

ETI TECH CORPORATION BERHAD (667845-M)
(Incorporated in Malaysia)
QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2010

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 28.02.2010 RM'000	Current Year To Date 28.02.2010 RM'000
<i>Revenue</i>		
Export sales		
- Taiwan	4,479	9,990
- Hong Kong	3,427	7,353
- China	4,603	12,577
- India	2,347	2,363
- Singapore	2	4
- USA	25	33
Domestic sales	3,610	7,927
Total	18,493	40,247

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 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. As at the date of the announcement, there has been no material change or development to the MoU.

On 18 February 2010, ETICB and ZAP have mutually agreed to further extend an MoU for another term of ninety (90) days from February 18, 2010 to May 19, 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 2 February 2010, ETI Tech (M) Sdn Bhd ("ETMSB"), a wholly-owned subsidiary of ETICB, had on February 1, 2010 held a Key Handing Over Ceremony to Mini Solar Home System owners in Kampung Sumambu, Tenom, 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 29 March 2010, ETI Tech (M) Sdn Bhd (“ETMSB”), a wholly-owned subsidiary of ETICB, had on March 27, 2010 held a Handling Over Ceremony on Handling over of Green Solar Power System using Eco-Friendly Rechargeable Green Batteries and Energy Saving "LED" Lamps for Batu Sapi Jetties.

On 20 April 2010, with the approval letters duly received from the Securities Commission and Bursa Malaysia Securities Berhad respectively, the entire enlarged issued and paid-up share capital of ETICB was officially transferred from the ACE Market to the Main Market of Bursa Securities, under the “Technology” sector.

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 six (6) months ended 28 February 2010, the Group achieved revenue and profit before taxation of approximately RM40.25 million and RM6.44 million respectively, which were mainly contributed from the sales of its existing own brand mobile charging products and customized design battery packs. The increase in revenue by RM2.57 million compared to the corresponding six (6)-month period in the preceding year was due to an increase in demand for its products. However, the Group recorded a lower profit before taxation by RM2.55 million, a reduction of 28.36% compared to the corresponding six (6)-month period 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 RM18.49 million (2010 Q1 : RM21.75 million) for the quarter ended 28 February 2010, showed a decrease of approximately RM3.26 million or 14.99%. 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 RM3.04 million (2010 Q1 : RM3.40 million) during the quarter under review. The decrease of approximately RM0.36 million or 10.59% 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 any 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 commercialising of its products in applications such as golf carts, electric bicycles, e-scooters and solar projects.

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

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>		
Term loan	208	3,304
Trade facilities	7,928	-
	<u>8,136</u>	<u>3,304</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 28.02.2010	Preceding year corresponding quarter 28.02.2009	Current year to date 28.02.2010	Preceding year corresponding period 28.02.2009
Net profit after tax (RM'000)	3,043	4,769	6,441	8,986
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)	0.45	0.70	0.95	1.32
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 RM3,043,000 by the weighted average number of shares in issue of 680,772,000 ETICB shares.