

ETI TECH CORPORATION BERHAD (667845-M)
(Incorporated in Malaysia)
QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MAY 2013

PART A - EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) No. 134

A1. Basis of preparation

The interim financial report is unaudited and has been prepared in accordance with the requirements of Chapter 9, Continuing Disclosure, Paragraph 9.22 of the Main Market Listing Requirements (“LR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and in compliance with Malaysian Financial Reporting Standards (“MFRSs”) 134, Interim Financial Reporting issued by Malaysian Accounting Standards Board (MASB), and should be read in conjunction with the Group’s annual unaudited financial statements for the eighteen months period ended 28 February 2013.

The significant accounting policies, methods of computation and basis of consolidation adopted by the Group for the preparation of the interim financial report are consistent with those adopted in the annual unaudited financial statements for the eighteen months period ended 28 February 2013 except for the newly MFRS and IC Interpretations (“IC Int.”) to be applied by all Entities Other Than Private Entities for the financial period beginning on 1 January 2013:-

MFRS 3	Business Combination
MFRS 10	Consolidated Financial Statement
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interest in Other Entities
MFRS 13	Fair Value Measurement
MFRS 119	Employee Benefits (Revised)
MFRS 127	Consolidated and Separate Financial Statements
MFRS 128	Investment in Associates
Amendment to MFRS 1	First-time Adoption of MFRS – Government Loans
Amendments to MFRS 7	Financial Instruments : Disclosure – Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 10	Consolidated Financial Statements : Transition Guidance
Amendments to MFRS 11	Joint Arrangement : Transition Guidance
Amendments to MFRS 12	Disclosure of Interest in Other Entities : Transition Guidance
Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income
IC Int. 20	Stripping Costs in the Production Phase of a Surface Mine
Annual Improvement to IC Interpretations and MFRSs 2009 -2011 Cycle	

The adoption of the above pronouncements did not have any impact to the Group.

The Group has not adopted the following MFRSs, Amendments to MFRSs and IC Interpretations, which were issued but not yet effective:-

Effective date : 1 January 2014

Amendments to MFRS 10	Consolidated Financial Statements : Investment Entities
Amendments to MFRS 12	Disclosure of Interest in Other Entities : Investment Entities
Amendments to MFRS 127	Consolidated and Separate Financial Statements : Investment Entities
Amendments to MFRS 132	Financial Instruments : Presentation – Offsetting Financial Assets and Financial Liabilities

Effective date : 1 January 2015

MFRS 9	Financial Instruments
Amendments to MFRS 9	Mandatory Effective Date of MFRS 9 and Transition Disclosures

Effective date : 1 January 2013

MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interest on Other Entities
MFRS 13	Fair Value Measurement
MFRS 119	Employee Benefits
MFRS 127	Separate Financial Statements
MFRS 128	Investments in Associates and Joint Ventures
Amendments to MFRS 1	Government Loans
Amendments to MFRS 7	Disclosure - Offsetting Financial Assets and Financial Liabilities
IC Int. 20	Stripping Costs in the Production Phase of a Surface Mine

Effective date : 1 January 2014

Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities
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Effective date : 1 January 2015

MFRS 9	Financial Instruments
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A2. Changes in accounting policies

There is no material changes in Statement in Financial Position, Statement of Comprehensive Income and Statement of Cash Flows presented under MFRS framework and the Statement of Comprehensive Income and Statement of Cash Flows presented under FRS framework.

A3. Seasonal or cyclical operations

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

A4. Nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that is 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.

A5. 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.

A6. 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.

A7. Dividend paid

No dividend was declared or paid during the current quarter under review.

A8. Segmental information

The ETICB Group operates in one industry and accordingly, only geographical segmental information is presented as follows:-

	Current Quarter 31.05.2013 RM'000	Current Period To Date 31.05.2013 RM'000
<i>Revenue</i>		
Domestic sales	135	135

A9. 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.

A10. 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.

