

ETI TECH CORPORATION BERHAD (667845-M)
(Incorporated in Malaysia)
QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 31 MAY 2011

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 9.22 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 2010. The 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 2010.

The accounting principles, methods of computation and bases used for this quarterly financial report are consistent with those adopted for the annual audited financial statements for the year ended 31 August 2010 except for the adoption of the following new/revised FRSs, amendments to FRSs and IC interpretations:

(i) Adoption of New and Revised FRSs, IC Interpretations and Amendments

Effective for annual financial period beginning on or after 1 January 2010

Standard/Interpretation

Amendments to FRS 1 First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment In a Subsidiary, Jointly Controlled Entity or Associate

Amendments to FRS 2 Share-based Payment: Vesting Conditions and Cancellations

Amendments to FRS 2 Share-based Payment

Amendments to FRS 5 Non-current Assets Held for Sale and Discontinued Operations

Amendments to FRS 132 Financial Instruments: Presentation

Amendments to FRS 138 Intangible Assets

Amendments to FRS 139 Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives

Amendments to FRS 139 Financial Instruments: Recognition and Measurement

Amendments to IC Interpretation 9 Reassessment of Embedded Derivatives

Amendments to FRSs contained in the document entitled “Improvements to FRSs (2009)”

FRS 1 First-time Adoption of Financial Reporting Standards (revised in 2010)

FRS 3 Business Combinations (revised in 2010)

FRS 7 Financial Instruments: Disclosures

FRS 101 Presentation of Financial Statements (revised in 2009)

FRS 123 Borrowing Costs

FRS 127 Consolidated and Separate Financial Statements (revised in 2010)

FRS 139 *Financial Instruments: Recognition and Measurement*

IC Interpretation 9 *Reassessment of Embedded Derivatives*

IC Interpretation 10 *Interim Financial Reporting and Impairment*

IC Interpretation 11 *FRS 2 – Group and Treasury Share Transactions*

IC interpretation 13 *Customer Loyalty Programmes*

IC Interpretation 14 *FRS 119 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and Their Interaction*

IC Interpretation 16 *Hedges of a Net Investment in a Foreign Operation*

The adoption of the above FRSs, amendments and interpretations do not have significant impact on the financial statement of the Group, other than as described below:

Revised FRS 101 Presentation of Financial Statements

The Group has elected to present the statements of comprehensive income in a single statement.

With the adoption of the revised FRS 101, the components of the interim financial statements presented consists of a statement of financial position, a statement of comprehensive income, a statement of changes in equity, a statement of cash flow and notes to the financial statements.

The revised FRS 101 was adopted retrospectively by the Group.

Amendments to FRS 117 Leases

Prior to the adoption of the Amendments to FRS 117, leasehold lands were treated as operation leases. The consideration paid were classified and presented as prepaid lease payments. With the adoption of the Amendment to FRS 117, the Group has reassessed and determined that all leasehold land of the Group are in substance finance lease and has reclassified leasehold land to property, plant and equipment. The change in accounting policy has been made retrospectively in accordance with the transitional provision and certain comparative balances have been restated.

The adoption of other new and revised FRSs, IC Interpretations and amendments has no effect to the Group's consolidated financial statements of the current quarter or the comparative financial statement of the preceding year corresponding period.

(ii) New and Revised FRSs, IC Interpretations and Amendments issued but not yet effective for the Group's current quarter report.

Amendment to FRS 1 *Limited Exemption from Comparative FRS 7 Disclosures for First-time Adoption*

Amendments to FRS 1 *Additional Exemption for First-time Adopters*

Amendments to FRS 2 *Group Cash-settled Share-based Payment Transactions*

Amendments to FRS 7 *Improving Disclosure about Financial Instruments*

IC Interpretation 4 *Determining whether an Arrangement contains a Lease*

IC Interpretation 18 *Transfers of Assets from Customers*

The adoption of other New and Revised FRSs, IC Interpretations and Amendments will have no significant impact or not result in changes to the existing accounting policies.

A2. Seasonal or cyclical operations

There is no material seasonal or cyclical fluctuation in the operations of the Group.

A3. Nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size or incidence

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. Nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year, which give a material effect in the current interim period

There was no material change in the estimates of amounts reported in prior interim periods of the current financial year or prior years that have a material effect on the current quarter under review.

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

There were no issuance, cancellations, repurchase, resale and repayments of debts and 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 31.05.2011 RM'000	Current Year To Date 31.05.2011 RM'000
<i>Revenue</i>		
Export sales		
- Taiwan	2,413	8,494
- Hong Kong	3,646	9,076
- China	2,182	8,240
- USA	48	52
- United Arab Emirates	-	14
- India	-	21
- S'pore	-	2
Domestic sales	7,341	15,819
Total	15,630	41,718

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 8 March 2011, ETI Tech (M) Sdn Bhd (“ETMSB”), a wholly-owned subsidiary of ETICB, announced that further to the Appointment letter dated 24 September 2010 from Jabatan Kerja Raya Malaysia (JKR) as its Project Partner on the pilot project for Genset Hybrid Systems, ETMSB had received a Report dated March 8, 2011 prepared by Pasukan Projek JARIMAS comprising, among others, JKR and Universiti Malaysia Sarawak in relation to the Pilot Project implemented at Sekolah Kebangsaan Lepong Gaat, Kapit, Sarawak for Genset Hybrid System completed in year ended 2010.

