

ETI TECH CORPORATION BERHAD (667845-M)
(Incorporated in Malaysia)
QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 28 FEBRUARY 2014

**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 audited 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 audited 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 polices

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 28.02.2014 RM'000	Current Period To 28.02.2014 RM'000
<i>Revenue</i>		
Domestic sales	2,573	5,005

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 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 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 Main LR; and subsequently, the trading of the Company's shares was suspended on the 8 July 2013 upon expiry of the relevant timeframe pursuant to Paragraphs 9.23(2) and 9.28(5) of the Main LR.

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

On 1 August 2013, the Company submitted the AFS to Bursa Securities and on 2 August 2013, the Board of Directors of ETICB announced that the Company's External Auditors had qualified their report on the AFS.

On 5 August 2013, the suspension of trading in the Company's shares was uplifted.

On 16 August 2013, and pursuant to the announcements dated 19 March 2013 in relation to the appointment of BDO Governance Advisory Sdn Bhd (“BDO”) the Board of Directors of ETICB informed that BDO had issued the report on specific concerns of the Board in relation to the procurement of raw materials and as a result of the procedures performed by BDO, and the observations made, BDO had drawn a conclusion that the procurement of raw materials amounting to RM 16.5 million from Flexi Power Sdn Bhd (“FPSB”) appear to be valid transactions, albeit transacted in a poorly controlled manner. The Board took note of the weaknesses and steps will be taken immediately to rectify the Group’s financial and administrative management. Nevertheless, the Board had issued legal notices to recover the payments made to FPSB in respect of the raw materials purchased which were subsequently returned to FPSB after having failed quality control checks. The Board also informed that the Company will seek further legal advice on its next course of action to recover the monies paid to FPSB in respect of the raw materials purchased which were subsequently returned to FPSB. The said prepayment amounting to RM 16.5 million had been impaired in the AFS.

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 in Note B6 and B9, there were no material events subsequent to the end of the current quarter under review:-

On 14 October 2013, the Shah Alam High Court has granted an order, inter alia, that all proceedings and/or actions and/or any further proceedings in any actions and/or commencement of any proceedings and/or actions and/or any intended proceedings against ETITECH and its wholly-owned subsidiary, ETI Tech (M) Sdn Bhd. (“ETI-M”) (collectively, “the Applicants”) including but not limited to winding up, execution, foreclosure, disposal of assets and/or arbitration proceedings as well as any proceedings and/or actions to be taken via the security or collaterals given by the Applicants to any banking institutions and/or creditors be forthwith restrained and stayed pursuant to Section 176 (10) of the Companies Act, 1965 for a period of 3 months (90 days) from the date of the order, except by leave by the Court and subject to such terms as the Court may impose. The sealed copy of Restraining Order was received by the Company on 29 October 2013.

The Group’s businesses are experiencing a significant slowdown due to delay in realization of projects and is a PN1 status company pursuant to the Main Market Listing Requirements. The lenders of ETI-M namely Standard Chartered Bank Berhad, Hong Leong Bank Berhad, Malayan Banking Berhad and Maybank Islamic Berhad respectively has commenced legal proceedings against the Applicants for recovery of their debts.

Nevertheless, the Group is working on a restructuring plan to strengthen its financial position. With the successful implementation of the restructuring plan, the financial position of the Group is expected to be improved and the management will be able to concentrate on strengthening and growing the business. The details of the proposed schemes of arrangement will be announced in due course.

The Restraining Order will allow ETITECH to focus on formalizing the proposed schemes of arrangements unhindered without having to divert its attention and resources to defending and dealing with any proceedings and/or actions from the lenders and/or creditors.

The Restraining Order is not expected to have any material impact on the financial and operational matters of ETITECH Group.

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 fourth quarter ended 28 February 2014, the Group registered revenue of RM 2.573 million as compared to RM 0.095 million in the corresponding quarter of the preceding year. The increase in revenue by RM 2.478 million was mainly due to securing orders for negotiated projects.

