

SANICHI TECHNOLOGY BERHAD

Company No. 661826-K
(Incorporated in Malaysia)

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 2010 have been prepared in accordance with the 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 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 subsidiary companies (collectively known as "Sanichi Group" or "Group") for the financial year ended ("FYE") 30 June 2010.

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 2010 except for the adoption of FRS 8 Operating Segments during the financial period. The adoption of the FRS 8 only impacts presentation and disclosure. It does not have any financial impact on the Group.

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 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 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 has a single operation segment from the geographic perspective. The reportable segments are Malaysia and Thailand which both segments are in design and fabrication of precision moulds and tooling.

The Group 31 December 2010	Malaysia RM'000	Thailand RM'000	Eliminations RM'000	Consolidated RM'000
Revenue				
External sales	6,391	-	-	6,391
Inter segment sales	491	-	(491)	-
Total Revenue	<u>6,882</u>	<u>-</u>	<u>(491)</u>	<u>6,391</u>
Results				
Loss from operations	(1,032)	41	-	(991)
Finance cost	(578)	-	-	(578)
Income from other investment	-	-	-	-
Loss before tax				<u>(1,569)</u>
Income tax expenses	-	-	-	<u>-</u>
Net loss for the year				<u>(1,569)</u>
Other information				
Additional of fixed assets	1,052	-	-	1,052
Depreciation and Amortisation	1,085	98	-	1,183
Consolidated Balance Sheet Assets				
Segment assets	50,504	1,606	-	52,110
Segment liabilities	25,406	3,540	-	28,946

The Group 31 December 2009	Malaysia RM'000	Thailand RM'000	Eliminations RM'000	Consolidated RM'000
Revenue				
External sales	11,397	-	-	11,397
Inter segment sales	1,166	-	(1,166)	-
Total Revenue	<u>12,563</u>	<u>-</u>	<u>(1,166)</u>	<u>11,397</u>
Profit from operations	3,340	(262)	-	3,078
Finance cost	(658)	-	-	(658)
Income from other investment	-	-	-	-
Profit before tax				<u>2,420</u>
Income tax expenses	(8)	-	-	<u>(8)</u>

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Net profit for the year				<u>2,412</u>
Other information				
Additional of fixed assets	1,028	-	-	1,028
Depreciation and Amortisation	1,215	104	-	1,319
Consolidated Balance Sheet Assets				
Segment assets	52,876	1,499	-	54,375
Segment liabilities	29,147	3,403	-	32,550

Segment sales	Current	Preceding Year
	Quarter	Corresponding
	31.12.2010	Quarter to
	RM'000	31.12.2009
		RM'000
Malaysia	441	2,944
European countries	782	990
Other countries in Asia Pacific	322	1,364
	<u>1,545</u>	<u>5,298</u>

Segment sales	Current Year	Preceding Year
	To date	Corresponding
	31.12.2010	Period to
	RM'000	31.12.2009
		RM'000
Malaysia	2,728	5,706
European countries	1,535	1,166
Other countries in Asia Pacific	2,128	4,525
	<u>6,391</u>	<u>11,397</u>

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.

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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 ACE LISTING REQUIREMENTS (APPENDIX 9B)

B1. Review of Group's Results for the Current Quarter and Year-to-Date Ended 31 December 2010

The Group recorded a revenue of RM1.545 million for the second financial quarter and year-to-date period ended 31 December 2010. The Group's loss before tax ("LBT") and loss after tax ("LAT") for the quarter was RM1.689 million and RM1.622 million respectively.

The Group's revenue of RM6.391 million for the quarter ended 31 December 2010 represents a decrease of approximately 43.9% as compared to the preceding year corresponding period. In addition, the Group generated LBT and LAT of RM1.569 million and RM1.569 million respectively for the cumulative period ended 31 December 2010, as compared to profit before tax ("PBT") and profit after tax ("PAT") of RM2.420 million and RM2.412 million respectively for the preceding quarter ended 31 December 2009. The reasons for the Group's financial performance were mainly due to decrease in sales for both local and export markets.

B2. Variation of Results for the Current Quarter Ended 31 December 2010 against Immediate Preceding Quarter

The Group recorded a decrease of approximately 68.1% in its revenue to RM1.545 million for the quarter ended 31 December 2010 against RM4.846 million for the immediate preceding quarter ended 30 September 2010. As a result thereof, the Group registered a LBT of RM1.689 million for the quarter ended 31 December 2010 as compared to a PBT of RM0.120 million in the immediate preceding quarter ended 30 September 2010.

