

Advanced Battery Technologies: An Egregious Chinese RTO

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I am short Advanced Battery Technologies (OTCPK:ABAT) for the following reasons:

1. The Chairman appears to have transferred ownership of ABAT's key subsidiary to himself without explanation or compensation;
2. ABAT leads investors to think that it makes cutting-edge electric cars, when in fact it produces cheap scooters and bicycles;
3. ABAT claims unrealistic margins in what it admits is a commodity space;
4. ABAT claims to have increased revenue from \$4.2 million to \$97.1 million from 2005 to 2010 while DECREASING its employee count;
5. ABAT claims distribution relationships which appear to be fake;
6. ABAT is a serial issuer of equity at low prices;
7. ABAT spent \$20 million to acquire a company linked to the Chairman without disclosing the relationship;
8. ABAT spent \$22 million or 7x sales to acquire a failing and possibly related company;
9. ABAT issued 11 million shares to the Chairman and other individuals to repay a "loan" which appears to be entirely fabricated;
10. Despite a parade of auditors and multiple restatements, ABAT still has material weaknesses;
11. ABAT's RTO promoter, John Leo, is behind a number of suspicious Chinese reverse mergers, most notably CYXI;
12. No fundamental institutions are significant shareholders.

In short, I think that the financial statements and management of ABAT cannot be trusted and therefore the stock is worth zero.

BACKGROUND

Advanced Battery Technologies (OTCPK:ABAT) is a \$250 million market cap company listed on the Nasdaq. The company originally went public through a reverse merger transaction with a shell company called Buy It Cheap.com in 2004. The company claims to have increased its revenues from \$11 thousand to \$97 million from 2003 to 2010.

ABAT owns Cashtech Investment Limited ("Cashtech"), a BVI corporation which owns two Chinese entities, Harbin ZhongQiang Power-Tech Co. Ltd. ("Harbin ZQ"), and Wuxi ZhongQiang Autocycle Co. Ltd. ("Wuxi ZQ"), as well as a 49% interest in a Texas corporation named Beyond E-tech, Inc ("BET").

Harbin ZQ is a non-operating shell that has a contractual arrangement to receive all of the "benefits and responsibilities" of an operating entity called Heilongjiang ZhongQiang Power-Tech Co., Ltd. ("HLJ ZQPT").