The Group registered a profit before taxation (“PBT”) for the fourth quarter ended 28 February 2014 of approximately RM 1.139 million as compared to a loss before taxation (“LBT”) of RM 36.382 million in the corresponding quarter of the preceding year. The PBT in the current quarter was mainly due to the increase in the sales and the reduction in finance cost whereas the LBT in the corresponding quarter of the preceding year was due to impairment losses on development expenditure, trade receivables and other receivables.

B2. Variation of results against preceding quarter

The Group’s revenue for the current quarter was higher by RM 0.586 million as compared to the preceding quarter’s revenue of RM 1.987 million. The increased were mainly due to additional completed projects of the secured orders. The Group recorded a Profit before taxation of approximately RM 1.139 million for the current quarter as compared to a Loss before taxation of RM 2.687 million for the preceding quarter. The improvement in results is due to the increase in the sales and reduction in finance cost.

B3. Prospects for the period ending 28 February 2015

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 strongly believes there is a greater demand in green energy products worldwide.

The Group is currently experiencing a challenging time and is working on a restructuring plan with corporate consultants to strengthen its financial and operational position.

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

Barring any unforeseen circumstances, the Group is confident of achieving better performance in the next financial year.

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

- (a) Disposal of the entire equity interest in Power Mac Sdn. Bhd.

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. Notice for the ExtraOrdinary Meeting (“EGM”) had been announced and Circular to Shareholders in relation to the Proposed Disposal of Power Mac had been dispatched on 10 January 2014 for the EGM to be held on 27 January 2014.

The Board of Directors of ETITECH is pleased to announce that the disposal of the entire equity interest in Power Mac Sdn. Bhd. by its wholly-owned subsidiary, ETI Tech (M) Sdn. Bhd. to Musyarakah Equity Venture Sdn. Bhd. for a total cash consideration of RM 5,878,000.00 has been completed on 24 March 2014.

(b) Private Placement

The Board of Directors had on 18 February 2014 vide Public Investment Bank Berhad announced that the Company proposed to undertake a private placement of up to 70,627,200 Placement Shares, representing up to ten percent (10%) of the issued and paid-up share capital of the Company, to investors to be identified at an issue price to be determined and announced later. The listing application had been submitted to Bursa Malaysia Securities Berhad on 25 February 2014 for the listing of and quotation for these Placement Shares.

B7. ETICB Group’s borrowings and debt securities

The ETICB Group’s borrowings at the end of the financial quarter are as follows:

Secured	Payable within twelve (12) months RM’ 000	Payable after twelve (12) months RM’ 000
Hire Purchase	3,175	-
Term Loan	2,994	-
Trade Facilities	8,837	-
Bank overdraft	12,778	-
Total	27,784	-
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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 28.02.2014 RM’000
Realised loss	(29,312)
Unrealised loss	-
Total retained loss	(29,312)

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 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 earlier fixed the matter for case management on 2 May 2013 had been postponed for several times, 29 November 2013, 10 December 2013 and 21 January 2014. On 21 January 2014, the High Court delivered judgment in favour of MBB. MBB had initiated foreclosure proceeding against ETICB for the Kulim property charged to MBB.

MBB had made a revised total claim of RM 6,117,530.00 being the amount owing by ETMSB as at 31 January 2014 together with interest accruing thereon at the rate of 3.5% per annum (inclusive additional interest of 1% per annum) above BLR, on daily rests basis from 01 April 2013 until the date of full payment. The costs on a solicitors and client basis amounting to RM 4,000.00 (collectively referred to as “total claims”).

The Company had provided for the total claims of RM 6,121,530.00 in the Company’s and ETMSB’s accounts as such it will not have any financial and/or operational impact on the Group.

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 earlier fixed the matter for case management on 9 May 2013 had been postponed several times, 31 Oct 2013, 20 January 2014 and further postponed to 24 February 2014.

