	1,328
	<u>13,971</u>
<u>Long Term Borrowings</u>	
Term Loans	4,477
Hire Purchase Payables	4,605
	<u>9,082</u>
Total	<u><u>23,053</u></u>

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 (LPS) / EPS

	Current quarter ended		Cumulative quarter ended	
	31 December 2008 RM'000	31 December 2007 RM'000	31 December 2008 RM'000	31 December 2007 RM'000
Net (Loss)/Profit for the period (RM'000)	(1,334)	1,203	(1,952)	1,796
Weighted average number of shares in issue ('000)	113,500	113,500	113,500	113,500
Basic (LPS)/ EPS (sen)	(1.2)	1.1	(1.7)	1.6

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 subsidiary companies for the FYE 30 June 2008 were not subject to any qualification.