



ANNUAL REPORT 2006



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CORPORATE VISION, MISSION, OBJECTIVES AND STRATEGIES



• **CORPORATE VISION**

To excel through technology innovation as an energy solution provider.

• **CORPORATE MISSION**

Provide shareholder value through the exploitation of the corporate asset in terms of revenue, earnings, cost reduction and time to market opportunities, and product innovation.

• **CORPORATE OBJECTIVES**

- Emerge as a premier international design house for rechargeable energy solutions.
- Develop an international distribution network.
- Build a strong internationally recognized brand.

• **CORPORATE STRATEGIES**

CUSTOMER OF CHOICE

Offer latest technology, excellent quality and cost effective to our innovative Battery Management System.

TIME TO MARKET IMPROVEMENT

Continuously source for new component, technology and customer influences.

PRINCIPAL ACTIVITIES



• PRINCIPAL ACTIVITIES

ETI Tech Corporation Berhad (ETICB) is principally involved in investment holding and provision of management services. During the financial year ended 31 August 2006, ETICB has acquired additional three (3) wholly-owned subsidiaries as follows:

Name	Date and Place of Incorporation	Date of Acquisition	Effective Equity Interest	Principal Activities
ETI Tech (M) Sdn Bhd (ETI Tech)	30 July 2002/ Malaysia	N/A	100%	R&D, design and marketing of Battery Management System for rechargeable energy storage solutions.
Power Mac Sdn Bhd (F.K.A. Fusion Cycles Sdn Bhd) (A wholly-owned subsidiary of ETI Tech)	21 March 2005/ Malaysia	20 July 2006	100%	Battery packaging and products assembly.
ETI Tech International Sdn Bhd (F.K.A. Vertex Cycle Sdn Bhd)	14 March 2006/ Malaysia	20 July 2006	100%	Investment holding and to carry out its international procurement / sourcing function for the Group.
Blithe Forest Limited (A wholly-owned subsidiary of ETI Tech International Sdn Bhd)	19 May 2005/ Hong Kong	26 July 2006	100%	Investment holding and to provide Sales and Support to the business activities in Hong Kong and China region.

CORPORATE INFORMATION



BOARD OF DIRECTORS

Dato' Ch'ng Kong San
(Appointed w.e.f. 6 October 2006)
Non-Independent Non-Executive Chairman

Lee Kah Kheng
Managing Director

Dennis Chuah
Executive / Business Development Director

Mansor Bin Padzin
Executive Director

Ahmad Bin Darus
Non-Independent Non-Executive Director

Nordin Bin Mohamad Desa
Independent Non-Executive Director

Baqir Hussain Bin Hatim Ali
Independent Non-Executive Director

Shaik Taufik Bin Shaik Yusoff
(Resigned as Alternate Director w.e.f. 5 May 2006 and Appointed as Director w.e.f. 31 May 2006)
(Retired on 27 December 2006)
Non-Independent Non-Executive Director

Khor Yee Kwang
(Resigned w.e.f. December 4, 2006)
Executive / Technical Director

Iskander Bin Ismail Mohamed Ali
(Resigned w.e.f. May 5, 2006)
Non-Independent Non-Executive Director

AUDIT COMMITTEE

Nordin Bin Mohamad Desa
Chairman

Baqir Hussain Bin Hatim Ali

Dennis Chuah

COMPANY SECRETARY

How Wee Ling (MAICSA 7033850)

REGISTERED OFFICE

57-2, Persiaran Bayan Indah
Bayan Bay, Sungai Nibong
11900 Penang

Tel : 604 642 9887

Fax : 604 645 6698

HEAD OFFICE

ETI TECH R & D Centre
Lot No.12 Industrial Zone Phase II,
Kulim Hi-Tech Park,
Kulim 09000, Kedah Darul Aman,
Malaysia.

Tel : +60 (4) 403 1828

Fax : +60 (4) 403 6828

E-mail : info@etitech.com.my

Website : www.etitech.com.my

SHARE REGISTRAR

PFA Registration Services Sdn Bhd
Level 13, Uptown 1, No. 1
Jalan SS21/58, Damansara Uptown
47400 Petaling Jaya, Selangor

Tel : 603 7725 4888

Fax : 603 7722 2311

AUDITORS

Deloitte KassimChan
Chartered Accountants
4th Floor, Wisma Wang,
251-A Jalan Burma
10350 Penang

SOLICITOR

Messrs. Zaid Ibrahim & Co

PRINCIPAL BANKERS

Malayan Banking Berhad

SPONSOR

Alliance Investment Bank Berhad
(Formerly Known As Alliance
Merchant Bank Berhad)
3rd Floor, Menara Multi-Purpose
Capital Square
No. 8 Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel : 603 2692 7788
Fax : 603 2691 9027/28

STOCK EXCHANGE LISTING

MESDAQ Market of Bursa Malaysia
Securities Berhad ("Bursa Securities")

Stock Code: ETITECH (0118)

CORPORATE STRUCTURE

ETI TECH CORPORATION BERHAD

("ETICB" or the "Company") and Subsidiaries
("ETICB Group" or the "Group") as at 31 January 2007



ETI Tech (M) Sdn Bhd (ETI Tech)
(A wholly-owned subsidiary of ETICB)

Power Mac Sdn Bhd
(Formerly Known As Fusion Cycles Sdn Bhd)
(A wholly-owned subsidiary of ETI Tech)

ETI Tech International Sdn Bhd
(Formerly Known As Vertex Cycle Sdn Bhd)
(A wholly-owned subsidiary of ETICB)

Blithe Forest Limited
(A wholly-owned subsidiary of ETI Tech International Sdn Bhd)

CALENDAR OF EVENTS



8 June 2006

ETI Tech Corporation Berhad ("ETICB") officially moved its entire operations to a newly built 40,000 square feet research and development (R&D) centre in Kulim Hi-Tech Park, Kedah Darul Aman, an MSC Cybercity.



20 July 2006

ETICB has acquired the entire issued and paid up capital of Vertex Cycle Sdn. Bhd. (Now known as ETI Tech International Sdn Bhd) (ETI International) of RM2.00 divided into 2 ordinary shares of RM1.00 each, for a cash consideration of RM2.00. Consequently, ETI International has become a wholly-owned subsidiary of ETICB. The principal activity of ETI International is investment holding.



20 June 2006

The research and development efforts on an ultra light-weight portable power bank has finally paid-off with the completion of ETICB's Nano Mobile Charger. ETICB expects to launch the mobile charger commercially within this financial quarter. The Nano Mobile Charger was developed in line with the concept of providing power continuity for your telecommunication devices.



CALENDAR OF EVENTS



4 September 2006



ETI Tech and Esmart Holdings Limited ("Esmart") of Singapore announced the signing of an agreement for the purpose of undertaking joint efforts in product development and marketing activities targeted at certain specific customers to enhance both parties' involvement in the market for power devices used in electronics and other high technology related products ("Joint Development Agreement").



ETI Tech (M) Sdn. Bhd., (ETI Tech) a wholly owned subsidiary of ETICB has acquired the entire issued and paid up capital of Fusion Cycles Sdn. Bhd. (Now known as Power Mac Sdn. Bhd) (PMSB) of RM2.00 divided into 2 ordinary shares of RM1.00 each, for a cash consideration of RM2.00. Consequently, PMSB has become a wholly-owned subsidiary of ETI Tech. The intended principal activities to be carried out by PMSB are battery packaging and products assembly.

20 July 2006



10 October 2006

Malaysia is set to embark on fuel cell technology when ETI Tech, Malaysia's leading energy solutions provider announced its smart partnership with P21 GmbH, a world class Munich-based international developer and manufacturer of efficient fuel-cell powered Uninterrupted Power Supply (UPS) systems.

PROFILE OF DIRECTORS



Dato' Ch'ng Kong San

Non-Independent Non-Executive Chairman,
Malaysian, aged 44

Dato' Ch'ng is a substantial shareholder of ETICB and subsequently appointed to the Board of ETICB on 6 October 2006. Dato' Ch'ng is a Fellow Member of the Chartered Institute of Management Accountants, United Kingdom and a Chartered Accountant with the Malaysian Institute of Accountants. Dato' Ch'ng has 18 years of experience in corporate debt restructuring, merger and acquisitions and corporate finance. Dato' Ch'ng started his career with Coopers & Lybrand (now a merged entity of PricewaterhouseCoopers) under the Corporate Care and Insolvency Service Division. Dato' Ch'ng later joined BHL Bank Berhad in 1998 as a Senior Executive in the Corporate Banking Division. Dato' Ch'ng left BHL Bank Berhad shortly after that and joined Amsteel Berhad as a Senior Accountant in 1990. Dato' Ch'ng was promoted to General Manager for the China Project in 1992. Subsequently, Dato' Ch'ng joined the Hong Leong Group in 1996 as the Financial Controller for several of the companies of the group. Later in 2000, Dato' Ch'ng joined Sitt Tatt Berhad and Chase Perdana Berhad as the Group Financial Controller. Dato' Ch'ng currently sits on the board of Harbour-Link Group Berhad, as Non-independent Non-Executive Director. Dato' Ch'ng does not have any family relationship with any director and/or major shareholder of ETICB.

Lee Kah Kheng

Managing Director,
Malaysian, aged 43

Mr. Lee is a promoter and substantial shareholder of ETICB, he was appointed to the Board of ETICB on 1 August 2005. He is also the Managing Director and a co-founder of ETI Tech (M) Sdn Bhd (ETI Tech). He graduated from Tunku Abdul Rahman College, Kuala Lumpur in 1988 with a professional accountancy qualification accredited by the Malaysian Institute of Certified Public Accountants ("MICPA") and became a member of MICPA in 1993. He was attached to an accounting firm, Hanafiah, Raslan & Mohamad, from 1988 to 1992 as Senior Auditor before moving on to a multinational corporation, Northern Telecom Industry Sdn Bhd (whose principal activity is manufacturing and assembly of telecommunication products) in 1992 as a Cost Accountant. He left in 1994 to join a local corporation, Suiwah Corporation Bhd, which is currently listed on the Second Board of the Bursa Securities and is principally involved in the retail industry, as its Group Financial Controller. Mr Lee then left in 1997 to join Qdos Flexcircuits Sdn Bhd, a flexible printed circuit board manufacturing company, as Executive Director. In 1999, he was promoted to become Group Executive Director of Qdos Holdings Sdn Bhd. In 2000, he left and became a consultant for several companies involved in information and communication technology. He then set up ETI Tech in 2002 and was appointed as its Managing Director in the same year. He is responsible for the Group's overall operations. Mr Lee does not have any family relationship with any director and he is the spouse of Ms. Yeoh Li Hua, a major shareholder of ETICB.

PROFILE OF DIRECTORS



Dennis Chuah

Business Development Director,
Malaysian, aged 34, Member of Audit Committee

Mr. Dennis Chuah is a promoter and substantial shareholder of ETICB and was appointed to the Board of ETICB on 1 August 2005. He is also a co-founder of ETI Tech. He finished his secondary education at Methodist Boys School, Penang in 1990. He then joined Tako Astatic Technology Sdn Bhd in 1992 as a sales executive in charge of sales of electrostatic discharge protective material for the semiconductor and electronics industries in Malaysia and Singapore. He left in 1996 to set up Zapstat Sdn Bhd, a manufacturer of electrostatic discharge packaging material, and was its Marketing Director until 2002. He helped to set up ETI Tech in 2003 and was appointed its Business Development Director in the same year. He is responsible for the overall business development and marketing functions of the Group. Mr. Dennis Chuah does not have any family relationship with any director and/or major shareholder of ETICB.