A11. Significant events during the current quarter

On 7 March 2013, ETI Tech (M) Sdn Bhd ("ETMSB"), a wholly-owned subsidiary of ETICB, announced that the Memorandum of Understanding ("MoU"), signed on 24 August, 2010 with Kokam Co. Ltd. ("Kokam") to set forth the basic principal upon which the definitive agreement(s) will be entered into by the ETI and Kokam for the collaboration of providing lithium battery pack to be applied in the Off-Grid Solar Energy Storage systems and related services has lapsed.

On 8 March 2013, the Board of Directors of ETICB informed that there were no significant developments on the Company's negotiation with the bankers to re-schedule its repayment terms.

On 11 March 2013, ETI Tech (M) Sdn Bhd ("ETMSB"), a wholly-owned subsidiary of ETICB, announced that the Memorandum of Understanding ("MoU"), signed on 24 August, 2010 with Kokam Co. Ltd. ("Kokam") has lapsed as both parties mutually agreed not to extend the validity period of the MOU due to the Off-Grid Solar Energy Storage systems and related services project has been delayed.

On 19 March 2013, the Board of Directors of ETICB informed that BDO Governance Advisory Sdn Bhd has been appointed on 18 March 2013 to assist the management and the Board of Directors of ETICB to review specific concerns of the board in relation to the procurement of raw materials totaling approximately RM16 million (unaudited) in the financial period ended 31 August 2012. The said review is expected to be completed within 10 weeks from the date of commencement of work by BDO Governance Advisory Sdn Bhd.

On 25 March 2013, ETI Tech (M) Sdn Bhd ("ETMSB"), a wholly-owned subsidiary of ETICB, had defaulted in payment to Maybank Islamic Berhad and Malayan Banking Berhad (collectively referred to as "Maybank") pursuant to PN1 of the Main LR, where the total amount outstanding is more than 5% of the consolidated net assets of the Company.

On 27 March 2013, the Board of Directors of ETICB informed that the Company is solvent pursuant to the Solvency Declaration duly executed by majority of Board of Directors.

On 8 April 2013, the Board of Directors of ETICB informed that there were no material developments on the Company's negotiation with the bankers to re-schedule its repayment terms.

On 18 April 2013, the Board of Directors of ETICB informed that ETMSB and ETICB had been served with a Writ of Summons and Statement of Claim both dated 8 April 2013 issued by the Penang High Court in relation to a claim of RM 5,454,447.32 filed by Malayan Banking Berhad (“MBB”) being the amount owing by ETMSB as at 31 March 2013. The Penang High Court had fixed the matter for case management on 2 May 2013

The matter is now fixed for Hearing of the Defendant’s application to set aside the Plaintiff’s writ on 1 Aug 2013.

On 30 April 2013, the Board of Directors of ETICB informed that ETMSB and ETICB had been served with a Writ of Summons dated 16 April 2013 and Statement of Claim dated 15 April 2013 issued by the Penang High Court in relation to a claim of RM 5,496,047.54 filed by Maybank Islamic Berhad being the amount owing by ETMSB as at 31 March 2013. The Penang High Court had fixed the matter for case management on 9 May 2013

The matter is now fixed for Hearing of the Defendant’s application to set aside the Plaintiff’s writ on 5 Aug 2013

On 2 May 2013, 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 May 2013, the Board of Directors of ETICB informed that there were no material developments on the Company's negotiation with the bankers to re-schedule its repayment terms.

A12. 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.

A13. 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.

A14. 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 6 June 2013, the Board of Directors of ETICB informed that ETMSB and ETICB had been served with the following Writs of Summons and Statement of Claims issued by Alor Setar High Court in relation to the claims filed by Hong Leong Bank (HLB) as ETMSB has failed to settle the outstanding balances of trade facilities, bank overdraft and hire purchase payables :

- 1) Writ of Summons dated 15 May 2013 and Statement of Claim dated 10 May 2013,
- 2) Writ of Summons dated 21 May 2013 and Statement of Claim dated 17 May 2013.

