
13. ACCOUNTANTS' REPORT

(Prepared for inclusion in this Prospectus)

Deloitte.

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The Board of Directors
ETI Tech Corporation Berhad
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15 February 2006

Dear Sirs,

1. INTRODUCTION

This report has been prepared by Deloitte KassimChan, an approved company auditor, for inclusion in the Prospectus of ETI Tech Corporation Berhad (hereinafter referred to as "ETICB" or "Company") dated 28 February 2006 in connection with the following:

- i. public issue of 31,772,000 new ordinary shares of RM0.10 each in ETICB ("ETICB Shares") at an issue price of RM0.45 per ordinary share; and
- ii. listing of and quotation for the entire enlarged issued and paid-up share capital of ETICB comprising 113,462,000 ordinary shares of RM0.10 each on the MESDAQ Market of Bursa Malaysia Securities Berhad ("Securities Exchange").

2. GENERAL INFORMATION

2.1 Background

ETICB was incorporated in Malaysia under the Companies Act, 1965 on 30 September 2004 as a public limited company. ETICB is principally involved in investment holding and provision of management services.

2.2 Corporate Exercise

In conjunction with, and as an integral part of the listing of and quotation for the entire enlarged issued and paid-up share capital of ETICB on the MESDAQ Market of Securities Exchange, ETICB's Corporate Exercise which was approved by the relevant authorities involves the following transactions:

13. ACCOUNTANTS' REPORT (Cont'd)

- i. Acquisition of the entire issued and fully paid-up share capital of ETI Tech (M) Sdn. Bhd. ("ETI TECH") comprising 1,376,627 ordinary shares of RM1.00 each for a total purchase consideration of RM8,168,998 satisfied by the issuance of 81,689,980 new ordinary shares of RM0.10 each at par in ETICB ("ETICB Shares"). The said acquisition was completed on 30 July 2005 and was accounted for using the acquisition method of consolidation.
- ii. Public issue of 31,772,000 new ETICB Shares at an issue price of RM0.45 per ETICB Share. Upon completion of the Public Issue, the issued and paid-up share capital of ETICB will increase to RM11,346,200 comprising 113,462,000 ETICB Shares credited as fully paid-up.
- iii. Establishment of an Employee Share Option Scheme ("ESOS") for eligible employees and directors of the Group. The number of ESOS options to be offered under the ESOS shall not exceed 30% of the issued and paid-up share capital of ETICB at any one time during the duration of the ESOS.
- iv. Listing of and quotation for the entire enlarged issued and paid-up share capital of ETICB comprising 113,462,000 ETICB Shares and such number of new ETICB Shares to be issued upon the exercise of options to be granted pursuant to the ESOS on the Official List of the MESDAQ Market of Securities Exchange.

2.3 Share Capital

The authorised and issued and paid-up share capital of ETICB as of the date of this report are as follows:

	No. of shares	Par value RM	Amount RM
Authorised Shares	250,000,000	0.10	25,000,000
Issued and fully paid-up Ordinary shares	81,690,000	0.10	8,169,000

Details of the changes in the issued and paid-up share capital of ETICB since the date of its incorporation are as follows:

Date of allotment	No. of ordinary shares allotted	Par value RM	Consideration/ Type of issue	Cumulative issued and paid-up share capital RM
30 September 2004	20	0.10	Subscribers' shares	2
30 July 2005	81,689,980	0.10	Consideration for the acquisition of ETI TECH	8,169,000

Upon completion of the Public Issue, the issued and paid-up share capital of ETICB would be increased by 31,772,000 new ETICB Shares to 113,462,000 ETICB Shares of RM0.10 each.

13. ACCOUNTANTS' REPORT (Cont'd)**2.4 Subsidiary Company**

Details of the subsidiary company of ETICB as of the date of this report are as follows:

Name	Date/ Country of incorporation	Issued and paid-up share capital RM	Effective equity interest %	Principal activities
ETI Tech (M) Sdn. Bhd. (ETI TECH)	30 July 2002/ Malaysia	1,376,627	100	Involved in research and development, design and marketing of Battery Management System for rechargeable energy storage solutions.