Mansor Bin Padzin

Executive Director,
Malaysian, aged 50

En. Mansor was appointed to the Board of ETICB on 1 August 2005. He is also an Executive Director of ETI Tech. He graduated from California State University, USA in 1980 with a Bachelor of Arts degree (major in Physics and minor in Mathematics). He joined Intel Technology Sdn Bhd, which is involved in manufacturing of semiconductor products in 1984 as Reliability Engineer and remained with the company until 1993. He joined Qdos Flexcircuits Sdn Bhd in 1993 as Quality Engineering Manager, to set up and manage the Quality Assurance Department. He also sat on the Organisation Executive Committee which oversaw the company's policies and procedures. He served a short stint as Customer Quality Manager with Celestica (M) Sdn Bhd, a company involved in manufacturing of server boards in 1999 before moving on to Unico Technology Bhd, which is principally involved in manufacturing of mother boards in 2000 as its Quality Assurance Manager, responsible for the daily operation and function of the Quality Assurance Department. He helped to set up ETI Tech in 2002 and was appointed as Executive Director and is responsible for the Project Management Team and outsourcing divisions of the Group. En. Mansor does not have any family relationship with any director and/or major shareholder of ETICB.

PROFILE OF DIRECTORS



Ahmad Bin Darus

Non-Independent Non-Executive Director,
Malaysian, aged 54

En. Ahmad Bin Darus was appointed to the Board of ETICB on 1 August 2005. He is the appointed representative for Perbadanan Nasional Berhad. He joined Pernec Telecommunications Sdn Bhd (Pernec) from 1982 to 1992. During his tenure in Pernec, he held various positions, amongst them, General Manager, Group General Manager and Chief Executive Officer. In 1992, he resigned from Pernec and joined Alcatel Malaysia as Deputy Managing Director. In 1994, he was promoted to Managing Director and Country Senior Officer. He then retired from Alcatel Malaysia Sdn Bhd in 2002 to venture into his own business. He currently sits on the board of Watra Holding Berhad and as the Chairman of the Risk Assessment/Management Committee and Nomination Committee and member of the Audit Committee and Remuneration Committee. He also sits on the board of SMPC Corporation Berhad as the Non-Independent Non-Executive Director and nominee Director for Perbadanan Nasional Berhad. En. Ahmad does not have any family relationship with any director and/or major shareholder of ETICB.

Nordin Bin Mohamad Desa

Independent Non-Executive Director,
Malaysian, aged 51, Chairman of the Audit Committee

En. Nordin was appointed to the Board of ETICB on 1 August 2005. He graduated from the University of Leeds, UK, in 1979 with a Bachelor of Science degree in Electrical and Electronic Engineering. He obtained a Master of Business Administration degree from the University of Hull, UK in 1993. He started his career in 1979 in Jabatan Telekom Malaysia as an Assistant Controller of Telecoms where he was involved in the operations and maintenance of telecommunication switches, subscriber network, equipment and apparatus. He then left in 1985 to join Ericsson Telecommunications Sdn Bhd as a Technical Manager in charge of technical and customer service operations for Private Automatic Branch eXchange (PABX) and public subscriber equipment. In 1990, he joined Perkom Sdn Bhd as an Engineering Manager where he was responsible for technical, maintenance and sales support operations for data and computer network equipment for the banking, telecommunication and airline industries. Subsequently, in 1992, he joined the Malaysian Technology Development Corporation Sdn Bhd where he was involved in the promoting and developing technology based industries, commercialisation of local R&D, technology acquisition and transfer, and venture capital funding. He held several senior managerial positions in the company and was its Senior General Manager when he resigned in 2001. He currently sits on the board of Khind Holdings Berhad, which is listed on the Second Board of the Bursa Securities, as an Independent Non-Executive Director and Chairman of the audit committee. En. Nordin does not have any family relationship with any director and/or major shareholder of ETICB.

PROFILE OF DIRECTORS



Baqir Hussain Bin Hatim Ali

Independent Non-Executive Director,
Malaysian, aged 44, Member of the Audit Committee

En. Baqir was appointed to the Board of ETICB on 1 August 2005. He graduated from Ungku Omar Polytechnic in 1986 with a Diploma in Accountancy. He began his career in 1986 with Hanafiah Raslan & Mohamad and he left the company as a Senior Manager in the Assurance and Business Advisory Division in 2002. From 1992 till 2002 he was a member of the Certified Practising Accountants. He has amassed more than 18 years of experience in the field of accountancy including external and internal auditing, mergers and acquisitions, initial public offerings and tax consultancy. He is also a member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants. He is also an Approved Company Auditor and is the founder and Managing Partner of Baqir Hussain & Co., a firm of chartered accountants. En. Baqir does not have any family relationship with any director and/or major shareholder of ETICB.

Additional Information on Directors

- **Material contracts involving Directors**
There were no material contracts involving Directors during the financial year.
- **Convictions for offences (within past 10 years, other than traffic offences)**
None of Directors have any convictions for offences other than traffic offences.
- **Securities held in the Company**
The details are disclosed on page 55 of this Annual Report.

MANAGEMENTDISCUSSION



On behalf of the Board of Directors of ETI Tech Corporation Berhad (ETICB), I have the pleasure of presenting to you the Annual Report of the Company for the financial year ended 31 August 2006. This is the first Annual Report after the listing of the Company on the MESDAQ Market of Bursa Malaysia Securities Berhad on 28 March 2006.

FINANCIAL RESULTS

For the year ended 31 August 2006, the Group has achieved a revenue and profit after taxation of RM32.4 million and RM6.1 million respectively, which were contributed mainly from the sale of existing products such as, Series 4 Portable Power Pack, Personal Digital Assistant Batteries, Radio Control Batteries, Bluetooth Headset Batteries and Notebook Batteries.

RESEARCH & DEVELOPMENT

For the financial year ended 31 August 2006, the Group had spent approximately RM5.1 million on research and development (R&D) activities. The Group continues to invest heavily on R&D activities to ensure that we continually remain in the forefront of technological advancement for sustained success in the industry, in line with our vision to excel through technology innovation as an energy solution provider.

During the period under review, the Group's R&D efforts focused mainly on further enhancing the Nano Mobile Battery Charger to incorporate new features and applications. These include adapting, modifying and improving the Nano Mobile Battery Charger for the international markets in conformity with their respective local specifications and requirements.

PROSPECTS

The demand for mobile devices is expected to grow in the coming years. With the increase in demand for such mobile devices, the demand for portable energy is expected to grow in tandem due to the increased features incorporated into such devices and the end-users requirement for longer battery life. It is anticipated that the demand for such energy requirements will be satisfied by improvements of Battery Management System ("BMS"), such as the ones produced by ETICB Group.

MANAGEMENTDISCUSSION



While ETI Tech (M) Sdn Bhd (ETI Tech) continues to focus on R&D, designing and marketing of BMS solution to meet the customers' requirements, it has also undertaken to develop and commercialize its own product namely, NANO Mobile Charger to meet today's end users' requirements for mobile lifestyle.

To strengthen further its expansion strategies, ETICB has invested in the following new subsidiaries to cater for different business positioning:-

- a) Power Mac Sdn. Bhd. (FKA Fusion Cycles Sdn. Bhd.) [PMSB];
- b) ETI Tech International Sdn. Bhd. (FKA Vertex Cycle Sdn. Bhd.) [ETISB];
- c) Blithe Forest Limited (Pending change of name to ETI Tech (HK) Limited) [BFL].

PMSB will provide the services of battery packaging and products assembly to meet customers' expectations.

ETISB will work closely with Esmart Holdings Limited [EHL] (Please refer to the Announcement made on September 4, 2006 for details of EHL) to expand its BMS business in the un-tapped foreign markets via joint efforts with EHL on product development and marketing activities overseas.

BFL is currently dormant with no business operation.

In conclusion, with the ETICB Group's investment in its new subsidiaries and strategic alliance with new partners which will enable ETICB Group to take advantage of the bright prospects of the rechargeable battery industry, the Board of Directors of the ETICB Group believe that the ETICB Group's prospects are positive.

APPRECIATION

On behalf of the Board, I would like to express our sincere appreciation and gratitude to the management team and staff for their continuing dedication and contribution towards the success of the Group. I would like to take this opportunity to thank our valued customers, business associates, suppliers, bankers and regulatory authorities for their support especially during the listing exercise of the Company.

I would also like to thank the shareholders for their continuing support. Finally, I wish to thank my fellow Directors for their invaluable guidance, advice and support.

DATO' CH'NG KONG SAN
Chairman

CORPORATE GOVERNANCE STATEMENT

ETICB was successfully listed on MESDAQ Market of Bursa Securities on 28 March 2006. As a listed company, the Board of Directors of ETICB ("Board") is committed to comply with the Malaysian Code of Corporate Governance (the Code) and hence, ensuring high standards of corporate governance are in place and practiced throughout the ETICB Group.

ETICB has adopted most of the best practices as recommended by the Code with the following exceptions:

- 1) The Board has not appointed a senior Independent, non-Executive Director to whom shareholders may address their grievances and concerns. The Board will collectively be responsible to address all grievances and concerns brought up by the shareholders.

The Board will review the necessity to implement the above-mentioned best practices from time to time.

A. Board of Directors

1.1 Composition and balance of the Board

The present Board headed by the Chairman, comprises:-

- 3 Executive Directors
- 2 Independent Non-Executive Directors; and
- 2 Non- Independent Non-Executive Directors

The composition of the Board reflects fairly the investment of all shareholders in ETICB and a strong independent element on the Board. The Board is confident that its current size and composition is sufficient and effective in discharging the Board's responsibilities and in meeting ETICB's current needs and requirements.

There is a clear division of responsibilities between the Chairman and the Managing Director to ensure that there is a balance of power and authority. The Chairman is responsible for running the Board and ensuring that all Directors receive sufficient and relevant information on financial and non-financial matters to enable them to participate actively in Board decisions whilst the Managing Director has overall responsibilities over the operating units, organization effectiveness and implementation of Board's policies and decisions.

The composition of the Board since listing also complies with the Listing Requirements of the Bursa Securities for MESDAQ Market which requires that independent directors to make up at least 2 or 1/3 of the membership of the Board.

1.2 Board Meetings

The Board governs the operations of the Group. The Board meets regularly, at least once in a quarter, with additional meetings held as necessary to formulate and adopt strategic business plan for the Group, to evaluate the impact of risks affecting the operations of the Group and to formulate appropriate risk managing system.

Since the appointment of the current Board and ETICB Initial Public Offering in March 2006, the Board met once on 20 June 2006. The attendance of the relevant Directors is as follows:

<u>Director</u>	<u>No. of Meetings Held</u>	<u>No. of Meetings Attended</u>
Dato' Ch'ng Kong San (Appointed w.e.f. 6 October 2006)	-	-
Lee Kah Kheng	1	1
Dennis Chuah	1	1
Mansor Bin Padzin	1	1
Nordin Bin Mohamad Desa	1	1
Baqir Hussain Bin Hatim Ali	1	1

CORPORATE GOVERNANCE

STATEMENT

<u>Director</u>	<u>No. of Meetings Held</u>	<u>No. of Meetings Attended</u>
Ahmad Bin Darus	1	1
Shaik Taufik Bin Shaik Yusoff (Retired on 27 December 2006)	1	1
Khor Yee Kwang (Resigned w.e.f. December 4, 2006)	1	0
Iskander Bin Ismail Mohamed Ali (Resigned w.e.f. May 5, 2006)	-	-

1.3 Supply of Information

Agenda and documents relevant to the Board meetings are circulated in advance to the Directors for their review before the meetings to ensure the effectiveness of the Board meetings. Any additional information requested by the Directors will be provided in timely manners.

The proceedings at all Board meetings are duly minuted. The minutes of these proceedings are kept at the registered office of ETICB.

All Directors have access to the services and advice of the Company Secretary who advises the Board on their statutory obligations as well as obligations arising from the Listing Requirements of the Bursa Securities for the MESDAQ Market or other regulatory requirements.

In furtherance of their duties, the Directors, collectively and individually, have access to information within the Company. This includes direct access to the senior management.

