

**ETI TECH CORPORATION BERHAD (667845-M)**  
(Incorporated in Malaysia)  
**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 29 FEBRUARY 2012**

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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 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 2011. 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 2011.

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 2011 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 2011*

**Standard/Interpretation**

Amendments to FRS 1 *Limited Exemption from Comparative FRS 7 Disclosure for First-time Adopters*

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

Amendments to FRS 7 *Improving Disclosures about Financial Instruments*

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

IC Interpretation 18 *Transfers of Assets from Customers*

Amendments to FRSs contained in the documents entitled “Improvements to FRSs (2010)”

The adoption of the above FRSs, amendments and interpretations do not have significant impact on the financial statement of the Group.

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

IC Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments*

Amendments to IC Interpretation 14 *Prepayment of a Minimum Funding Requirement*

IC Interpretation 15 *Agreements for Construction of Real Estate*

FRS 124 *Related Party Disclosures (revised)*

Amendments to FRS 1 *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*

Amendments to FRS 7 *Disclosures – Transfers of Financial Assets*

Amendments to FRS 112 *Deferred Tax: Recovery of Underlying Assets*

Amendments to FRS 101 *Presentation of Items of Other Comprehensive Income*

FRS 9 *Financial Instruments*

FRS 10 *Consolidated Financial Statements*

FRS 11 *Joint Arrangements*

FRS 12 *Disclosure of Interests in Other Entities*

FRS 13 *Fair Value Measurement*

FRS 119 *Employee Benefits*

FRS 127 *Separate Financial Statements*

FRS 128 *Investments in Associates and Joint Ventures*

IC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*

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:-

	<b>Current Quarter</b> <b>29.02.2012</b> <b>RM'000</b>	<b>Current Year</b> <b>To Date</b> <b>29.02.2012</b> <b>RM'000</b>
<i>Revenue</i>		
Export sales		
- Taiwan	1,214	2,925
- Hong Kong	2,067	5,028
- China	1,156	2,819
- USA	37	1,103
- India	-	2
- Thailand	3,615	3,615
Domestic sales	3,233	8,041
Total	11,322	23,533

**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 3 January 2012, the Board of Directors of ETICB announced that the Company has incorporated a 51%-owned subsidiary namely, ETI Tech Homes Sdn Bhd ("ETI Tech Homes"). ETI Tech Homes intends to carry out business activities in relation to Green Homes, more particularly setting up the energy supply of the Green Homes.

On 11 January 2012, 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 January 2012, 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 19 January, 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 8 February 2012, on behalf of the Board of Directors of ETICB, OSK Investment Bank Berhad had announced that ETICB proposes to undertake a private placement of up to 68,077,200 new Ordinary Shares of RM0.10 each in ETICB, representing 10% of the issued and paid up capital of the Company (Proposed Private Placement). The Additional Listing Application in respect of the Proposed Private Placement was submitted to Bursa Malaysia Securities Berhad ("Bursa Securities") on 9 February 2012.

On 22 February 2012, the Board of Directors of ETICB announced that Bursa Securities had, vide its letter dated 22 February 2012, approved the listing of and quotation for up to 68,077,200 new ordinary shares of RM0.10 each in ETICB (excluding treasury shares) to be issued pursuant to the Proposed Private Placement.

On 24 February 2012, 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 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**

On 3 January 2012, the Board of Directors of ETICB announced that the Company has incorporated a 51%-owned subsidiary namely, ETI Tech Homes Sdn Bhd (“ETI Tech Homes”). ETI Tech Homes intends to carry out business activities in relation to Green Homes, more particularly setting up the energy supply of the Green Homes.

**A12. Contingent liabilities**

As at the date of this report, the Group has no material contingent liabilities save for a corporate guarantee of RM40.46 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**

Save as disclosed below and Note B6, there were no material events subsequent to the end of the current quarter under review:-

On 10 April 2012, 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 April 2012, 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 19 January, 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 six (6) months ended 29 February 2012, the Group achieved revenue and profit before taxation of approximately RM23.53 million and RM1.40 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 RM2.56 million and RM0.13 million respectively compared to the corresponding six (6)-month period in the preceding year were mainly contributed from the decrease in sales volume on mobile charging products, and impairment loss on development costs.