On 11 April 2011, ETI Tech (M) Sdn Bhd (“ETMSB”), a wholly-owned subsidiary of ETICB, had entered into an Memorandum of Understanding (“MOU”) with Universiti Malaysia Sarawak (“UNIMAS”) and Green Electric Sdn. Bhd. (“GESB”) to develop technical knowledge and technology transfer, expertise and research co-operation and also to promote mutual understanding for the joint development and promotion of GenSet Hybrid System to the Ministry of Education (“MOE”) for the rural schools in Sarawak.

On 19 April 2011, 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 25 April 2011, ETI Tech (M) Sdn Bhd (“ETMSB”), a wholly-owned subsidiary of ETICB, received an Invitation Letter dated April 21, 2011 from Sabah Economic Development and Investment Authority’s (“SEDIA”) Investment Technical Committee to submit a detailed proposal on Green Power Solutions (the “Proposal”) for Agropolitan Projects in Sabah (the “Projects”).

In line with the Proposal, ETI will collaborate with Green Electric Sdn. Bhd. (“GE”), a home-grown system integrator, to provide Green Power Solutions for the Projects spearheaded by SEDIA, priority of which would be for the electrification of:-

- 1) the housing of the residence working in the farm; and
- 2) the rural schools built for the residence in the Projects’ area.

Subject to the project survey and technical assessment on the suitability of micro hydro system, ETI shall also provide green energy storage system for the Projects.

On 25 May 2011, 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 August 25, 2010 with KoKam Co. Ltd. of Korea (“Kokam”) to set forth the basic principles upon which the definitive agreement(s) will be entered into by ETI and Kokam for the collaboration of providing lithium based battery packs 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 report, the Group has no material contingent liabilities save for a corporate guarantee of RM23.82 million granted to financial institutions in respect of credit facilities extended to a subsidiary company.

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

On 11 July 2011, 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 11 April, 2011 with Universiti Malaysia Sarawak (“UNIMAS”) and Green Electric Sdn. Bhd. (“GESB”) to develop technical knowledge and technology transfer, expertise and research co-operation and also to promote mutual understanding for the joint development and promotion of GenSet Hybrid System to the Ministry of Education (“MOE”) for the rural schools in Sarawak.

On 19 July 2011, 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.

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 2011, the Group achieved revenue and profit before taxation of approximately RM41.72 million and RM2.78 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 RM17.13 million and RM6.71 million respectively compared to the corresponding nine (9)-month period in the preceding year were mainly contributed from the decrease in sales volume, depreciation of US Dollar against the Ringgit Malaysia as well as foreign exchange losses.

B2. Variation of results against preceding quarter

Compared to the preceding quarter, the Group’s revenue of approximately RM15.63 million (2011 Q2 : RM12.41 million) for the quarter ended 31 May 2011, showed an increase of approximately RM3.22 million or 25.95%. This was mainly due to higher demand from the Group’s existing customers.

The Group achieved a higher profit before taxation of approximately RM1.25 million (2011 Q2 : RM0.39 million) during the quarter under review, an increase of approximately RM0.86 million or 220.51% compared to the preceding quarter was mainly due to the higher revenue and also stabilization of US Dollar against the Ringgit Malaysia.

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 its engineering capabilities and technical know-how as well as provide more enhanced and value-added services and innovative solutions to its 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.

Increasingly, the Group will focus on working in collaboration with system integrators to implement projects that utilise its green technology batteries. These include government projects, such as rural electrification programme for schools and housing via solar power system, and private sector companies that are keen to embrace green technology.

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 forecast profit/profit guarantee

The Group is not subjected to any profit forecast or profit guarantee.

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>		
Hire Purchase	786	2,455
Term loan	201	3,055
Trade facilities	17,712	-
	<u>18,699</u>	<u>5,510</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. Breakdown of realised and unrealised profits or losses of the Group

	As at 31.05.2011 RM'000
Realised profits	36,673
Unrealised losses	<u>(1,288)</u>
Total retained profits	<u><u>35,385</u></u>

B12. 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.

B13. Dividend

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

B14. Audit report of preceding annual financial statements

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

B15. Earnings per share

	Current quarter 31.05.2011	Preceding year corresponding quarter 31.05.2010	Current year to date 31.05.2011	Preceding year corresponding period 31.05.2010
Net profit after tax (RM'000)	1,251	3,051	2,781	9,492
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)	0.18	0.45	0.41	1.39
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 RM1,251,000 by the weighted average number of shares in issue of 680,772,000 ETICB shares.