

**ETI TECH CORPORATION BERHAD (667845-M)**  
(Incorporated in Malaysia)  
**QUARTERLY REPORT FOR THE YEAR ENDED 31 AUGUST 2010**

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**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:-

	<b>Current Quarter 31.08.2010 RM'000</b>	<b>Current Year To Date 31.08.2010 RM'000</b>
<i>Revenue</i>		
Export sales		
- Taiwan	3,679	18,654
- Hong Kong	3,532	14,857
- China	3,543	21,338
- India	16	2,379
- Singapore	5	16
- USA	1	36
- United Arab Emirates	79	119
- Zimbabwe	-	33
Domestic sales	4,328	16,594
Total	15,183	74,026

**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 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 Digital 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.

On 25 August 2010, ETI Tech (M) Sdn Bhd ("ETMSB"), a wholly-owned subsidiary of ETICB, entered into a Memorandum of Understanding ("MoU") with KoKam Co. Ltd. ("Kokam"). The MoU is to set forth the basic principles upon which the definitive agreement(s) will be entered into by the ETI and Kokam for the collaboration of providing lithium based battery pack/s to be applied in the Off-Grid Solar Energy Storage systems and related services.

**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 19 October 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 27 September 2010, ETI Tech (M) Sdn Bhd (“ETMSB”), a wholly-owned subsidiary of ETICB, received an Appointment letter dated 24 September 2010 from Jabatan Kerja Raya Malaysia (JKR) as its Project Partner on the pilot project for Genset Hybrid Systems. This pilot project will be implemented in Kapit, Sarawak; specifically S.K. Lepong Gaat, S.K. Ng Stapang and S.K. Temenggong Koh. All these schools are located in the rural areas of Kapit. This is a test case for our lithium polymer battery. The objective of this project is to enable these schools to be supplied with 24 hour electricity. The Trial Run of the Genset Hybrid Pilot Project is targeted to commence in October 2010 and the expected date of completion is by year end 2010.

**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 financial year ended (“FYE”) 31 August 2010, the Group achieved revenue and profit before taxation of approximately RM74.03 million and RM9.89 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 and profit before taxation by RM9.05 million and RM10.24 million respectively compared to the preceding year were mainly contributed from the depreciation of US Dollar against the Ringgit Malaysia and foreign exchange losses.

For the current quarter, the Group recorded revenue and profit before taxation of approximately RM15.18 million and RM0.39 million respectively.

**B2. Variation of results against preceding quarter**

Compared to the preceding quarter, the Group’s revenue of approximately RM15.18 million (2010 Q3 : RM18.60 million) for the quarter ended 31 August 2010, showed a decrease of approximately RM3.42 million or 18.39% mainly due to the depreciation of US Dollar against the Ringgit Malaysia.

The Group achieved a profit before taxation of approximately RM0.39 million (2010 Q3 : RM3.05 million) during the quarter under review, a decrease of approximately RM2.66 million or 87.21% compared to the preceding quarter mainly due to the depreciation of US Dollar against the Ringgit Malaysia and foreign exchange losses.

**B3. Prospects for the financial year ending 31 August 2011**

Barring any unforeseen circumstances, the Group expects to continue to achieve satisfactory performance for the year ending 31 August 2011 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:

	<b>Payable within twelve (12) months RM'000</b>	<b>Payable after twelve (12) months RM'000</b>
<b><u>Secured</u></b>		
Term loan	201	3,212
Trade facilities	8,046	-
	<u>8,247</u>	<u>3,212</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**

	<b>Current quarter 31.08.2010</b>	<b>Preceding year corresponding quarter 31.08.2009</b>	<b>Current year to date 31.08.2010</b>	<b>Preceding year corresponding period 31.08.2009</b>
Net profit after tax (RM'000)	186	5,169	9,678	20,016
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)	0.03	0.76	1.42	2.94
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 RM186,000 by the weighted average number of shares in issue of 680,772,000 ETICB shares.