The above suits have been fixed for hearing on 20 August 2013

On 7 June 2013, the Board of Directors of ETICB informed that there were no material developments on the Company's negotiation with the bankers to re-schedule its repayment terms.

On 26 June 2013, Bursa Malaysia Securities Berhad (Bursa Malaysia Securities) has publicly reprimanded ETICB for breaching paragraphs 9.03(1) and 9.04(1) of the Bursa Malaysia Securities Main Market Listing Requirements (Main LR) read together with paragraph 2.1(d) of Practice Note 1 (PN1) for failing to make an immediate announcement in respect of the default in payments of credit facilities by its major subsidiary, ETI Tech (M) Sdn. Bhd (“ETMSB”).

On 28 June 2013, ETI Tech (M) Sdn Bhd (“ETMSB”), a wholly-owned subsidiary of ETICB, announced that on 28 June 2013, had entered into a conditional Sale and Purchase of Shares Agreement (“SPA”) with Musyarakah Equity Venture Sdn Bhd (“MEV”) to dispose of its entire equity interest held in Power Mac Sdn Bhd (“PMSB”) for a total cash consideration of RM5,878,000.00 upon such terms and conditions as set out in the SPA.

On 1 July 2013, the Board of Directors of ETICB announced that the Company will not be able to issue its Audited Financial Statements for the financial period ended 28 February 2013 (“AFS”) by 30 June 2013 i.e. within a period of not more than 4 months from the close of the financial year (“Relevant Timeframe”) to Bursa Malaysia Securities Berhad (“Bursa Securities”) as required under Paragraph 9.23(2) of Bursa Securities Main Market Listing Requirements.

On 9 July 2013, the Board of Directors of ETICB informed that there were no material developments on the Company's negotiation with the bankers to re-schedule its repayment terms.

On 9 July 2013, the Board of Directors of ETICB announced that the Company needed more time to finalise its Audited Financial Statements for the financial period ended 28 February 2013 (AFS) to provide the information requested by the External Auditors which were brought to the attention of the Audit Committee and the Board on 08 July 2013.

On 16 July 2013, the Board of Directors of ETICB informed that the information requested by the External Auditors (as mentioned in the announcement dated 09 July 2013), refers to 3 years profit forecast of the ETI Group to justify the carrying value of the development expenditure.

On 29 July 2013, the Board of Directors of ETICB announced that the Audited Financial Statements for the financial period ended 28 February 2013 (AFS) is still pending due to additional supporting documents are required by the auditors for the assumptions made for the 3 years profit forecast.

The AFS is expected to be issued within 7 market days from the date of the announcement

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 first quarter ended 31 May 2013, the Group registered revenue of RM0.14 million as compared to RM14.53 million in the corresponding quarter of the preceding year. The decrease in revenue by RM14.39 million was mainly due delay in securing orders for negotiated projects.

The Group registered a loss before taxation (“LBT”) for the first quarter ended 31 May 2013 of approximately RM2.58 million as compared to profit before taxation (“PBT”) of RM0.35 million in the corresponding quarter of the preceding year. The LBT in the period was mainly due to lower sales.

B2. Variation of results against preceding quarter

Compared to the preceding quarter, the Group’s revenue of approximately RM0.14 million (immediate preceding quarter: RM0.10 million) for the current quarter under review, recorded an increase of approximately RM0.04 million or 40%. This was mainly due to continuing support from existing customers.

The Group recorded a LBT of approximately RM2.58 million (immediate preceding quarter: RM36.38 million) for the quarter under review, a decrease in loss of approximately RM33.80 million or 92.9%. This was mainly due to no impairment loss on trade receivables and other receivables recorded in the current quarter.

B3. Prospects for the period ending 28 February 2014

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.

The Group is currently experiencing a challenging time and is working on a restructuring plan to strengthen its position. The Board had setup a Steering Committee to make immediate decision into the Group’s proposed restructuring plan and is in continuous discussions with corporate consultants for the Group’s proposed restructuring plan.

