

ETI TECH CORPORATION BERHAD (667845-M)
(Incorporated in Malaysia)
QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 30 NOVEMBER 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 (“Bursa Securities”) for the ACE 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”) except for the adoption of FRS 8, *Operating Segments* which is effective for financial period beginning on or after 1 July 2009.

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 30.11.2009 RM'000	Current Year To Date 30.11.2009 RM'000
<i>Revenue</i>		
Export sales		
- Taiwan	5,511	5,511
- Hong Kong	3,926	3,926
- China	7,974	7,974
- India	16	16
- Singapore	2	2
- USA	9	9
Domestic sales	4,316	4,316
Total	21,754	21,754

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 11 September 2009, the Shareholders of ETICB approved the bonus issue of 453,848,000 new ordinary shares of RM0.10 each (Bonus Shares) in ETICB on the basis of two bonus shares for every one existing ETICB share held. The date of Book Closure for the Bonus Issue was fixed on September 30, 2009 and the said Bonus Shares were duly credited into the shareholders' accounts on 1 October 2009.

On 12 October 2009, ETI Tech (M) Sdn Bhd ("ETMSB"), a wholly-owned subsidiary of ETICB, appointed Compugates Sabah Sdn Bhd as distributor and marketer for the sale of all present and future products owned, offered or manufactured by ETMSB within the state of Sabah.

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

On 18 January 2010, ETICB and ZAP have mutually agreed to further extend an MoU for another term of thirty (30) days from January 18, 2010 to February 18, 2010. This MoU is pertaining to the Electric Vehicle Joint Venture between both companies signed on 19 August 2009. ZAP is a US company in Santa Rosa, California which is a leading global distributor of alternative fuel technology vehicles and a leader in electric transportation since 1994.

On 19 January 2010, ETI Tech (M) Sdn Bhd (“ETMSB”), a wholly-owned subsidiary of ETICB, has signed a Memorandum of Understanding (“MOU”) with Sirim Berhad to establish a partnership to develop the necessary testing technology and safety approval standards for the medium to high power lithium based battery for various industry applications eg, solar, electric vehicles and other applications in the domestic as well as international markets.

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

B1. Review of performance

For the first quarter ended 30 November 2009, the Group achieved revenue and profit before taxation of approximately RM21.75 million and RM3.40 million respectively, which were mainly contributed from the sale of its existing own brand mobile charging products and customized design battery packs. The increase in revenue by RM2.28 million compared to the corresponding quarter in the preceding year was due to an increase in demand for its products. However, the Group recorded a lower profit before taxation by RM0.82 million compared to the corresponding quarter in the preceding year mainly due to the increase in sales of lower margin products which affected the overall profit margin.

B2. Variation of results against preceding quarter

Compared to the preceding quarter, the Group’s revenue of approximately RM21.75 million (2009 Q4 : RM23.42 million) for the quarter ended 30 November 2009, showed a decrease of approximately RM1.67 million or 7.13%. This was mainly due to lower sales generated for the current quarter from the Group’s customers.

The Group achieved a profit before taxation of approximately RM3.40 million (2009 Q4 : RM5.29 million) during the quarter under review. The decrease of approximately RM1.89 million or 35.73% as compared with the preceding quarter was mainly due to reduction in sales volume and also increase in sales of lower margin products.

B3. Prospects for the financial year ending 31 August 2010

Barring unforeseen circumstances, the Group expects to continue to achieve satisfactory performance for the year ending 31 August 2010 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 at the stage of commercialisation of its products in application such as golf carts, electric bicycles, e-scooters, and solar.

The increasing awareness of the advantages of lithium based battery applications over lead acid battery which is not environment friendly may create a potential growth of lithium based battery in the market.

As the world’s demand for energy grows, along with concerns 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 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 are exempted from income tax for a period of five (5) years from 15 July 2008 to 14 July 2013.

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 period-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 period-to-date.

B8. Status of corporate proposals

On 5 October 2009, ETICB proposed to undertake a transfer of the listing of and quotation for the entire issued and paid up share capital of ETICB from ACE Market to the Main Market of Bursa Securities. The proposal has already been submitted to the Securities Commission for their review and approval in January 2010.

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	3	-
Term loan	208	3,352
Trade facilities	4,225	-
	<u>4,436</u>	<u>3,352</u>

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

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

B10. Off balance sheet financial instruments

There is no off balance sheet financial instrument 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 30.11.2009	Preceding year corresponding quarter 30.11.2008	Current year to date 30.11.2009	Preceding year corresponding period 30.11.2008
Net profit after tax (RM'000)	3,398	4,217	3,398	4,217
Weighted average number of ordinary shares in issue ('000)				
- At beginning of year	680,772	226,924	680,772	226,924
- Bonus shares issued on 1 October 2009	-	453,848	-	453,848
Restated weighted average number of ordinary shares in issue ('000)	680,772	680,772	680,772	680,772
Basic earnings per share (sen)	0.50	0.62	0.50	0.62
Diluted earnings per share (sen)	N/A	N/A	N/A	N/A

Note: The calculation of the basic earnings per share has been taken into account the effect of the bonus shares issued on 1 October 2009 on the basis of two (2) new ordinary share of RM0.10 each for every existing ordinary share of RM0.10 each held.

The earnings per share for the current quarter to date is calculated by dividing the net profit attributable to shareholders of RM3,398,000 by the weighted average number of shares in issue of 680,772,000 ETICB shares.