1.4 Access to Information and Advice

The Board of Directors is supplied with financial and operational information, both in qualitative and quantitative forms to assist the Board members to discharge their responsibilities. Where a potential conflict of interest may arise, the Director concerned will be required to declare his interest and abstained from decision making/voting.

All Directors will have full access to the information and are entitled to obtain full disclosure by the management and advice or services from the Company Secretary or independent professional on matters that will be put forward to the Board for decision to ensure that they are being discussed and examined in an impartial manner that takes into account the long term interests of shareholders, employees, suppliers, customers and other public in which the group conduct its business.

1.5 Re-election of the Directors

In accordance with the Company's Articles of Association, one-third or nearest to one-third (1/3) of the Board is subject to retirement by rotation at each Annual General Meeting. The Directors to retire at each year are the Directors who have been longest in office since their appointment or re-election.

The Articles of Association also provide that all Directors except the Managing Director shall retire from their office and be eligible for re-election at least once in three (3) years. A retiring Director is eligible for re-election. The election of each Director is voted on separately.

The Articles of Association further provide that a managing director can be appointed for a fixed term which shall not exceed 5 years.

Any person appointed by the Board either to fill a casual vacancy or as an addition to the existing Directors, shall hold office only until the next Annual General Meeting and shall then be eligible for re-election.

CORPORATE GOVERNANCE STATEMENT

The profile of all Directors including their personal profile, meeting attendance and the shareholdings in the ETICB has been furnished in this Annual Report.

1.6 Directors' Training

All Directors have attended the Mandatory Accreditation Programme ("MAP"). In the future, the Board will continue to identify training needs amongst the Directors and enroll the directors for training programs, as and when required. During the financial year ended 31 August 2006 (FYE 2006), none of the Directors has attended any other training programme.

2. Board Committees

The Board, in discharging its fiduciary duties, is assisted by the following Board Committees which has been set up to perform specific tasks. The terms of reference of each committee have been approved by the Board and comply with the best practices recommended by the Code:-

<u>Board Committee</u>	<u>Date established</u>
Audit Committee	4 October 2005
Executive Committee	20 June 2006
Remuneration Committee	6 October 2006
Nomination Committee	6 October 2006

All Board Committees are assisted by the Company Secretary.

2.1 Audit Committee

The terms of reference and the function of Audit Committee is discussed on Pages 19 to 21 of this Annual Report.

2.2 Executive Committee

The Executive Committee ("Exco") comprises of the Executive Directors as follows:

Chairman:	Lee Kah Kheng
Member:	Dennis Chuah
	Mansor Bin Padzin

The Exco's functions are to assist the Managing Director to manage ETICB Group's day-to-day operations. The Exco was set up to formulate operations plans and oversee the execution of these plans. The Exco meets regularly to discuss operational issues.

2.3 Remuneration Committee

The Remuneration Committee ("RC") currently comprises the following:

Chairman:	Baqir Hussain Bin Hatim Ali (Independent Non-Executive Director)
Member:	Nordin Bin Mohamad Desa (Independent Non-Executive Director)
	Lee Kah Kheng (Executive Director)

The RC consists mainly of Non-Executive Directors, the majority of whom is independent.

The RC is responsible for, inter-alia, recommending the Board the remuneration policy for, including the establishment of a formal and transparent methodology in determining the remuneration of, Executive Directors, Non-Executive Directors and Senior Management and to review changes to the policy and methodology as necessary; review the existing level of remuneration of Executive Directors and to recommend their remuneration to the Board based on the Company's and their individual performance to ensure they commensurate with the scope of responsibilities held.

CORPORATE GOVERNANCE

STATEMENT

The policy practiced on Directors' remuneration by the RC is to provide the remuneration packages necessary to attract, retain and motivate Directors of the quality required to manage the business of the Group and to align the interest of the Directors with those of the shareholders.

Details of Directors' remunerations for FYE2006 are as follows:

Category	Fee RM	Salaries RM	Allowances RM	Benefits-in-kind RM	Total RM
Executive	48,000	238,000	1,500	-	287,500
Non-Executive	96,000	-	2,000	-	98,000
Total	144,000	238,000	3,500	-	385,500

The number of Directors whose total remuneration fall within the following bands:

Range	Executive	Non Executive
Below RM50,000	2	4
RM50,001-RM100,000	-	-
RM100,001-RM150,000	2	-

2.4 Nomination Committee

The Nomination Committee ("NC") currently comprises the following:

Chairman:	Baqir Hussain Bin Hatim Ali (Independent Non-Executive Director)
Member:	Nordin Bin Mohamad Desa (Independent Non-Executive Director)
	Dato' Ch'ng Kong San (Non-Independent Non-Executive Director)

The NC consists exclusively of Non-Executive Directors, majority of whom are independent.

The NC is empowered by the Board and its terms of reference to, inter-alia, to review the structure, size and composition of the Board and make recommendation to the Board with regard to any adjustments that are deemed necessary; to recommend to the Board, the minimum requirements for the Board, ie. required mix of skills, experience, qualification and other core competencies required of a Director inclusive of Managing Director; to review the adequacy if committee structures of the Board committee, assess and recommend to the Board the terms of reference of Board Committees.

The Board, through the NC, appraises the composition of the Board and believes that the current composition brings the required mix of skills and core competencies for the Board to discharge its duties effectively. New appointees will be considered and evaluated by the NC. The NC will then recommend the candidates to be approved and appointed by the Board. The Company Secretary will ensure that all appointments are properly made, and that legal and regulatory obligations are met.

B. Accountability and Audit

Audit Committee

The composition, terms of reference, attendance of meetings by individual members and the function of audit committee is discussed on Pages 19 to 21 of this Annual Report.

1.1 Financial Reporting

In presenting the annual financial statements and quarterly announcement of interim financial results to the shareholders, the Board aims to provide and present a balanced and understandable assessment of the Group's financial performance and prospects. The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes and the quality of its financial reporting.



CORPORATE GOVERNANCE STATEMENT

1.2 Internal Control

The Board is fully aware of its responsibility to safeguard and enhance the value of shareholders in ETICB. The Board has decided to set up its internal audit function. The functions of internal audit division are to ensure that adequate system of internal controls exist to assist the management to arrest operational, regulatory and financial risks.

Information pertaining to the Company's internal control is presented in the Statement on Internal Controls laid out on page 22 of this Annual Report.

1.3 Relationship with the Auditors

The Board maintains good relationship with external auditors. Independent members of the Audit Committee will meet the external auditors at least once a year to discuss the conduct and concerns arising from their audit.

C. Relationship with Shareholders and Investors

The Board of ETICB recognizes the value of good investor relation and the importance of disseminating information in a fair and equitable manner. The participation of shareholders and investors, both individual and institutional, at general meetings is encouraged whilst requests for briefings from the press and investment analysts are usually met as a matter of course.

Notice of Annual General Meeting and annual report are sent to shareholders at least 21 days before the date of the Meeting.

In line with the recommendation by the Listing Requirements of the Bursa Securities for MESDAQ Market and the Code, material information are disseminated to shareholders and investors on a timely basis. These information, which could be assessed through Bursa Securities website at www.bursamalaysia.com, include:

1. Quarterly announcements
2. Annual reports
3. Circular to shareholders
4. Other important announcements

This statement was made in accordance with a board of directors resolution dated 31 January 2007.

AUDIT COMMITTEE REPORT

COMPOSITION

Chairman

En. Nordin Bin Mohamad Desa
Independent Non-Executive Director

Member

En. Baqir Hussain Bin Hatim Ali
Independent Non-Executive Director

Mr. Dennis Chuah
Executive / Business Development Director

TERMS OF REFERENCE

The Committee is governed by the following terms of reference:-

1. Objective

The principal activities of the Audit Committee is to assist the Board of Directors in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the Group. In addition, the committee shall:-

- Evaluate the quality of the audit conducted by the internal and external auditors;
- Provide assurance that the financial information presented by management is relevant, reliable and timely;
- Oversee compliance with laws and regulations and observance of a proper code of conduct; and
- Determine the adequacy of the Group's control environment.

2. Membership

The Committee shall be appointed by the Board from among its members and shall consist of not less than three members of whom a majority shall be Independent Non-Executive Directors.

The members of the Committee shall elect a Chairman from among their number who is Independent Director. No Chief Executive Officer and Alternate Director shall be appointed as a member of the Committee.

If the number of members is reduced below three, due to whatsoever reasons, the Board shall within three months of that event, appoint such number of new members as may be required to make up the minimum number of three members.

3. Meetings

Meetings shall be at least four times a year.

A quorum of two independent members shall constitute a valid meeting.

The Internal Auditor or professional firm engaged to provide such services and senior management members shall be invited to attend meetings, as the Committee deems necessary.

The external auditors or any member of the Committee may request a meeting as and when they deem necessary.

A meeting with external auditors shall be held at least once a year without the presence of executive Board members.

The Company Secretary shall be the Secretary to the Committee.

AUDIT COMMITTEE REPORT

4. Authority

The Committee is authorized by the Board to investigate any activity within its terms of reference and shall have the resources required to perform its duties. The Committee has full and unrestricted access to all information and documents relevant to its activities as well as to the internal and external auditors and employees of the Group.

The Committee is authorized by the Board to obtain external legal, independent or other professional advice and be able to convene meetings with external parties whenever deemed necessary.

It shall also have the power to establish Sub-Audit Committee(s) to carry out certain investigation on behalf of the Committee in such manner, as the Committee shall deemed fit and necessary.

5. Duties and Responsibilities

The duties and responsibilities of the Committee shall be:-

- to review with the external auditors the audit plan following from structured risk assessment process, their evaluation of the internal controls and their audit reports and to consider adequacy of Management's actions taken on external audit reports.
- to discuss with the external auditors before the audit commences, the nature and scope of the audit.
- to review the assistance given by the employees of the Company to the external auditors.
- to review the external auditors management letter and management's response.
- to nominate a person or persons as the external auditors of the Company, the fees thereof, assess reappointment of existing external auditors and consider resignation of external auditors.
- to review the internal programme and results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function. (if any)
- to review the adequacy of the scope, functions and resources of the internal audit functions. (if any)
- to review any related party transactions and conflict of interest situation that may arise within the Company or Group and to monitor any inter-company transaction or any transaction between the Company and any related parties outside the Group.
- to review the quarterly and year-end financial statements of the Company and the Group and thereafter submit them to the Board.
- to review and evaluate the adequacy and effectiveness of the Group's accounting policies, procedures and internal controls.
- to perform such other duties if any as may be agreed to by the Committee and the Board.

6. Reporting

The Committee is authorized to regulate its own procedure and in particular the calling of meetings, the notice to be given of such meetings, the voting and proceeding thereat, the keeping of minutes and the custody, production and inspection of such meetings.

The Minutes of the meetings shall be concluded by the Secretary of the Committee to the Committee members and all the other Board members.

AUDIT COMMITTEE REPORT

7. Attendance at Meetings

As the Company was listed on 28 March 2006 on the MESDAQ Market of the Bursa Securities, the Committee only met once i.e. on 20 June 2006, during the financial year ended 31 August 2006, to approve the 2nd Quarterly Results ended 28 February 2006.

However, due to tight schedule, the Committee approved the 3rd Quarterly Results ended 31 May 2006 of ETICB via a circular resolution made on 31 July 2006.

The information on the attendance of each member at the Committee meeting held during the financial year ended 31 August 2006 is as follows:-

Member	No. of Meeting Held	Attendance
En. Nordin Bin Mohamad Desa	1	1
En. Baqir Hussain Bin Hatim Ali	1	1
Mr. Dennis Chuah	1	1

8. Activities of the Audit Committee

As ETICB was listed on 28 March 2006, the activities were carried out by the Committee during the period in the discharge of its duties and responsibilities are as follows:-

- Reviewed the draft quarterly results of the Group and the recommendation of the same to the Board for approval.
- Reviewed the compliance on the Bursa Securities Listing Requirements for MESDAQ Market, Malaysian Code on Corporate Governance and other statutory requirements.

