

ETI TECH CORPORATION BERHAD (667845-M)
(Incorporated in Malaysia)
QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2009

PART A - EXPLANATORY NOTES IN COMPLIANCE WITH FINANCIAL REPORTING STANDARD (“FRS”) 134 (INTERIM FINANCIAL REPORTING)

A1. Basis of preparation

These interim financial statements have not been audited and have been prepared in compliance with FRS 134 (Interim Financial Reporting) and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad (“Securities Exchange”) for the MESDAQ Market.

The accounting principles, methods of computation and bases used for this quarterly financial report are consistent with those previously adopted in the preparation of the financial statements of the ETICB and its subsidiaries (“ETICB Group” or “Group”).

A2. Seasonal or cyclical factors

The ETICB Group’s business operation results were not materially affected by any major seasonal and cyclical factor.

A3. Unusual nature and amounts of items affecting assets, liabilities, equity, net income and cash flows

There was no item of unusual nature or amount affecting the assets, liabilities, equity, net income or cash flows during the current quarter under review.

A4. Material changes in estimates

There was no material change in the estimates of amounts reported that have a material effect on the current quarter under review.

A5. Issuances, cancellations, repurchases, resale and repayments of debt and equity securities

There was no issuance or repayment of debts or equity securities during the current quarter under review and the Company had not engaged in any share buyback scheme or implemented any share cancellation.

A6. Dividend paid

No dividend was declared or paid during the current quarter under review.

A7. Segmental information

The ETICB Group operates in one industry and accordingly, only geographical segmental information is presented as follows:-

	Current Quarter 28.02.2009 RM'000	Current Period To Date 28.02.2009 RM'000
<i>Revenue</i>		
Export sales		
- Taiwan	4,640	9,821
- Hong Kong	3,898	8,957
- China	4,535	9,389
- India	65	145
- Philippines	-	17
- Singapore	2	14
- USA	36	45
- Thailand	(4)	-
- United Arab Emirates	3	3
Domestic sales	5,027	9,286
Total	18,202	37,677

A8. Valuation of property, plant and equipment

There was no valuation on any of the ETICB Group's property, plant and equipment during the current quarter under review.

A9. Acquisition of property, plant and equipment

There was no material acquisition or disposal of property, plant and equipment of the ETICB Group during the current quarter under review.

A10. Significant events during the current quarter

On 13 January 2009, ETI Tech (M) Sdn Bhd ("ETMSB"), a wholly-owned subsidiary of ETICB, had entered into a Distributor Agreement with Compugates Sdn. Bhd. ("Compugates") for the purpose of appointing Compugates as the distributor for the promotion and sale of its Nano Mobile series within Malaysia, Bangladesh, Indonesia and Cambodia.

On 20 February 2009, ETMSB had terminated the following agreements with the respective parties:-

- a) Marketing Agreement dated 24 September 2008 entered into with TSH Corporation Limited ("TSH") and CFree Energy Sdn Bhd ("CFree") for the purpose of appointing TSH as its marketing agent with the sole and exclusive right to market the Green GenSet and ETI Battery for electric bicycles ("Products") worldwide ("Marketing Agreement"); and
- b) Manufacturing Agreement dated 24 September 2008 entered into with TSH and Unilink Development Limited ("UDL") to grant its consent to TSH to engage the expertise of UDL to manufacture and supply the Products worldwide on a non-exclusive basis for sale by TSH ("Manufacturing Agreement").

A11. Changes in the composition of the ETICB Group

There was no change in the composition of the ETICB Group during the current quarter under review.

A12. Contingent liabilities

As at the date of this announcement, the Board of Directors of ETICB is not aware of any contingent liability of the ETICB Group.

A13. Material events subsequent to the end of the interim reporting period

There were no material events subsequent to the end of the current quarter under review.

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD FOR THE MESDAQ MARKET

B1. Review of performance

For the six (6) months ended 28 February 2009, the Group recorded revenue and profit before taxation of approximately RM37.68 million and RM8.99 million respectively, which were mainly contributed from the sale of its existing own brand mobile charging products and customized design battery pack. The increase in revenue by RM0.62 million compared to the corresponding six (6)-month period in the preceding year was due to an increase in demand from new customers for its existing and new products. However, the Group recorded a lower profit before taxation by RM0.16 million compared to the corresponding six (6)-month period in the preceding year due to an increase in staff costs and depreciation.