3. AUDITORS AND AUDITED FINANCIAL STATEMENTS

We have been appointed as the statutory auditors of ETICB and ETI TECH since the dates of incorporation. The financial statements of ETICB and ETI TECH during the financial years/ period under review were not subject to any qualification.

The financial statements of ETICB and its subsidiary company, herein collectively referred to as "ETICB Group" have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia.

4. DIVIDENDS

No dividends have been paid or declared by ETICB since the date of its incorporation.

Details of dividends declared by ETI TECH since the date of its incorporation are as follows:

Financial year ended	Issued and paid-up share capital RM	Interim/ final/ special dividend	Gross dividend per ordinary share tax exempt RM	Net dividend RM	Financial year in which dividend will be paid
31.8.2005	1,194,733 ordinary shares	Interim	0.50	597,366	31.8.2006
31.8.2005	181,894 Redeemable Convertible Cumulative Preference Shares	Special	1.35	245,297	31.8.2006

13. ACCOUNTANTS' REPORT (Cont'd)

5. SUMMARISED INCOME STATEMENTS

5.1 The Proforma Group

The summarised proforma consolidated income statement of ETICB Group for the financial period from 30 July 2002 (date of incorporation) to 31 August 2003 and the past two financial years ended from 31 August 2004 to 31 August 2005 have been prepared for illustrative purposes only after making such adjustments that we consider necessary and assuming that the ETICB Group has been in existence throughout the financial period/years under review.

	13 months ended 31 August 2003 RM'000	Financial year ended 31 August 2004 RM'000	Financial year ended 31 August 2005 RM'000
Revenue	110	5,258	18,385
Results of operating activities before interest, research and development (R&D) expenses, depreciation, taxation and amortisation	18	1,352	5,307
R&D expenses	-	(87)	(14)
Profit before interest, depreciation, taxation and amortisation	18	1,265	5,293
Interest expenses	-	-	(31)
Depreciation expenses	-	(83)	(264)
Amortisation of deferred development costs	(7)	(25)	(66)
Profit before tax	11	1,157	4,932
Tax (expense)/ income	(2)	2	-
Profit after tax before minority interest	9	1,159	4,932
Minority interest	-	-	-
Profit after tax after minority interest	9	1,159	4,932
Number of ordinary shares assumed in issue ('000)	81,690	81,690	81,690
Gross earnings per ordinary share (sen)	0.01	1.42	6.04
Net earnings per ordinary share (sen)	0.01	1.42	6.04

13. ACCOUNTANTS' REPORT (*Cont'd*)**Notes:**

- i. The proforma consolidated income statement of ETICB Group has been prepared based on the audited financial statements of ETICB Group and assuming that the effective shareholdings in subsidiary company held by ETICB as mentioned under Note 2.4 has been in effect throughout the financial years/ period under review.
- ii. The revenue generated by the Group was only RM110,000 for the period ended 31 August 2003 as the Group was only started to commercialise its products in July 2003. During the first year of operations, the Group recorded a commendable gross profit margin of 54%. The high gross profit margin on the back of low revenue was mainly attributable to a low cost of sales during the period, which only comprised of amortisation of development costs and sub-contract charges.

The Group only achieved a pre-tax profit of RM11,000 with a pre-tax margin of 10% during the period as a result of high travelling expenses and professional fee.

- iii. The Group recorded a significant increase in revenue and profit after tax for the financial year ended 31 August 2004. Revenue jumped more than 100% over that of the previous period rising from RM110,000 to RM5,258,000 while gross profit rose from RM59,000 to RM1,724,000. The increase in revenue and gross profit was due to the increase in demand from new customers such as Expert Telecom International, Hollis Holdings Corp., Komputown Sales & Services and APR Electronics Services Sdn. Bhd. on the Group's products namely PDA Batteries, Radio Controller (RC) Batteries, Bluetooth Headset Batteries, Notebook Batteries and Military Walkie-Talkie Batteries. Furthermore, the total revenue of the year comprised of whole year revenue as compared to two months in prior period.