9. Internal Audit Function

As ETICB was listed on 28 March 2006, the Board is in the midst of setting up its own Internal Audit Division, however, the review process of suitable candidates to carry out such important function is still in progress.

Therefore, as at todate, the Finance Manager has been delegated to oversee this function until the proper Inter Audit Division is set up latest by 2nd Quarter of the Financial year ending 31 August 2007.



STATEMENT OF INTERNAL CONTROL

Introduction

This Statement on Internal Control has been prepared in accordance with the “Statement on Internal Control – Guidance for Directors of Public Listed Companies.

Board Responsibilities

The Board recognizes the importance of a sound system of internal control to cover the financial, compliance and operational controls and effective risk management practices in the Group. The Board affirms its overall responsibility and reviews the adequacy and integrity of the system of internal control to safeguard shareholders’ investment and the Group’s assets. However, due to the inherent limitations of any system of internal control, this system is designed to manage, rather than eliminate the risk of failure to achieve the Group’s objectives. Accordingly, the system can only provide reasonable but not absolute assurance against material misstatement or loss.

Risk Management Framework

The Board and the Management are continuously identifying, evaluating and managing significant business risks affecting the day-to-day operations of the Group.

The Audit Committee reviews internal control issues identified by the external auditors and management and evaluates the adequacy and effectiveness of the Group’s risk management and internal control system.

Internal Control

The Board is satisfied that the system of internal control is adequate judging from the size of the Company.

The Board has decided to set up its internal audit function. The functions of internal audit division are to ensure that adequate system of internal controls exist to assist the management to arrest operational, regulatory and financial risks.

The Group does not have an internal audit department for the time being and the Audit Committee relied on discussions with the management and Executive Directors, review of financial statements and input from the external auditors to discharge its duties. Nevertheless, The Board is in the midst of sourcing for the suitable personnel to man its internal audit function.

Conclusion

The Board is of the view that there were no significant weaknesses in the system of internal control of the Group that may have a material impact on the operations of the Group for the financial year ended 31 August 2006. The Board remains committed towards a sound system of internal controls and to take further measure to strengthen and continuously enhance the system to support the Group’s operation.

This statement was made in accordance with a resolution of the Board dated 31 January 2007.

DISCLOSURE REQUIREMENTS

PURSUANT TO THE LISTING REQUIREMENTS OF THE BURSA MALAYSIA SECURITIES BERHAD FOR THE MESDAQ MARKET

Utilisation of Proceeds

As at 31 August 2006, the Company has utilised approximately 62% of the proceeds raised from its initial public offering. The remaining 38% will be utilized in due course for the intended purposes as disclosed in the Company's prospectus.

Share Buybacks

During the financial year, there were no share buyback by the Company.

Options, Warrants or Convertible Securities

No options, warrants or convertibles securities were issued by the Company during the financial year.

American Depositary Receipt (ADR) or Global Depositary Receipt (GDR) Programme

During the financial year, the Company did not sponsor any such programme.

Imposition of Sanctions and/or Penalties

There were no material sanction and/or penalties imposed on the Company and its subsidiary companies, Directors or management by the regulatory bodies.

Non-Audit Fees

The amount of non-audit fees paid to the external auditors by the Group during the financial year was RM23,200, which was for professional services rendered in respect of the Group's listing exercise.

Revaluation Policy

The policy on revaluation of properties is as disclosed in the financial statements.

Material Contract

There were no material contracts entered into by the Company and its subsidiaries involving Directors' and substantial shareholders interests either still subsisting as at 31 August 2006 or entered into since the end of the previous financial year.

Profit Guarantee

There was no profit guarantee given by ETICB Group for the financial year ended August 31, 2006.



STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are required to prepare audited financial statements that give a true and fair view of the state of affairs, including the cash flow and results, of the Group and the Company as at the end of each financial year.

In preparing these financial statements, the Directors have considered the following:

- That the Group and the Company have used appropriate accounting policies, and are consistently applied;
- That reasonable and prudent judgements and estimates were made;
- That the approved accounting standards in Malaysia have been applied; and
- That the preparation of the financial statements on a going concern basis.

The Directors are responsible for ensuring that the Company maintains proper accounting records which disclose with reasonable accuracy the financial position of the Group and the Company, and which enable them to ensure that the financial statements comply with the Companies Act, 1965.

The Directors have general responsibility for taking such steps that are reasonably available to them to safeguard the assets of the Group and the Company, and to prevent and detect fraud and other irregularities.

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DIRECTORS' REPORT

The directors of ETI TECH CORPORATION BERHAD have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended August 31, 2006.

PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding and providing management services. The principal activities of the subsidiaries are stated in Note 9 to the financial statements. There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year.

RESULTS OF OPERATIONS

	<u>The Group</u> RM	<u>The Company</u> RM
Net profit/ (loss) after tax for the year	<u>6,130,853</u>	<u>(238,567)</u>

In the opinion of the directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial period. The directors also do not recommend any dividend payment in respect of the current financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and paid-up ordinary share capital of the Company was increased from RM8,169,000 divided into 81,690,000 ordinary shares of RM0.10 each to RM11,346,200 divided into 113,462,000 ordinary shares of RM0.10 each by way of public issue of 31,772,000 new ordinary shares of RM0.10 each at an issue price of RM0.45 each.

The new ordinary shares issued rank pari passu with the then existing ordinary shares of the Company.

The Company has not issued any debentures during the financial year.

SHARE OPTION

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As of the end of the financial year, there were no unissued shares of the Company under options.

OTHER FINANCIAL INFORMATION

Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and have satisfied themselves that there are no known bad debts to be written off and that no allowance for doubtful debts is required; and

DIRECTORS' REPORT

- (b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values.

At the date of this report, the directors are not aware of any circumstances:

- (a) which would require the writing off of bad debts or the setting up of allowance for doubtful debts in the financial statements of the Group and of the Company; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year and secures the liability of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company for the succeeding financial year.

SIGNIFICANT EVENTS DURING THE YEAR

A summary of the significant events which occurred during the financial year are as follows:

- a. On March 20, 2006, the issued and paid-up ordinary share capital of the Company was increased from RM8,169,000 to RM11,346,200 by way of public issue of 31,772,000 new ordinary shares of RM0.10 each at an issue price of RM0.45 each;
- b. On March 28, 2006, the Company's entire issued and paid-up share capital of 113,462,000 ordinary shares of RM0.10 each were listed on the MESDAQ Market of Bursa Malaysia Securities Berhad;
- c. On July 20, 2006, the Company acquired 100% equity interest in Vertex Cycle Sdn. Bhd. for a cash consideration of RM2. On August 10, 2006, Vertex Cycle Sdn. Bhd. changed its name to ETI Tech International Sdn. Bhd. On August 15, 2006, the Company has subscribed for an additional 999,998 ordinary shares of RM1 each in ETI Tech International Sdn. Bhd. for a cash consideration of RM999,998. The Company's equity interest in ETI Tech International Sdn. Bhd. remains at 100%;
- d. On July 20, 2006, a wholly owned subsidiary company of the Company, ETI Tech (M) Sdn. Bhd. acquired 100% equity interest in Fusion Cycles Sdn. Bhd. for a cash consideration of RM2. On August 14, 2006, Fusion Cycles Sdn. Bhd. changed its name to Power Mac Sdn. Bhd.; and
- e. On July 26, 2006, a wholly owned subsidiary company of the Company, Vertex Cycle Sdn. Bhd. acquired 100% equity interest in Blithe Forest Limited, a company incorporated in Hong Kong, for a cash consideration of HKD10,000 (equivalent to RM4,741).

DIRECTORS' REPORT

DIRECTORS

The following directors served on the Board of the Company since the date of the last report:

Dennis Chuah	
Lee Kah Kheng	
Mansor Bin Padzin	
Ahmad Bin Darus	
Nordin Bin Mohamad Desa	
Baqir Hussian Bin Hatim Ali	
Shaik Taufik Bin Shaik Yusoff	(appointed on May 31, 2006)
Ch'ng Kong San	(appointed on October 6, 2006)
Iskander Bin Ismail Mohamed Ali	(resigned on May 5, 2006)
Shaik Taufik Bin Shaik Yusoff (alternate to Iskander Bin Ismail Mohamed Ali)	(resigned on May 5, 2006)
Khor Yee Kwang	(resigned on December 4, 2006)

DIRECTORS' INTEREST

The shareholdings in the Company of those who were directors at the end of the financial year, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, are as follows:

<u>Shares in the Company</u>	<u>No. of ordinary shares of RM0.10 each</u>			<u>Balance as of 31.8.2006</u>
	<u>Balance as of 1.9.2005</u>	<u>Bought</u>	<u>Sold</u>	
Direct interest:				
Dennis Chuah	26,673,687	500,000	-	27,173,687
Lee Kah Kheng	26,673,687	500,000	(3,000,000)	24,173,687
Mansor Bin Padzin	593,408	5,066,667	(4,851,600)	808,475
Khor Yee Kwang	890,112	300,000	-	1,190,112
Indirect interest:				
Lee Kah Kheng*	356,045	300,000	-	656,045
Mansor Bin Padzin ^	8,666,667	-	(4,766,667)	3,900,000

* Deemed interested through his spouse.

^ Deemed interest under Section 6A of the Companies Act, 1965 by virtue of a put and call option agreement with Perbadanan Nasional Berhad.

By virtue of their interests in the shares of the Company, Mr. Dennis Chuah and Mr. Lee Kah Kheng are also deemed to have interests in the shares of the subsidiary companies of ETI Tech Corporation Berhad to the extent that ETI Tech Corporation Berhad has an interest.

None of other directors in office at the end of financial year held shares or have beneficial interest in the shares of the Company or its related company.

DIRECTORS' BENEFITS

Since the end of the previous financial period, none of the directors of the Company has received or become entitled to receive any benefit (other than those disclosed as directors' remuneration in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for any benefit which may be deemed to have arisen by virtue of professional fee paid by the Company to a firm in which a director of the Company has substantial interest.

DIRECTORS'REPORT

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

AUDITORS

The auditors, Messrs. Deloitte KassimChan, have indicated their willingness to continue in office.

Signed on behalf of the Board
in accordance with a resolution of the Directors,

LEE KAH KHENG

DENNIS CHUAH

Penang,

12 December 2006

REPORT OF THE AUDITORS

TO THE MEMBERS OF ETI TECH CORPORATION BERHAD (Incorporated in Malaysia)

We have audited the accompanying balance sheets as of August 31, 2006 and the related statements of income, changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable MASB approved accounting standards in Malaysia so as to give a true and fair view of:
 - (i) the state of affairs of the Group and of the Company as of August 31, 2006 and of their results and cash flows for the year ended on that date; and
 - (ii) the matters required by Section 169 of the Act to be dealt with in the financial statements and consolidated financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiary companies of which we have acted as auditors, have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements of the subsidiary company, Blithe Forest Limited, of which we have not acted as auditors, as mentioned under Note 9 to the financial statements, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements, and we have received satisfactory information and explanations as required by us for these purposes.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment made under Sub-section (3) of Section 174 of the Act.

DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants

LEE CHENG HEOH
2225/04/08 (J)
Partner

Penang,

12 December 2006

INCOME STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2006

(With comparative figures for the period from September 30, 2004 (date of incorporation) to August 31, 2005)

	Note	The Group		The Company	
		2006	2005	2006	2005
		(12 months) RM	(11 months) RM	(12 months) RM	(11 months) RM
Revenue		32,352,668	2,500,327	-	-
Cost of sales		(23,617,996)	(1,728,745)	-	-
Gross profit		8,734,672	771,582	-	-
Administrative expenses		(1,746,352)	(151,006)	(244,445)	-
Distribution costs		(559,789)	(54,706)	-	-
Other operating expenses		(20,518)	-	-	-
Preliminary and pre-operating expenses		(15,245)	(17,846)	-	(17,846)
Negative goodwill on consolidation written off		-	3,543,245	-	-
Profit/ (loss) from operations		6,392,768	4,091,269	(244,445)	(17,846)
Finance costs		(47,550)	(1,999)	-	-
Income from other investments		43,666	-	5,878	-
Profit/ (loss) before tax	5	6,388,884	4,089,270	(238,567)	(17,846)
Tax expense	6	(258,031)	-	-	-
Net profit/ (loss) after tax for the year/ period		6,130,853	4,089,270	(238,567)	(17,846)
Earnings per ordinary share					
Basic	7	6.46 sen	55.06 sen		

The accompanying notes form an integral part of the financial statements.

BALANCE SHEETS

AS OF AUGUST 31, 2006

	Note	The Group		The Company	
		2006 RM	2005 RM	2006 RM	2005 RM
NON-CURRENT ASSETS					
Property, plant and equipment	8	10,422,506	3,976,355	-	-
Investment in subsidiary companies	9	-	-	9,168,998	8,168,998
Development costs	10	6,388,456	1,355,293	-	-
Total Non-Current Assets		16,810,962	5,331,648	9,168,998	8,168,998
CURRENT ASSETS					
Inventories	11	6,001,452	1,247,349	-	-
Trade receivables	12	10,114,421	7,445,374	-	-
Other receivables and prepaid expenses	13	1,943,090	711,076	-	595,572
Amount owing by a subsidiary company	14	-	-	11,710,410	-
Short-term deposits with a licensed bank	15	2,500,000	690,000	-	-
Cash and bank balances		225,964	2,629,337	2	2
Total Current Assets		20,784,927	12,723,136	11,710,412	595,574
CURRENT LIABILITIES					
Trade payables	16	3,290,747	1,840,806	-	-
Other payables and accrued expenses	17	1,458,886	1,564,173	62,548	35,422
Amount owing to a subsidiary company	14	-	-	-	577,996
Amount owing to directors	18	14,459	9,716	-	-
Bank borrowings	19	1,147,048	1,365,828	-	-
Hire-purchase payable	20	40,008	40,008	-	-
Dividends payable to former shareholders of a subsidiary company		-	842,663	-	-
Total Current Liabilities		5,951,148	5,663,194	62,548	613,418
NET CURRENT ASSETS / (LIABILITIES)		14,833,779	7,059,942	11,647,864	(17,844)
		31,644,741	12,391,590	20,816,862	8,151,154
SHARE CAPITAL					
	21	11,346,200	8,169,000	11,346,200	8,169,000
RESERVES					
	22	19,947,198	4,089,270	9,470,662	(17,846)
SHAREHOLDERS' EQUITY		31,293,398	12,258,270	20,816,862	8,151,154
LONG-TERM AND DEFERRED LIABILITIES					
Hire-purchase payable	20	93,312	133,320	-	-
Deferred tax liabilities	23	258,031	-	-	-
Total Long-Term and Deferred Liabilities		351,343	133,320	-	-
		31,644,741	12,391,590	20,816,862	8,151,154

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED AUGUST 31, 2006

(With comparative figures for the period from September 30, 2004 (date of incorporation) to August 31, 2005)

<u>The Group</u>	<u>Share Capital RM</u>	<u>Share Premium RM</u>	<u>Retained Profit RM</u>	<u>Total RM</u>
Balance as of September 30, 2004 (date of incorporation)	2	-	-	2
Issuance of 81,689,980 new ordinary shares of RM0.10 each at par	8,168,998	-	-	8,168,998
Net profit after tax for the period	-	-	4,089,270	4,089,270
Balance as of August 31, 2005	8,169,000	-	4,089,270	12,258,270
Issuance of 31,772,000 new ordinary shares of RM0.10 each at an issue price of RM0.45 each	3,177,200	11,120,200	-	14,297,400
Share issue expenses written-off	-	(1,393,125)	-	(1,393,125)
Net profit after tax for the year	-	-	6,130,853	6,130,853
Balance as of August 31, 2006	11,346,200	9,727,075	10,220,123	31,293,398
<u>The Company</u>				
Balance as of September 30, 2004 (date of incorporation)	2	-	-	2
Issuance of 81,689,980 new ordinary shares of RM0.10 each at par	8,168,998	-	-	8,168,998
Net loss after tax for the period	-	-	(17,846)	(17,846)
Balance as of August 31, 2005	8,169,000	-	(17,846)	8,151,154
Issuance of 31,772,000 new ordinary shares of RM0.10 each at an issue price of RM0.45 each	3,177,200	11,120,200	-	14,297,400
Share issue expenses written-off	-	(1,393,125)	-	(1,393,125)
Net loss after tax for the year	-	-	(238,567)	(238,567)
Balance as of August 31, 2006	11,346,200	9,727,075	(256,413)	20,816,862

The accompanying notes form an integral part of the financial statements.

CASH FLOW STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2006

(With comparative figures for the period from September 30, 2004 (date of incorporation) to August 31, 2005)

Note	The Group		The Company	
	2006 (12 months) RM	2005 (11 months) RM	2006 (12 months) RM	2005 (11 months) RM
CASH FLOWS FROM				
OPERATING ACTIVITIES				
Profit/ (loss) before tax	6,388,884	4,089,270	(238,567)	(17,846)
Adjustments for:				
Depreciation of property, plant and equipment	724,459	47,932	-	-
Amortisation of development costs	114,280	4,063	-	-
Interest expenses	47,550	1,999	-	-
Interest income	(43,666)	-	(5,878)	-
Negative goodwill on consolidation written off	-	(3,543,245)	-	-
Operating profit/ (loss) before working capital changes	7,231,507	600,019	(244,445)	(17,846)
(Increase)/ Decrease:				
Inventories	(4,754,103)	66,739	-	-
Trade receivables	(2,669,047)	(617,132)	-	-
Others receivables and prepaid expenses	13 (1,827,586)	(69,599)	-	(595,572)
Increase/ (Decrease):				
Trade payables	1,449,941	(261,430)	-	-
Others payables and accrued expenses	(105,287)	128,854	27,126	35,422
Net cash used in operating activities	(674,575)	(152,549)	(217,319)	(577,996)
CASH FLOWS FROM				
INVESTING ACTIVITIES				
Interest received	43,666	-	5,878	-
Purchase of property, plant and equipment	(7,308,136)	(25,274)	-	-
Payment of capitalised development costs	(5,009,917)	(23,299)	-	-
Acquisition of subsidiary company, net of cash and cash equivalents acquired	-	2,791,790	-	-
Repayment made by a subsidiary company	-	-	1,473,184	-
Gross advances given to a subsidiary company	-	-	(13,761,590)	-
Investment in subsidiary companies	-	-	(1,000,000)	-
Net cash (used in)/ generated from investing activities	(12,274,387)	2,743,217	(13,282,528)	-

(FORWARD)

CASH FLOW STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2006

(With comparative figures for the period from September 30, 2004 (date of incorporation) to August 31, 2005)

Note	<u>The Group</u>		<u>The Company</u>	
	2006 (12 months) RM	2005 (11 months) RM	2006 (12 months) RM	2005 (11 months) RM
CASH FLOWS FROM FINANCING ACTIVITIES				
Issue of shares	14,297,400	-	14,297,400	-
Increase in amount owing to directors	4,743	-	-	-
Dividends paid to former shareholders of a subsidiary company	(842,663)	-	-	-
Share issue expenses	(797,553)	-	(797,553)	-
(Decrease)/ Increase in bank borrowings	(218,780)	134,000	-	-
Interest paid	(47,550)	(1,999)	-	-
Repayment of hire-purchase payable	(40,008)	(3,334)	-	-
Increase in amount owing to a subsidiary company	-	-	-	577,996
Net cash generated from financing activities	12,355,589	128,667	13,499,847	577,996
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS	(593,373)	2,719,335	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/ DATE OF INCORPORATION	2,719,337	2	2	2
CASH AND CASH EQUIVALENTS AT END OF YEAR/ PERIOD	15 2,125,964	2,719,337	2	2

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2006

1. GENERAL INFORMATION

The Company is principally involved in investment holding and providing management services. The principal activities of the subsidiaries are stated in Note 9 to the financial statements. There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year.

The Company is a public limited liability company incorporated and domiciled in Malaysia, and is listed on the MESDAQ Market of Bursa Malaysia Securities Berhad.

The Company's registered office and principal place of business are at 57-2, Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang and Lot No. 12, Industrial Zone Phase II, Kulim Hi Tech Park, 09000 Kulim, Kedah respectively.

The financial statements of the Group and of the Company were authorised for issue by the Board of Directors in accordance with a resolution of the directors on December 12, 2006.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable Malaysian Accounting Standards Board ("MASB") approved accounting standards in Malaysia.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless stated otherwise in the accounting policies mentioned below.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary companies made up to the end of the financial year. All significant intercompany balances, transactions and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

The Group adopts the acquisition method of consolidation. On acquisition, the assets and liabilities of the relevant subsidiary companies are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The results of subsidiary companies acquired or disposed of during the financial year are included in the consolidated financial statements from the effective date of acquisition or up to the effective date of disposal.

Negative goodwill on consolidation which represents the excess of the Group's interest in the fair value of the identifiable net assets of the subsidiary company at the date of acquisition over the cost of acquisition is written off to the consolidated income statements.

Revenue and Revenue Recognition

Revenue of the Group represents gross invoiced values of goods sold less returns and discounts.

Sales of goods are recognised upon delivery of products and when the risks and rewards of ownership have passed. Interest income is recognised on a time proportion basis that takes into account the effective yield on the asset. Other operating income is recognised on an accrual basis.

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2006

Foreign Currency Conversion

Transactions in foreign currencies are recorded in Ringgit Malaysia at rates of exchange ruling at the time of the transactions. Foreign currency monetary assets and liabilities are translated at exchange rate ruling at balance sheet date. Translation gains and losses are recognised in the income statements as they arise.

For the purpose of consolidation, the financial statements of a foreign subsidiary company has been translated into Ringgit Malaysia as follows:

Assets and liabilities	- at closing rate
Issued capital	- at historical rate
Revenue and expenses	- at average rate

Exchange differences due to such currency translation are dealt with through translation reserve account under shareholders' equity. Such translation gains or losses are recognised as income or expenses in the income statements, in the period in which the operations are disposed of.

The principal closing rates used in translation of foreign currency amounts are as follows:

	<u>2006</u>	<u>2005</u>
	RM	RM
1 United States Dollar	3.6726	3.7505
1 Singapore Dollar	2.3315	2.2406

Income Tax

Deferred tax is accounted for in respect of temporary differences arising from differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilised.

Employees Benefit Costs

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as expenses in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the employees' provident fund. Such contributions are recognised as expenses in the income statements as incurred.

Borrowing Costs

All interest and other costs incurred in connection with borrowings are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2006

Research and Development Costs

Research and development expenditure is written off as an expense except that certain development expenditure relating to specific projects intended for commercial exploitation and for which there is a clear indication of the marketability of the products being developed, is carried forward. Such deferred development expenditure is amortised over the period of 5 years in which benefits are expected to be derived commencing in the period in which related sales are first made.

Impairment of Assets

At each balance sheet date, the Group and the Company review the carrying amounts of assets to determine if there is any indication that those assets may be impaired. If any such indication exists, the asset's recoverable amount, which is the higher of net selling price and value in use, is estimated.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the income statements.

An impairment loss in respect of other assets is reversed if there has been a change in the estimate used to determine the recoverable amount.

An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. A reversal is recognised in the income statements.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Building under construction is not depreciated. Depreciation of property, plant and equipment is computed on the straight-line method in order to write off the cost of each asset to its residual value over its estimated useful life.

