

ETI TECH CORPORATION BERHAD (667845-M)
(Incorporated in Malaysia)
QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 31 MAY 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”, issued by the Malaysian Accounting Standards Board (“MASB”) and the disclosure requirements as set out in Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad for the Main Market (“Main Market Listing Requirements”).

The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 August 2009. These explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 August 2009.

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 31.05.2010 RM'000	Current Year To Date 31.05.2010 RM'000
<i>Revenue</i>		
Export sales		
- Taiwan	4,984	14,974
- Hong Kong	3,972	11,326
- China	5,219	17,795
- India	-	2,363
- Singapore	6	11
- USA	1	34
- United Arab Emirates	41	41
- Zimbabwe	33	33
Domestic sales	4,340	12,266
Total	18,596	58,843

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 29 March 2010, ETI Tech (M) Sdn Bhd ("ETMSB"), a wholly-owned subsidiary of ETICB, had on March 27, 2010 handed over the Green Solar Power System using Eco-Friendly Rechargeable Green Batteries and Energy Saving "LED" Lamps for Batu Sapi Jetties.

On 19 April 2010, ETI Tech (M) Sdn Bhd ("ETMSB"), a wholly-owned subsidiary of ETICB, announced that there has been no material change or development to the Memorandum of Understanding ("MoU"), signed on January 19, 2010 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.

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.

On 19 May 2010, ETICB and ZAP have mutually agreed not to further extend the MoU upon its expiration on May 19, 2010 as both parties could not come to a consensus in the terms and conditions of the final Manufacturing and Distribution Agreement. Therefore, the MoU was considered expired and lapsed. 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.

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 June 2010, ETI Tech (M) Sdn Bhd (“ETMSB”), a wholly-owned subsidiary of ETICB, had on May 4, 2010 entered into a Non-exclusive Distributorship Agreement with Al Yousuf Digitals LLC as the distributor for the promotion and sale of Nano Mobile Charger, Energy Rider, Green GenSet, Green Golf Cart battery pack within U.A.E, Middle East and Africa for a period of one year.

On 21 June 2010, ETI Tech (M) Sdn Bhd (“ETMSB”), a wholly-owned subsidiary of ETICB, entered into a Business Development Agreement with Green Electric Sdn. Bhd. (“GESB”) and Erapolitan Sdn. Bhd (“Erapolitan”) for the purpose of joint collaboration in the project proposals or tender bids to the Ministry of Education Malaysia and Ministry of Rural and Regional Development for the supply of power through solar system for schools and villages in rural areas which could not be supplied with power via the grid system and if successful, ETMSB, GESB and Erapolitan shall jointly participate to realize the said projects..

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

B1. Review of performance

For the nine (9) months ended 31 May 2010, the Group achieved revenue and profit before taxation of approximately RM58.84 million and RM9.49 million respectively, which were mainly contributed from the sales of its existing own brand mobile charging products and customized design battery packs. The decrease in revenue by RM0.82 million compared to the corresponding nine (9)-month period in the preceding year was mainly contributed from the depreciation of US Dollar against the Ringgit Malaysia. Further to that, the Group also recorded a lower profit before taxation by RM5.36 million, a reduction of 36.07% compared to the corresponding nine (9)-month period in the preceding year because of the foreign exchange loss.

B2. Variation of results against preceding quarter

Compared to the preceding quarter, the Group’s revenue of approximately RM18.60 million (2010 Q2 : RM18.49 million) for the quarter ended 31 May 2010, showed an increase of approximately RM0.11 million or 0.59%.

In tandem with the higher revenue, the Group achieved a profit before taxation of approximately RM3.05 million (2010 Q2 : RM3.04 million) during the quarter under review, an increase of approximately RM0.01 million or 0.33% compared to the preceding quarter.

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 its products in applications such as golf carts, electric bicycles, and solar projects.

The increasing awareness of the advantages of lithium based battery applications over lead acid battery which is deemed 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	3,253
Trade facilities	7,391	-
	<u>7,599</u>	<u>3,253</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. Dividend

No dividend was proposed and declared in the current quarter under review.

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 31.05.2010	Preceding year corresponding quarter 31.05.2009	Current year to date 31.05.2010	Preceding year corresponding period 31.05.2009
Net profit after tax (RM'000)	3,051	5,861	9,492	14,847
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	0.86	1.39	2.18
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 RM3,051,000 by the weighted average number of shares in issue of 680,772,000 ETICB shares.