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 were fixed for Hearing of the Plaintiff's application for summary judgement on 20 August 2013 was postponed to 30 Oct 2013 and 22 January 2014. On 22 January 2014 the High Court had delivered judgment in favour of HLB. HLB has since then revised its claims to:

- 1) RM 3,182,184.00 being the overdraft facility amount owing by ETMSB as at 31 January 2014 together with interest accruing thereon at the rate of 3.5% per annum above BLR, on daily rests from 17 April 2013 until the date of full payment;
- 2) RM 7,951,158.00 being the trade facilities amount owing by ETMSB as at 31 January 2014 together with interest accruing thereon at the rate of 3.5% per annum above BLR, on daily rests from 17 April 2013 until the date of full payment;
- 3) Costs on a solicitors and client basis amounting to RM 12,000.00 (Collectively referred to as "total claims")

The Company had provided for the total claims of RM 11,145,342.00 in the Company's and ETMSB's accounts as such there is no further financial impact on the Group.

The judgement delivered in favour of MBB & HLB will not have any financial and/or operational impact on the Group as the Shah Alam High Court had granted an extension of the Restraining Order ("RO") under Section 176(1) of the Companies Act, 1965 for a further period up to 27 June 2014.

On 12 August 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 the Penang High Court in relation to the following claims filed by Standard Chartered Bank Malaysia ("SCB") :

- 1) The sum of RM 5,033,557.46 being the overdraft facility amount owing by ETI-M as at 31 May 2013;
- 2) Interests on the sum of RM 5,033,557.46 at the rate of the Plaintiff's Base Lending Rate (a fluctuating rate which is currently at 6.60% per annum) + margin of 1% per annum + default rate of 1% per annum, from 01 June 2013 until the date of full settlement;
- 3) The sum of USD 937,918.92 being the Export Bills amount owing by ETI-M as at 31 May 2013;
- 4) Interests on the sum of USD 915,000.00 at the rate of the Plaintiff's Foreign Currency Cost of Fund at 0.9% per annum + margin of 1.5% per annum + default rate of 1% per annum, from 01 June 2013 until the date of full settlement;
- 5) Costs on a solicitors and client basis RM 1,000.00; and
- 6) Such further and/or other relief as the Court deems fit.

Judgement in favour of SCB was obtained on 29 August 2013 and both ETMSB and ETICB had made an application to Penang High Court to set aside the judgement dated 29 August 2013 and the hearing has now been fixed on 26 June 2014.

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 except for the auditors were unable to obtain sufficient appropriate audit evidence to satisfy themselves as to whether the carrying amount of the plant and machinery included in the property, plant and equipment as well as the development expenditure of the Group amounting to RM 4.3 million and RM 26.7 million respectively will generate sufficient future economic benefits that will flow to the Group as well as to the subsidiary company. Consequently, the auditors are also unable to determine the extent of the impairment required to be provided on the cost of investment incurred by the Company for the said subsidiary company.

B12. (Loss) / Earnings per share

	Current quarter 28.02.2014	Preceding year corresponding quarter 28.02.2013	Current year to date 28.02.2014	Preceding year corresponding period 28.02.2013
Net Profit / (Loss) after tax from continuing operations (RM'000)	1,139	(36,379)	(7,228)	(56,316)
Net (loss) / profit after tax from discontinued operation (RM'000)	(1,920)	-	(2,486)	-
Restated weighted average number of ordinary shares in issue ('000)	706,272	706,272	706,272	706,272
Basic earnings / (losses) per share (sen) from continuing operations	1.61	(51.51)	(10.23)	(79.74)
Basic (losses) / earnings per share (sen) from discontinued operation	(2.72)	-	(3.52)	-

B13. (Loss) / Profit before Tax

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

	Current quarter 28.02.2014 RM'000	Preceding year corresponding quarter 28.02.2013 RM'000	Current year to date 28.02.2014 RM'000	Preceding year corresponding period 28.02.2013 RM'000
After charging:-				
Interest expense	(123)	124	1,573	1,982
Amortisation & impairment loss of development expenditure	-	1,131	-	7,465
Depreciation	5,721	686	6,660	4,127
Loss on foreign exchange				
- realised	-	-	-	35
- unrealised	-	-	-	-
Impairment loss on trade receivables	-	33,683	-	49,204
After crediting:-				
Gain on foreign exchange				
- realized	2	-	0.4	1,048
- unrealized	-	-	-	132
Interest income	-	-	-	25

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.