With the successful implementation of the restructuring plan, the financial position of the Group is expected be significantly improved and the management will be able to fully concentrate on strengthening and growing the business.

Barring any unforeseen circumstances, the Group is confident of achieving better performance in the near future.

B4. Variance on forecast profit/profit guarantee

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

B5. Tax Income / (expense)

There is no income tax charge for the ETICB Group because:-

- i) 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.
- ii) The income of its wholly-owned subsidiary, Power Mac has been given approval in principal for pioneer status under Promotion of Investment Act, 1986 for ‘design, development and manufacture of polymer lithium-ion cells and battery packs. The company is currently in the process of applying the pioneer certificate.

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.

On 7 August 2012, OSK had submitted an application to Bursa Malaysia Securities on behalf of the Board to seek for an extension of time of six (6) months from 22 August 2012 to 21 February 2012 for the Company to implement the Private Placement.

On 19 October 2012, Bursa Securities had, vide its letter dated 18 October 2012, resolved to grant ETI Tech and extension of time of six (6) months from 22 August 2012 until 21 February 2013 for the Company to implement the Private Placement.

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

On 21 February 2013, the Board of Directors of ETICB informed that the extension of time granted by Bursa Securities to ETI Tech to complete the implementation of the Private Placement will lapse today. The Company has decided not to proceed with the Private Placement, and hence, the Company does not intend to seek any further extension of time for the implementation of the Private Placement.

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	2,959	-
Term loan	2,994	-
Trade facilities	8,836	-
Bank Overdraft	11,640	-
	<u>26,429</u>	<u>-</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 31.05.2013 RM'000
Realised loss	(22,082)
Unrealised loss	-
Total retained loss	<u>(22,082)</u>

B9. Changes in material litigation

On 18 April 2013, the Board of Directors of ETICB informed that ETMSB and ETICB had been served with a Writ of Summon and Statement of Claim both dated 8 April 2013 issued by the Penang High Court in relation to a claim of RM 5,454,447.32 filed by Malayan Banking Berhad (“MBB”) being the amount owing by ETMSB as at 31 March 2013. The Penang High Court had fixed the matter for case management on 2 May 2013.

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- 1) Writ of Summons dated 15 May 2013 and Statement of Claim dated 10 May 2013,
- 2) Writ of Summons dated 21 May 2013 and Statement of Claim dated 17 May 2013.

The above suits have been fixed for hearing on 20 August 2013

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 issued yet at the date of this quarterly report.

B12. (Loss) / Earnings per share

	Current quarter 31.05.2013	Preceding year corresponding quarter 31.05.2012	Current year to date 31.05.2013	Preceding year corresponding period 31.05.2012
Net (loss) / profit after tax from continuing operations (RM'000)	(1,955)	347	(1,955)	347
Net (loss) / profit after tax from discontinued operation (RM'000)	(628)	-	(628)	-
Restated weighted average number of ordinary shares in issue ('000)	696,931	706,272	696,931	706,272
Basic (loss) / earnings per share (sen) from continuing operations	(0.28)	0.05	(7.97)	0.05
Basic (loss) / earnings per share (sen) from discontinued operation	(0.09)	-	(7.97)	-

B13. (Loss) / Profit before Tax

The following items have been included in arriving at (loss) / profit before tax:

	Current quarter 31.05.2013 RM'000	Preceding year corresponding quarter 31.05.2012 RM'000	Current year to date 31.05.2013 RM'000	Preceding year corresponding period 31.05.2012 RM'000
After charging:-				
Interest expense	562	350	562	350
Amortisation & impairment loss of development expenditure	1,131	348	1,131	348
Depreciation	594	588	594	588
Loss on foreign exchange				
- realised	-	41	-	41
- unrealised	-	24	-	24
After crediting:-				
Gain on foreign exchange				
- realised	-	13	-	13

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.