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

Compared to the preceding quarter, the Group's revenue of approximately RM11.32 million (2012 Q1 : RM12.21 million) for the current quarter under review, showed a decrease of approximately RM0.89 million or 7.29%. This was mainly due to lower sales generated for the current quarter from the Group's customers on mobile charging products.

The Group achieved a profit before taxation of approximately RM0.24 million (2012 Q1 : RM1.16 million) for the quarter under review. The decrease of approximately RM0.92 million or 79.31% compared to the preceding quarter was mainly due to the decrease in sales and the absence of the unrealized foreign exchange gains as opposed to that of reported in Q1'12 of RM0.82 million.

### **B3. Prospects for the financial year ending 31 August 2012**

Barring any unforeseen circumstances, the Group expects to achieve satisfactory performance for the year ending 31 August 2012 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 using solar power systems and working with 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. Status of corporate proposals**

On 8 February 2012, on behalf of the Board of Directors of ETICB, OSK Investment Bank Berhad had announced that ETICB proposes to undertake a private placement of up to 68,077,200 new Ordinary Shares of RM0.10 each in ETICB, representing 10% of the issued and paid up capital of the Company (Proposed Private Placement). The Additional Listing Application in respect of the Private Placement was submitted to Bursa Securities on 9 February 2012.

The Bursa Securities had, vide its letter dated 22 February 2012, approved the listing of and quotation for up to 68,077,200 new ordinary shares of RM0.10 each in ETICB (excluding treasury shares) to be issued pursuant to the Proposed Private Placement.

On March 21, 2012, the first tranche of the Private Placement Shares, comprising 25,500,000 Ordinary Shares of RM0.10 each in ETICB, issued at an issue price of RM0.17 were listed on the Main Market of Bursa Securities.

The remaining of the 42,577,200 Private Placement Shares and the issue price shall be announced when they are to be placed out in due course.

**B7. 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>		
Hire Purchase	910	2,307
Term loan	206	2,910
Trade facilities	22,265	-
	<u>23,381</u>	<u>5,217</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.

**B8. Breakdown of realised and unrealised profits or losses of the Group**

	<b>As at 29.02.2012 RM'000</b>
Realised profits	38,534
Unrealised loss	(788)
Total retained profits	<u>37,746</u>

**B9. 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.

**B10. Dividend**

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

**B11. 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.

**B12. Earnings per share**

	<b>Current quarter 29.02.2012</b>	<b>Preceding year corresponding quarter 28.02.2011</b>	<b>Current year to date 29.02.2012</b>	<b>Preceding year corresponding period 28.02.2011</b>
Net profit after tax (RM'000)	236	388	1,396	1,530
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	0.06	0.21	0.22
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 RM1,396,000 by the weighted average number of shares in issue of 680,772,000 ETICB shares.

**B13. Profit before Tax**

The following items have been included in arriving at profit before tax:

	<b>Current quarter 29.02.2012</b>	<b>Preceding year corresponding quarter 28.02.2011</b>	<b>Current year to date 29.02.2012</b>	<b>Preceding year corresponding period 28.02.2011</b>
<b>After charging:-</b>				
Interest expense	378	310	744	559
Impairment on development expenditure	-	-	1,146	-
Amortisation of development expenditure	349	110	409	220
Depreciation	686	633	1,365	1,266
Loss on foreign exchange				
- realised	7	42	8	61
- unrealised	-	379	25	379
<b>After crediting:-</b>				
Gain on foreign exchange				
- realised	14	58	40	81
- unrealised	-	-	822	-

Save as disclosed above, the other items as required under Appendix 9B, Part A(16) of the Bursa Securities Main Market Listing Requirements are not applicable.