The annual depreciation rates are as follows:

Long leasehold land	1.67%
Building	2%
Plant, machinery and equipment	20%
Furniture and office equipment	20%
Computers	33.33%
Motor vehicle	20%

Gain or loss arising from the disposal of an asset is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset, and is recognised in the income statements.

Investment in Subsidiary Companies

A subsidiary company is a company in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from its activities.

Investment in subsidiary companies, which is eliminated on consolidation, is stated in the Company's financial statements at cost.

Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion. Cost is determined on the first-in, first-out method.

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2006

Cost of raw materials consists of the purchase price plus the cost of bringing the inventories to their present location and condition. Cost of work-in-progress and finished goods consists of costs of raw materials and labour charges.

Receivables

Receivables are stated at nominal value as reduced by the appropriate allowances for estimated irrecoverable amounts. Allowance for doubtful debts is made based on estimates of possible losses which may arise from non-collection of certain receivables accounts.

Borrowings and Payables

Borrowing and payables are stated at cost.

Hire-Purchase

Property, plant and equipment acquired under hire-purchase arrangements are capitalised in the financial statements and the corresponding obligations are treated as liabilities. Finance charges are allocated to the income statements to give a constant periodic rate of interest on the remaining hire-purchase liabilities.

Share Capital

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Cost incurred directly attributable to the issuance of the shares are accounted for as a deduction from share premium, otherwise the cost is charged to the income statements if there is insufficient share premium.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and bank balances, demand deposits and highly liquid investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Leased Assets

Assets under leases which in substance transfer the risks and benefits of ownership of the assets are capitalised under property, plant and equipment. The assets and the corresponding lease obligations are recorded at the fair value of the leased assets which approximates the present value of the minimum lease payments, at the beginning of the respective lease terms.

Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statements over the term of the relevant lease period so as to give a constant periodic rate of charge on the remaining balance of the obligations for each accounting period. All other leases which do not meet such criteria are classified as operating leases and the related rentals are charged to the income statements as incurred.

Financial Instruments

Financial instruments carried on the balance sheets include cash and bank balances, short-term deposits, investments, receivables, payables and borrowings. The particular recognition methods adopted are disclosed in the individual accounting policy statements associated with each item.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interests, dividends, gains and losses relating to a financial instrument classified as liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group and the Company have a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2006

4. STAFF COSTS

	The Group		The Company	
	2006 (12 months) RM	2005 (11 months) RM	2006 (12 months) RM	2005 (11 months) RM
Staff costs:				
Contribution to Employees' Provident Fund	79,343	3,952	-	-
Other staff costs	1,215,078	66,227	147,500	-
	<u>1,294,421</u>	<u>70,179</u>	<u>147,500</u>	<u>-</u>
Number of directors and employees at end of year/period:				
Directors	8	9	8	9
Employees	<u>63</u>	<u>15</u>	<u>-</u>	<u>-</u>

Staff costs include directors' remuneration, salaries, bonuses and contribution to employees' provident fund and all other staff related expenses.

5. PROFIT/ (LOSS) BEFORE TAX

Profit/ (loss) before tax is arrived at:

	The Group		The Company	
	2006 (12 months) RM	2005 (11 months) RM	2006 (12 months) RM	2005 (11 months) RM
After charging:				
Raw materials used	22,567,307	1,640,678	-	-
Depreciation of property, plant and equipment	724,459	47,932	-	-
Directors' remuneration:				
Fee	144,000	-	144,000	-
Employees' provident fund	28,560	1,800	-	-
Other emoluments	241,500	23,500	3,500	-
Amortisation of development costs	114,280	4,063	-	-
Interest on :				
Bank borrowings	42,390	1,569	-	-
Hire-purchase	5,160	430	-	-
Audit fee:				
Statutory	45,700	9,000	12,000	3,000
Special	-	5,000	-	5,000
Rental of premises	39,578	12,727	-	-
Realised loss on foreign exchange	20,518	-	-	-
Research and development costs expensed off	5,017	839	-	-
Changes in inventories of finished goods and work-in-progress	<u>-</u>	<u>26,373</u>	<u>-</u>	<u>-</u>
And crediting:				
Changes in inventories of finished goods and work-in-progress	241,074	-	-	-
Interest income	<u>43,666</u>	<u>-</u>	<u>5,878</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2006

6. TAX EXPENSE

	The Group		The Company	
	2006 (12 months) RM	2005 (11 months) RM	2006 (12 months) RM	2005 (11 months) RM
Deferred tax (Note 23):				
Deferred tax expense relating to origination and reversal of temporary differences in current year	258,031	-	-	-

No tax expense is provided for the Company in view of the loss incurred.

A subsidiary company has been granted pioneer status by Multimedia Development Corporation for the development and commercialisation of the Polymer Lithium Ion (PLI) Battery Series 1, 2, 3, 4, 6 and 8. Under this incentive, 100% of the subsidiary company's statutory income from the development and commercialisation of the Polymer Lithium Ion (PLI) Battery Series 1, 2, 3, 4, 6 and 8 are exempted from income tax for a period of five years commencing from July 15, 2003 to July 14, 2008.

The numerical reconciliations between tax expense and the product of accounting profit/ (loss) multiplied by the applicable tax rate are as follows:

	The Group		The Company	
	2006 (12 months) RM	2005 (11 months) RM	2006 (12 months) RM	2005 (11 months) RM
Accounting profit/ (loss)	6,388,884	4,089,270	(238,567)	(17,846)
Tax amount at the statutory income tax rate of 28%	1,789,000	1,145,000	(67,000)	(5,000)
Tax effect on non-deductible/ (non-taxable) items:				
Non-deductible expenses	87,000	14,000	67,000	5,000
Non-taxable income	(1,617,969)	(1,159,000)	-	-
Tax expense	258,031	-	-	-

The applicable tax rate of 28% (2005: 28%) used in the above numerical reconciliations of tax of the Group and of the Company is determined based on the statutory income tax rate prevailing for the Company.

7. EARNINGS PER ORDINARY SHARE

	The Group	
	2006 RM	2005 RM
Profit after tax before negative goodwill on consolidation written off	6,130,853	546,025
Add: Negative goodwill on consolidation written off	-	3,543,245
Net profit attributable to ordinary shareholders	6,130,853	4,089,270

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2006

	The Group	
	2006 Unit	2005 Unit
Number of shares in issue as of beginning of the year / date of incorporation	81,690,000	20
Effect of shares issued during the year/period	13,238,333	7,426,362
Weighted average number of ordinary shares in issue	94,928,333	7,426,382
Basic earnings per ordinary share		
- Based on net profit before negative goodwill on consolidation written off	6.46 sen	7.35 sen
- Based on net profit attributable to ordinary shareholders	6.46 sen	55.06 sen

8. PROPERTY, PLANT AND EQUIPMENT

The Group

Cost	Beginning of year/ period RM	Arising from acquisition of subsidiary company RM	Additions RM	Disposals RM	Transfer RM	End of year/ period RM
2006:						
Long leasehold land	1,304,985	-	-	-	-	1,304,985
Building	-	-	4,075,406	-	320,192	4,395,598
Plant, machinery and equipment	2,074,406	-	2,757,234	-	-	4,831,640
Furniture and office equipment	18,406	-	319,867	-	-	338,273
Computers	88,872	-	155,629	-	-	244,501
Motor vehicle	217,426	-	-	-	-	217,426
Building under construction	320,192	-	-	-	(320,192)	-
	4,024,287	-	7,308,136	-	-	11,332,423
2005	-	3,999,013	25,274	-	-	4,024,287

Accumulated Depreciation	Beginning of year/ period RM	Charge for the year/ period RM	Disposals RM	End of year/ period RM
2006:				
Long leasehold land	1,815	21,993	-	23,808
Building	-	35,880	-	35,880
Plant, machinery and equipment	38,740	687,208	-	725,948
Furniture and office equipment	334	20,493	-	20,827
Computers	2,941	47,182	-	50,123
Motor vehicle	4,102	49,229	-	53,331
	47,932	861,985	-	909,917
2005	-	47,932	-	47,932

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2006

	The Group	
	2006 RM	2005 RM
Net Book Value:		
Long leasehold land	1,281,177	1,303,170
Building	4,359,718	-
Plant, machinery and equipment	4,105,692	2,035,666
Furniture and office equipment	317,446	18,072
Computers	194,378	85,931
Motor vehicle	164,095	213,324
Building under construction	-	320,192
	<u>10,422,506</u>	<u>3,976,355</u>

The carrying value of motor vehicle of the Group which was acquired under hire-purchase arrangement of which instalments are still outstanding is RM164,095 (2005: RM213,324).

The long leasehold land is for a lease period of 60 years commencing December 26, 2004. As of August 31, 2006, the unexpired lease period of long leasehold land is 58 years.

9. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2006 RM	2005 RM
Unquoted shares, at cost	<u>9,168,998</u>	<u>8,168,998</u>

The subsidiary companies are as follows:

The subsidiary companies are as follows:				
Subsidiary Companies	Country of Incorporation	Principal Activity	Percentage of Ownership	
			2006	2005
<u>Direct holdings</u>				
ETI Tech (M) Sdn. Bhd.	Malaysia	Research and development, design and marketing of Battery Management System for rechargeable energy storage solutions	100%	100%
ETI Tech International Sdn. Bhd. (formerly known as Vertex Cycle Sdn. Bhd.)	Malaysia	Dormant	100%	-
<u>Indirect holdings</u>				
Power Mac Sdn. Bhd. (formerly known as Fusion Cycles Sdn. Bhd.) #	Malaysia	Dormant	100%	-
Blithe Forest Limited* ^	Hong Kong	Dormant	100%	-

This company is wholly owned by ETI Tech (M) Sdn. Bhd..

* This company is wholly owned by ETI Tech International Sdn. Bhd..

^ This subsidiary company was incorporated on May 19, 2005 and has not appointed auditors.

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2006

On July 20, 2006, the Company acquired 100% equity interest in Vertex Cycle Sdn. Bhd. for a cash consideration of RM2. On August 10, 2006, Vertex Cycle Sdn. Bhd. changed its name to ETI Tech International Sdn. Bhd. On August 15, 2006, the Company has subscribed for an additional 999,998 ordinary shares of RM1 each in ETI Tech International Sdn. Bhd. for a cash consideration of RM999,998. The Company's equity interest in ETI Tech International Sdn. Bhd. remains at 100%.

In the last financial period, the Company acquired 100% of the equity interest in ETI Tech (M) Sdn. Bhd., a company incorporated in Malaysia, for a total consideration of RM8,168,998 satisfied by way of the issuance of 81,689,980 new ordinary shares of RM0.10 each at par. The acquisition was completed on July 30, 2005. The effect of this acquisition on the financial results of the Group is as follows:

Post-acquisition results of subsidiary company acquired:

	The Group 2005 RM
Revenue	2,500,327
Cost of sales	(1,728,745)
Gross profit	771,582
Administrative expenses	(151,006)
Distribution costs	(54,706)
Profit from operations	565,870
Finance costs	(1,999)
Profit before tax	563,871
Tax expense	-
Increase in Group's profit attributable to shareholders	563,871

The effect of this acquisition on the financial position of the Group as of year end is as follows:

	Unaudited July 30, 2005 RM
Net assets acquired as of date of acquisition:	
Property, plant and equipment	3,999,013
Development costs	1,336,057
Inventories	1,314,088
Trade receivables	6,828,242
Other receivables and prepaid expenses	641,477
Short-term deposits with a licensed bank	690,000
Cash and bank balances	2,701,790
Trade payables	(2,102,236)
Other payables and accrued expenses	(1,435,319)
Amount owing to directors	(9,716)
Bank borrowings	(1,231,828)
Hire-purchase payable	(176,662)
Dividends payable to former shareholders of subsidiary company	(842,663)

(FORWARD)

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2006

	Unaudited July 30, 2005 RM
Net assets acquired	11,712,243
Negative goodwill on consolidation	(3,543,245)
Total purchase consideration	8,168,998
Net cash outflow arising on acquisition:	
Cash consideration	-
Cash and cash equivalents acquired (net of short-term deposit held as security value of RM600,000)	(2,791,790)
Acquisition of subsidiary company, net of cash and cash equivalents acquired	(2,791,790)

10. DEVELOPMENT COSTS

	The Group	
	2006 RM	2005 RM
At cost:		
At beginning of year/ period	1,359,356	-
Arising from acquisition of subsidiary company	-	1,336,057
Capitalised during the year/ period	5,147,443	23,299
At end of year/ period	6,506,799	1,359,356
Amortisation of development costs:		
At beginning of year/ period	(4,063)	-
Amortisation during the year/ period	(114,280)	(4,063)
At end of year/ period	(118,343)	(4,063)
	6,388,456	1,355,293

Included in development costs incurred during the year is the depreciation of property, plant and equipment of RM137,526 (2005: Nil).