The Group recorded a decrease in revenue by approximately RM3.301 million for the current quarter under review compared to preceding quarter ended 30 September 2010.

B3. Group's Prospects for FYE 30 June 2011

As a result of the Company being classified under GN5, the Group is facing a very challenging year coupled with a tight cash flow position. In spite of this, the management will strive to strengthen and improve its financial position.

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 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009
	RM'000	RM'000	RM'000	RM'000
In respect of the current period:-				
Current taxation	67	(5)	-	(8)
Deferred taxation	-	-	-	-
	<u>67</u>	<u>(5)</u>	<u>-</u>	<u>(8)</u>
In respect of the previous period:-				
Taxation	-	-	-	-
Deferred taxation	-	-	-	-
Net tax charge	<u>67</u>	<u>(5)</u>	<u>-</u>	<u>(8)</u>

The Group's effective tax rate for this quarter under review was nil mainly due to the Group incur business losses for current quarter under review.

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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. 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

There was no corporate proposal announced during the quarter under review.

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	4,944
Hire Purchase Payables	983
Trade Financing	9,017
Bank overdraft	1,481
	<u>16,425</u>
<u>Long Term Borrowings</u>	
Term Loans	4,766
Hire Purchase Payables	2,794
	<u>7,560</u>
Total	<u>23,985</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

There were material litigation which as listed below:

- 1) ~~Sanichi wishes to announce that~~ Sanichi (as Corporate Guarantor) and the Company's wholly-owned subsidiary namely Asia Pinnacle Sdn Bhd ("AP") had on 8 November 2010 received Notices of Demand for default in payment

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of monthly instalments amounting to RM25,744.73 in respect of a Hire Purchase Facility granted by Orix Credit Leasing Sdn Bhd ("Orix").

- 2) SANICHI's subsidiary, Sanichi Precision Mould Sdn Bhd("SPM") was served a Petition dated 20 October 2010 on 29 October 2010 pursuant to a notice under Section 218 of the Companies Act, 1965.

The total amount claimed under by the Petitioner against SPM was RM4,519.00 together with interest thereon at the rate of 8% per annum from 9/5/2009 to the date of realisation within 21 days from the receipt of the said notice.

- 3) Sanichi and the Company's wholly-owned subsidiaries namely Sanichi Precision Mould Sdn Bhd ("SPM") and Asia Pinnacle Sdn Bhd ("AP") had on 22 October 2010 received Notices of Demand in respect of the default in payment of principal and interest on credit facilities granted by EON Bank Berhad ("EON") as follows:

Name of subsidiary: SPM

Type of Facility:

- (i) Overdraft of RM2,000,000
 - (ii) Tradelines of RM2,500,000
 - (iii) Foreign Exchange Contract Line of RM300,000
- Default Amount: RM2,102,145.66

Name of subsidiary: AP

Type of Facility:

- (i) Overdraft of RM500,000
 - (ii) Tradelines of RM3,500,000
 - (iii) Foreign Exchange Contract Line of RM300,000
- Default Amount: RM3,545,237.03

- 4) Sanichi and its wholly-owned subsidiary namely Sanichi Precision Mould Sdn Bhd ("SPM") had on 20 December 2010 received Notices of Demand for default in payment of monthly installments in respect of 10 Hire Purchase Facility(ies) granted by RHB Bank Berhad ("RHB"). Total default amount was RM3,665,712.97.

B12. Dividend Proposed

No dividend was declared and recommended for payment during the quarter under review.

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B13. (Loss)/Earnings Per Share (“LPS” / “EPS”)

Basic (LPS) / EPS

	Current quarter ended		Cumulative quarter ended	
	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009
Net (loss)/profit for the period (RM'000)	(1,622)	772	(1,569)	2,412
Weighted average number of shares in issue ('000)	163,500	113,500	163,500	113,500
Basic (LPS) / EPS (sen)	(1.0)	0.7	(1.0)	2.1

Basic (LPS) / EPS is calculated by dividing the net (loss) / 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 EPS is equal to the basic EPS 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 2010 were not subject to any qualification.