For the current quarter, the Group recorded revenue and profit before taxation of approximately RM18.20 million and RM4.77 million respectively.

B2. Variation of results against preceding quarter

Compared to the preceding quarter, the Group's revenue of approximately RM18.20 million (2009 Q1 : RM19.48 million) recorded for the quarter ended 28 February 2009 represented a decrease of approximately RM1.28 million or 6.57% which was mainly due to weaker demand from the Group's existing customers.

However, the Group achieved a profit before taxation of approximately RM4.77 million (2009 Q1 : RM4.22 million) during the quarter under review, which was approximately RM0.55 million or 13.03% higher than what was achieved in the preceding quarter. This was due to an increase in sales of higher margin products.

B3. Prospects for the financial year ending 31 August 2009

Barring any unforeseen circumstances, the Group expects to continue to achieve satisfactory performance for the year ending 31 August 2009 with its continuous efforts to undertake more new business negotiations, upgrade engineering capabilities and technical know-how as well as provide more enhanced services to customers.

Apart from the existing mobile charging products, the Group is also in the midst of completing research and development for products with increased capacity for application in electric vehicles such as golf carts, electric bicycles, e-scooters and neighbourhood cars.

As the world's demand for energy grows, along with concern over depleting energy sources and global warming, the Group, which provides innovative energy storage solutions, foresees an increase in demand for its products.

B4. Variance on actual and forecast profit

The ETICB Group has not provided any quarterly profit forecast and therefore no variance information is available for presentation.

B5. Tax expense

There is no income tax charge on the ETICB Group because the income of its wholly-owned subsidiary ETMSB is exempted from tax due to its pioneer status granted by Multimedia Development Corporation Sdn Bhd (“MDC”). Under this incentive, 100% of ETMSB’s statutory income derived from the development and commercialisation of the Polymer Lithium Ion (“PLi”) battery Series 1, 2, 3, 4, 6 and 8 is exempted from income tax for a period of five years from 15 July 2003 to 14 July 2008.

ETMSB was granted an extension of pioneer status for another five years from 15 July 2008 to 14 July 2013 by MDC on the qualifying activities of PLI battery series version 1, 2, 3, 4, 6, 8 and above, 14S EV battery packs, MCU based PCM’s, Green Genset, Mobile charger with added features and High Power Battery Bank.

B6. Profit/(Loss) on sale of unquoted investments and/or properties

There was no sale of unquoted investments and/or properties during the current quarter under review and financial year-to-date.

B7. Purchase or disposal of quoted securities

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

B8. Status of corporate proposals

There were no corporate proposals announced during the current quarter under review.

B9. ETICB Group’s borrowings and debt securities

The ETICB Group’s borrowings at the end of the financial quarter are as follows:

	Payable within twelve (12) months RM’000	Payable after twelve (12) months RM’000
<u>Secured</u>		
Hire purchase	33	-
Term loan	208	3,442
Trade facilities	4,244	-
	<u>4,485</u>	<u>3,442</u>

There was no unsecured debt during the current quarter under review and financial year-to-date.

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

B10. Off balance sheet financial instruments

There are no off balance sheet financial instruments as at the date of this announcement.

B11. Change in material litigation

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

B12. Auditors’ report of the preceding annual financial statements

The preceding year’s annual audited financial statements of the ETICB Group were not subject to any qualification.

B13. Earnings per share

	Current quarter 28.02.2009	Preceding year corresponding quarter 29.02.2008	Current year to date 28.02.2009	Preceding year corresponding period 29.02.2008
Net profit after tax (RM'000)	4,769	4,773	8,986	9,145
Weighted average number of ordinary shares in issue ('000)	226,924	226,924	226,924	226,924
Basic earnings per share (sen)	2.10	2.10	3.96	4.03
Diluted earnings per share (sen)	N/A	N/A	N/A	N/A

The earnings per share for the current quarter to date is calculated by dividing the net profit attributable to shareholders of RM4,769,000 by the weighted average number of shares in issue of 226,924,000 ETICB shares.