11. INVENTORIES

	The Group	
	2006 RM	2005 RM
At cost:		
Raw materials	5,545,858	1,032,829
Work in progress	191,719	178,762
Finished goods	263,875	35,758
	6,001,452	1,247,349

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2006

12. TRADE RECEIVABLES

Trade receivables of the Group comprise amounts receivable for the sale of goods. The credit periods granted on sale of goods range from 30 to 60 days (2005: 45 to 60 days).

Analysis of trade receivables by currencies:

	<u>The Group</u>	
	<u>2006</u>	<u>2005</u>
	RM	RM
United States Dollar	8,069,920	6,464,301
Ringgit Malaysia	2,044,501	981,073
	<u>10,114,421</u>	<u>7,445,374</u>

13. OTHER RECEIVABLES AND PREPAID EXPENSES

	<u>The Group</u>		<u>The Company</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	RM	RM	RM	RM
Other receivables	793,000	45,607	-	-
Refundable deposits	133,100	69,897	-	-
Prepaid share issue expenses	-	595,572	-	595,572
Other prepaid expenses	1,016,990	-	-	-
	<u>1,943,090</u>	<u>711,076</u>	<u>-</u>	<u>595,572</u>

During the financial year, the prepaid share issue expenses have been written off against the share premium account.

Analysis of other receivables by currencies:

	<u>The Group</u>	
	<u>2006</u>	<u>2005</u>
	RM	RM
Ringgit Malaysia	793,000	22,535
Singapore Dollar	-	17,807
United States Dollar	-	5,265
	<u>793,000</u>	<u>45,607</u>

14. AMOUNT OWING BY/ (TO) A SUBSIDIARY COMPANY

The amount owing by/ (to) a subsidiary company, ETI Tech (M) Sdn. Bhd. arose mainly from advances which are unsecured, interest free and with no fixed term of repayments.

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2006

15. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statements consist of the following balance sheet items:

	<u>The Group</u>		<u>The Company</u>	
	2006	2005	2006	2005
	RM	RM	RM	RM
Short-term deposits with a licensed bank	2,500,000	690,000	-	-
Cash and bank balances	225,964	2,629,337	2	2
	2,725,964	3,319,337	2	2
Less: Short-term deposit held as security value	(600,000)	(600,000)	-	-
	2,125,964	2,719,337	2	2

Analysis of cash and cash equivalents by currencies:

	<u>The Group</u>		<u>The Company</u>	
	2006	2005	2006	2005
	RM	RM	RM	RM
Ringgit Malaysia	2,120,017	2,655,099	2	2
Hong Kong Dollar	4,741	-	-	-
United States Dollar	1,206	64,238	-	-
	2,125,964	2,719,337	2	2

The short-term deposit held as security value is pledged to a local bank for bank overdraft and other banking facilities obtained by the Group as mentioned in Note 19.

The effective interest rates for the short-term deposits range from 2.40% to 3.70% (2005: 2.75% to 3.00%) per annum. The short-term deposits are maturing within September 2006 to December 2006.

16. TRADE PAYABLES

Trade payables comprise amounts outstanding for trade purchases. The credit periods granted to the Group for trade purchases range from 30 to 60 day (2005: 45 to 60 days).

Analysis of trade payables by currencies:

	<u>The Group</u>		<u>The Company</u>	
	2006	2005	2006	2005
	RM	RM	RM	RM
Ringgit Malaysia	2,237,831	1,641,306	-	-
United States Dollar	1,052,916	199,500	-	-
	3,290,747	1,840,806	-	-

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2006

17. OTHER PAYABLES AND ACCRUED EXPENSES

	<u>The Group</u>		<u>The Company</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	RM	RM	RM	RM
Other payables	1,051,259	1,367,775	5,546	27,422
Accrued expenses	407,627	196,398	57,002	8,000
	<u>1,458,886</u>	<u>1,564,173</u>	<u>62,548</u>	<u>35,422</u>

Other payables and accrued expenses comprise mainly amounts outstanding for ongoing costs.

Analysis of other payables and accrued expenses by currencies:

	<u>The Group</u>		<u>The Company</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	RM	RM	RM	RM
Ringgit Malaysia	1,413,298	1,489,220	62,548	35,422
United States Dollar	45,588	74,953	-	-
	<u>1,458,886</u>	<u>1,564,173</u>	<u>62,548</u>	<u>35,422</u>

18. AMOUNT OWING TO DIRECTORS

The amount owing to directors arose mainly from advances which are unsecured, interest free and with no fixed term of repayment.

19. BANK BORROWINGS

	<u>The Group</u>	
	<u>2006</u>	<u>2005</u>
	RM	RM
Secured:		
Bankers' acceptance	749,000	191,000
Trust receipts	398,048	1,174,828
	<u>1,147,048</u>	<u>1,365,828</u>

The Group has bank overdraft and other banking facilities obtained from a local bank which are secured by short-term deposit of RM600,000 and covered by guarantees from certain directors of the Company.

The Group's bankers' acceptance bears acceptance commission at 1.75% while the bank overdraft and other banking facilities bear interest at a rate of 3.50% per annum above the Bank Negara Malaysia's funding rate.

The effective interest rates are as follows:

	<u>The Group</u>	
	<u>2006</u>	<u>2005</u>
	%	%
Bankers' acceptance	4.05	3.20
Trust receipts	5.00	5.00

The bankers' acceptance and trust receipts are maturing within September 2006 to October 2006.

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2006

20. HIRE-PURCHASE PAYABLE

	The Group	
	2006	2005
	RM	RM
Total outstanding	150,520	195,688
Less: Interest in suspense outstanding	(17,200)	(22,360)
Principal outstanding	133,320	173,328
Less: Amount due within one year	(40,008)	(40,008)
Non-current portion	93,312	133,320
The non-current portion is repayable as follows:		
Later than 1 year and not later than 2 years	40,008	40,008
Later than 2 years and not later than 5 years	53,304	93,312
	93,312	133,320

The Group acquired certain of its property, plant and equipment under hire-purchase arrangement. The term for hire-purchase is 5 years and the effective borrowing rate is 4.89% per annum. Interest rate is fixed at the inception of the hire-purchase arrangement.

The Group's hire-purchase payable is secured by the financial institution's charge over the asset under hire-purchase.

21. SHARE CAPITAL

	The Group and the Company			
	2006		2005	
	No. of shares	RM	No. of shares	RM
Authorised:				
Shares of RM0.10 each:				
At beginning of year / date of incorporation	250,000,000	25,000,000	1,000,000	100,000
Increased during the year / period	-	-	249,000,000	24,900,000
At end of year / period	250,000,000	25,000,000	250,000,000	25,000,000
Issued and fully paid:				
Ordinary shares of RM0.10 each:				
At beginning of year / date of incorporation	81,690,000	8,169,000	20	2
Issued during the year / period	31,772,000	3,177,200	81,689,980	8,168,998
At end of year / period	113,462,000	11,346,200	81,690,000	8,169,000

During the financial year, the issued and paid-up ordinary share capital of the Company was increased from RM8,169,000 divided into 81,690,000 ordinary shares of RM0.10 each to RM11,346,200 divided into 113,462,000 ordinary shares of RM0.10 each by way of public issue of 31,772,000 new ordinary shares of RM0.10 each at an issue price of RM0.45 each.

The new ordinary shares issued rank pari passu with the then existing ordinary shares of the Company.

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2006

22. RESERVES

	<u>The Group</u>		<u>The Company</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	RM	RM	RM	RM
Non-distributable:				
Share premium	9,727,075	-	9,727,075	-
Distributable:				
Retained profit / (Accumulated losses)	10,220,123	4,089,270	(256,413)	(17,846)
	<u>19,947,198</u>	<u>4,089,270</u>	<u>9,470,662</u>	<u>(17,846)</u>

Share premium of the Group and of the Company arose from allotments of ordinary shares at premium net of share issue expenses.

23. DEFERRED TAX LIABILITIES

	<u>The Group</u>		<u>The Company</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	RM	RM	RM	RM
At beginning of year	-	-	-	-
Transfer from income statements (Note 6)	258,031	-	-	-
At end of year	<u>258,031</u>	<u>-</u>	<u>-</u>	<u>-</u>

The deferred tax liabilities are the tax effect in respect of the temporary differences between tax capital allowances and depreciation of property, plant and equipment.

24. LEASE COMMITMENTS

As of August 31, 2006, non-cancellable long-term lease commitments in respect of rental of equipment and premises are as follows:

	<u>The Group</u>	
	<u>2006</u>	<u>2005</u>
	RM	RM
Not later than 1 year	-	3,060
Later than 1 year but not later than 5 years	-	1,520
	<u>-</u>	<u>4,580</u>

25. SEGMENT REPORTING

Business Segment

The Group operates in a single business segment, namely research and development, design and marketing of Battery Management System for rechargeable energy storage solutions. Accordingly, no industry segment information of the Group has been presented.

Geographical Segment

Information on the Group's sales by geographical markets is not presented as the Group's sales are derived from Asia Pacific.

Segment reporting for segment assets and capital additions based on analysis by geographical area is also not presented as the Group's operations are located in Malaysia.

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2006

26. FINANCIAL INSTRUMENTS

a. Financial Risk Management Objectives and Policies

The operations of the Group are subject to a variety of financial risk, including foreign currency risk, interest rate risk, market risk, credit risk, liquidity risk and cash flow risk. The Group has formulated a financial risk management framework whose principal objective is to minimise the Group's exposure to risks and/or costs associated with the financing, investing and operating activities of the Group.

Various risk management policies are made and approved by the Board for observation in the day-to-day operations for the controlling and management of the risks associated with financial instruments.

i. Foreign currency risk

The Group has exposure to foreign exchange risk as a result of transactions and receivables and payables in foreign currencies arising from normal operating activities. The Group does not speculate in foreign currencies.

ii. Interest rate risk

The Group's exposure to changes in interest rates risk relates primarily to the short-term deposits with a licensed bank and financing through hire-purchase and bank borrowings. The short-term deposits are placed with a reputable bank. The Group does not use derivative financial instruments to hedge its risk.

iii. Market risk

The Group has in place policies to manage the Group's exposures to fluctuation in the prices of the key raw materials used in the operations.

iv. Credit risk

The Group is exposed to credit risk mainly from trade receivables. The Group extends credit to its customers based upon careful evaluation of the customers' financial condition and credit history. The Group also ensures a number of customers so as to limit high credit concentration in a customer or customers from a particular market.

v. Liquidity risk

The Group practices prudent liquidity risk management to minimise the mismatch of financial assets and liabilities and to maintain sufficient credit facilities for contingent funding requirement of working capital.

vi. Cash flow risk

The Group reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flows associated with its monetary financial instruments.

b. Credit Risk

The maximum credit risk associated with recognised financial assets is the carrying amount shown in the balance sheet.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

c. Fair Values

The fair value of hire-purchase payable approximates its carrying amount and is estimated using discounted cash flow analysis based on current borrowing rate for similar type of borrowing arrangement.

