

ETI TECH CORPORATION BERHAD (667845-M)
(Incorporated in Malaysia)
QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 31 MAY 2012

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:-

	Current Quarter 31.05.2012 RM'000	Current Year To Date 31.05.2012 RM'000
<i>Revenue</i>		
Export sales		
- Taiwan	7,976	10,901
- Hong Kong	2,504	7,532
- China	-	2,819
- USA	-	1,103
- India	76	78
- Thailand	3,069	6,684
- Mexico	4	4
Domestic sales	900	8,941
Total	14,529	38,062

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 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.

On 24 May 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 Co. Ltd. ("Kokam") 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 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 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 July 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 July 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 nine (9) months ended 31 May 2012, the Group achieved revenue and profit before taxation of approximately RM38.06 million and RM1.74 million respectively, which were mainly contributed from the sales of its existing battery packs. The decrease in revenue and profit before taxation by RM3.66 million and RM1.04 million respectively compared to the corresponding nine (9)-month period in the preceding year were mainly contributed from the decrease in sales volume on existing battery packs and amortisation of development expenditure.

B2. Variation of results against preceding quarter

Compared to the preceding quarter, the Group's revenue of approximately RM14.53 million (2012 Q2 : RM11.32 million) for the current quarter under review, showed an increase of approximately RM3.21 million or 28.3%. This was mainly due to higher sales generated for the current quarter from the Group's customers on the sales of battery packs.

The Group achieved a profit before taxation of approximately RM0.35 million (2012 Q2: RM0.24 million) for the quarter under review. The increase of approximately RM0.11 million compared to the preceding quarter was mainly due to the increase in sales volume on battery packs.

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 battery pack products, the Group is at the stage of commercialising its products in applications such as golf carts, electric bicycles, based station back-up battery 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 21 March 2012, the first tranche of the Private Placement Shares, comprising 25,500,000 Ordinary Shares of RM0.10 each in ETICB, with an issue price of RM0.17 were listed on the Main Market of Bursa Securities.

The remaining 42,577,200 Private Placement Shares and the corresponding issue price will be announced when they are 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:

	Payable within twelve (12) months RM'000	Payable after twelve (12) months RM'000
<u>Secured</u>		
Hire Purchase	682	2,413
Term loan	220	2,844
Trade facilities	14,156	-
	<u>15,058</u>	<u>5,257</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

	As at 31.05.2012 RM'000
Realised profits	38,881
Unrealised loss	(788)
Total retained profits	<u>38,093</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

	Current quarter 31.05.2012	Preceding year corresponding quarter 31.05.2011	Current year to date 31.05.2012	Preceding year corresponding period 31.05.2011
Net profit after tax (RM'000)	347	1,251	1,743	2,781
Weighted average number of ordinary shares in issue ('000)	687,473	680,772	687,473	680,772
Basic earnings per share (sen)	0.05	0.18	0.25	0.41
Diluted earnings per share (sen)	N/A	N/A	N/A	N/A

Basic earnings per share of the Group is calculated by dividing the profit for the financial period attributable to the owners of the company by weighted average number of ordinary shares (on the enlarged share capital after the private placement shares issued of 25,500,000 units on 21 March 2012) in issue during the financial period.

B13. Profit before Tax

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

	Current quarter 31.05.2012	Preceding year corresponding quarter 31.05.2011	Current year to date 31.05.2012	Preceding year corresponding period 31.05.2011
After charging:-				
Interest expense	350	278	1,094	837
Amortisation of development expenditure	348	104	1,903	324
Depreciation	588	795	2,030	2,156
Loss on foreign exchange				
- realised	41	1	41	62
- unrealised	24	825	24	1,204
After crediting:-				
Gain on foreign exchange				
- realised	13	55	53	136
- unrealised	-	399	959	399

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.