The fair values of financial assets and other financial liabilities approximate their carrying amounts because of the short maturity of these instruments.



STATEMENT BY DIRECTORS DECLARATION BY THE DIRECTOR PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE COMPANY

STATEMENT BY DIRECTORS

The directors of ETI TECH CORPORATION BERHAD state that, in their opinion, the accompanying balance sheets and the related statements of income, changes in equity and cash flows, are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable MASB approved accounting standards in Malaysia, so as to give a true and fair view of the state of affairs of the Group and of the Company as of August 31, 2006 and of their results and cash flows for the year ended on that date.

Signed in accordance with
a resolution of the Directors,

LEE KAH KHENG

DENNIS CHUAH

Penang,
12 December 2006

DECLARATION BY THE DIRECTOR PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE COMPANY

I, LEE KAH KHENG, the director primarily responsible for the financial management of ETI TECH CORPORATION BERHAD, do solemnly and sincerely declare that the accompanying balance sheets and the related statements of income, changes in equity and cash flows, are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed LEE KAH KHENG at
GEORGETOWN in the State of PENANG
on 12 December 2006

LEE KAH KHENG

Before me,

GOVINDASAMY A/L G.MUTTUSAMY,
PJM
COMMISSIONER FOR OATHS

LIST OF PROPERTY

Save as disclosed below, whereby ETICB is the lease owner, the ETICB Group does not own any landed property as at the date of this Annual Report:-

No	Name of Registered Owner / Postal Address / Title Identification	Approx Age of Lease Building / Tenure / Date of Expiry of Lease	Description / Existing Use	Land Area / Build Up Area	Net Book Value as at 31 August 2006 RM	Year of Valuation / Acquisition
1.	<p><i>Perbadanan Kemajuan Negeri Kedah</i></p> <p>Lease of part of H.S.(D) 1708 P.T. No. 1950, Mukim Padang China, Daerah Kulim, Kedah Darul Aman situated at Lot No. 12, Industrial Zone Phase II, Kulim High Tech Park, Kedah Darul Aman</p> <p><u>Bearing Postal Address</u> Lot No.12 Industrial Zone Phase II, Kulim Hi-Tech Park, Kulim 09000, Kedah Darul Aman, Malaysia.</p>	Leasehold of sixty (60) years expiring on 25 December 2064	A factory and office block which houses its design and R&D centre	39,950 m ²	N/A	N/A

STATISTICS OF SHAREHOLDINGS

SHARE CAPITAL AS AT 28 DECEMBER 2006

Authorised Capital	: RM25,000,000.00
Issued and Paid-up Capital	: RM11,346,200.00
Class of Shares	: Ordinary Shares of RM0.10 each
Voting Rights	: One voting right for one ordinary share

DISTRIBUTION OF SHAREHOLDERS AS AT 28 DECEMBER 2006

Size of Holdings	No. of Holders	%	No. of Shares	%
Less Than 100	4	1.033	212	0.000
100 – 1,000	61	15.762	52,400	0.046
1,001 – 10,000	113	29.198	579,500	0.510
10,001 – 100,000	110	28.423	4,990,686	4.398
100,001 – 5,673,099	96	24.806	52,010,228	45.839
5,673,100 and above	3	0.775	55,828,974	49.204
Total	387	100.000	113,462,000	100.000

THIRTY (30) LARGEST SECURITIES HOLDERS AS AT 28 DECEMBER 2006

No.	Name	Shareholdings	%
1	Dennis Chuah	22,673,687	19.984
2	Lee Kah Kheng	21,883,687	19.287
3	Ch'ng Kong San	10,251,600	9.035
4	Perbadanan Nasional Berhad	5,200,000	4.583
5	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Dennis Chuah (SFC)	4,000,000	3.525
6	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Lee Kah Kheng (SFC)	1,790,000	1.578
7	Khor Hooi Chin	1,550,000	1.366
8	Amanah Ventures Sdn Bhd	1,470,851	1.296
9	Ros Haswati Bt Mohd Hanepah	1,418,100	1.250
10	Woo Yoke Fong	1,294,400	1.141
11	Kuala Lumpur City Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lau Seng Khiang	1,245,000	1.097
12	Khor Yee Kwang	1,190,112	1.049
13	Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yeoh Kee Leng	1,137,900	1.003
14	Lim Choo Kiang	1,106,500	0.975
15	Ch'ng Kong San	1,020,000	0.899
16	Bukit Asa Sdn Bhd	1,000,000	0.881
17	MIDF Sisma Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tong Yun Mong (MGN-TYM004M)	1,000,000	0.881
18	Nor Aliza Aida Binti Ahmad	950,000	0.837
19	Chan Kam Woo	890,112	0.785
20	Ong Kah Huat	890,000	0.784
21	Leong Choon Onn	884,000	0.779
22	Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Matthew Chua Keng Siew	837,500	0.738
23	HDM Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Toh Pik Chai (M05)	826,000	0.728

STATISTICS OF SHAREHOLDINGS

THIRTY (30) LARGEST SECURITIES HOLDERS AS AT 28 DECEMBER 2006

(CONT'D)

24	Tan Yak Kim	795,000	0.701
25	Lim Chin Mun	791,800	0.698
26	Moy Chon Seng	763,800	0.673
27	Chang Lik Sean	730,000	0.643
28	Chan Wong Yoke	702,000	0.619
29	Mansor Bin Padzin	593,408	0.523
30	ECM Libra Avenue Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lee Bong Lan	559,400	0.493
	TOTAL	89,444,857	78.832

SUBSTANTIAL SHAREHOLDERS AS AT 28 DECEMBER 2006

Name	Direct Shareholding	%	Indirect Shareholding	%
Dennis Chuah	27,173,687	23.950	-	-
Lee Kah Kheng	24,173,687	21.306	655,045*	0.577*
Dato' Ch'ng Kong San	11,271,600	9.934	-	-
Yeoh Li Hua	655,045	0.577	24,173,687*	21.306*

DIRECTORS' SHAREHOLDING AS AT 28 DECEMBER 2006

Name	Direct Shareholding	%	Indirect Shareholding	%
Dato' Ch'ng Kong San	11,271,600	9.934	-	-
Lee Kah Kheng	24,173,687	21.306	655,045*	0.577*
Dennis Chuah	27,173,687	23.950	-	-
Mansor Bin Padzin	808,475	0.713	3,900,000*	3.437*
Ahmad Bin Darus	-	-	-	-
Nordin Bin Mohamad Desa	-	-	-	-
Baqir Hussain Bin Hatim Ali	-	-	-	-

*Deem Interest Under Section 122A of the Companies Act, 1965 by virtue of his/her spouse's shareholdings in ETICB.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Second Annual General Meeting of the Company will be held at Function Hall 2, Level 2, Gurney Resort Hotel of 18 Persiaran Gurney, 10250 Penang. on Friday, 23 February 2007 at 10:00a.m. for the following purposes:-

A G E N D A

1. To receive the Audited Financial Statements for the year ended 31 August 2006 together with the reports of the Directors and Auditors thereon. (Resolution 1)
2. To approve the payment of Directors' Fees up to RM132,000.00 for the year ending 31 August 2007. (Resolution 2)
3. To re-elect the following Directors retiring under the respective provision of the Articles of Association of the Company, and who, being eligible offer themselves for re-election:-
 - a. Dennis Chuah Article 85 (Resolution 3)
 - b. Mansor Bin Padzin Article 85 (Resolution 4)
 - c. Dato' Ch'ng Kong San Article 92 (Resolution 5)
4. To re-appoint Messrs. Deloitte KassimChan as Auditors of the Company and to authorize the Board of Directors to fix their remuneration. (Resolution 6)
5. AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:-

Authority to Issue Shares

"That pursuant to Section 132D of the Companies Act, 1965, the Articles of Association of the Company and approvals from Bursa Malaysia Securities Berhad and other relevant governmental/regulatory authorities where such authority shall be necessary, the Board of Directors be and are hereby authorized to issue and allot shares in the Company from time to time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Board of Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued shall not exceed ten per centum (10%) of the issued share capital of the Company for the time being, and that the Board of Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the MESDAQ Market of Bursa Malaysia Securities Berhad." (Resolution 7)

6. To transact any other business of which due notice shall have been given in accordance with the Companies Act, 1965.

By Order of the Board
HOW WEE LING (MAICSA 7033850)
Secretary

Penang
Date: 31 January 2007

NOTICE OF ANNUAL GENERAL MEETING

NOTES:

Proxy

A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.

To be valid, this form, duly completed must be deposited at the registered office of the Company at 57-2, Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang not less than forty-eight (48) hours before the time for holding the meeting.

A member shall be entitled to appoint more than two (2) proxies to attend and vote at the same meeting.

Where a member appoints two (2) or more proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

If the appointor is a corporation, this form must be executed under its Common Seal.

Retirement of Directors

Pursuant to Rule 8-36(2) of the Listing Requirements of Bursa Securities for the MESDAQ Market, the details of directors standing for re-election are set out on page 8 to 11 of this Annual Report.

Explanatory Note On Special Business:

The proposed Resolution No. 7 (Item No. 5), if passed, will empower the Directors of the Company to issue and allot shares in the Company from time to time and for such purposes as the Directors consider would be in the interest of the Company. This authority will, unless revoked or varied by the Company in general meeting, expire at the next Annual General Meeting of the Company.

PROXYFORM

No of ordinary shares held

I/We.....
 (*NRIC No./Company No.....) of
 being a *Member/Members of ETI TECH CORPORATION BERHAD hereby appoint
 (*NRIC No./Passport No.....) of.....
 or failing him.....
 (*NRIC No./Passport No.....) ofas at my/our behalf at the
 Second Annual General Meeting * of the Company to be held at Function Hall 2, Level 2, Gurney Resort Hotel of 18 Persiaran
 Gurney, 10250 Penang. on Friday, 23 February 2007 at 10:00a.m. and, at every adjournment thereof to vote as indicated below:-
 (Please indicate with an "X" in the space provided above on how you wish your vote to be cast. If you do not do so, the proxy will vote
 or abstain from voting at his discretion)

RESOLUTIONS	FOR	AGAINST
1. To receive the Audited Financial Statements for the year ended 31 August 2006 together with the reports of the Directors and Auditors thereon.		
2. To approve the payment of Directors' Fees up to RM132,000.00 for the year ending 31 August 2007.		
To re-elect the following Directors retiring under the respective provision of the Articles of Association of the Company:-		
3. Dennis Chuah Article 85		
4. Mansor Bin Padzin Article 85		
5. Dato' Ch'ng Kong San Article 92		
6. To re-appoint Messrs. Deloitte KassimChan as Auditors of the Company and to authorise the Board of Directors to fix their remuneration.		
To pass the following resolution as Special Business :- Ordinary Resolution		
7. Authority to Issue Shares pursuant to Section 132D of the Companies Act, 1965.		

* Strike out whichever is not desired.

Signature of Shareholder(s)

Signed this day of....., 2007.

Notes:

A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.

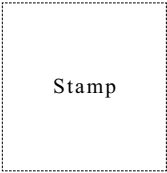
To be valid, this form, duly completed must be deposited at the registered office of the Company at 57-2, Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang not less than forty-eight (48) hours before the time for holding the meeting.

A member shall be entitled to appoint more than two (2) proxies to attend and vote at the same meeting.

Where a member appoints two (2) or more proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

If the appointor is a corporation, this form must be executed under its Common Seal.

Please fold across the line and close



The Company Secretary
ETI TECH CORPORATION BERHAD
(Company No. 667845-M)
57-2 Persiaran Bayan Indah
Bayan Bay, Sungai Nibong
11900 Penang

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