Nevertheless, the Group recorded a lower gross profit margin of 33% as compared to 54% in prior period as a result of the increase in the development cost expensed off, amortisation of development costs and sub-contract charges as the Group strived to meet the incessant demand and to improve the features of the products sold.

The significant increase in pre-tax profit from RM11,000 to RM1,157,000 was mainly contributed by the high gross profit generated from the increased revenue.

With the increased business activities, operating expenses of the Group inevitably increased. This was attributable to the increase in salaries following by the increase in professional staff in view of the Group's endeavor to strengthen its research and development project. In addition, the depreciation of property, plant and equipment, cost associated with transportation and travelling also rose substantially in line with the rise in business activities.

13. ACCOUNTANTS' REPORT (Cont'd)

- iv. The Group achieved approximately 250% improvement in revenue from approximately RM5,258,000 for the year ended 31 August 2004 to approximately RM18,385,000 for the year ended 31 August 2005. The significant increase in revenue was resulted from the Group's commercialisation of its new product, Series 4 Portable Power Pack in March 2005. The sales of Series 4 Portable Power Pack contributed approximately 35% of the total sales. Beside, there was also an increase in sales of the Group's existing products such as PDA Batteries, Radio Controller (RC) Batteries, Bluetooth Headset Batteries, Notebook Batteries and Military Walkie-Talkie Batteries due to the increase in demand from the existing customers and a new customer, NexG Technologies Pty. Ltd. during the period.

The Group recorded a higher gross profit margin of 36% as compared to 33% in prior year as a result of the increase in sales of Series 2, 3 and 4 Batteries which command a higher gross profit margin. As a result of the increase in sales and gross profit margin, the Group managed to generate approximately RM4,932,000 pre-tax profit.

- v. There were no extraordinary items and exceptional items during the financial period/ years under review.
- vi. The effective tax rates of the Group for past financial period/ years were lower than the statutory tax rate due to the pioneer status granted by Multimedia Development Corporation to the subsidiary, ETI TECH 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 ETI TECH's statutory income derived from the development and commercialisation of the PLI Battery Series 1, 2, 3, 4, 6 and 8 are exempted from income tax for a period of five years commencing from 15 July 2003 to 14 July 2008.
- vii. The gross earnings per ordinary share have been calculated by dividing the proforma consolidated profit before tax by the number of ETICB Shares assumed in issue, based on the existing paid-up ordinary share capital of the Company before the Public Issue.
- viii. The net earnings per ordinary share have been calculated by dividing the consolidated profit after tax by the number of ETICB Shares assumed in issue, based on the existing paid-up ordinary share capital of the Company before the Public Issue.

13. ACCOUNTANTS' REPORT (Cont'd)**5.2 ETICB and its subsidiary company**

The summarised income statements of each company within the ETICB Group for the relevant financial period/ years are as follows:

5.2.1 ETICB

	11 months ended 31 August 2005 RM'000
Revenue	-
Loss before interest, depreciation and taxation	(18)
Interest expenses	-
Depreciation expenses	-
Loss before tax	(18)
Tax expense	-
Loss after tax	(18)
Weighted average number of ordinary shares in issue ('000)	7,426
Gross loss per ordinary share (sen)	(0.24)
Net loss per ordinary share (sen)	(0.24)

Notes:

- i. There were no extraordinary items and exceptional items during the financial period under review.
- ii. No provision for income tax was made for the period ended 31 August 2005 as ETICB has incurred loss.
- iii. The gross loss per ordinary share have been calculated by dividing the loss before tax by the weighted average number of ordinary shares of ETICB in issue during the financial period under review.
- iv. The net loss per ordinary share have been calculated by dividing the loss after tax by the weighted average number of ordinary shares of ETICB in issue during the financial period under review.

13. ACCOUNTANTS' REPORT (Cont'd)**5.2.2 ETI TECH**

	13 months ended 31 August 2003 RM'000	Financial year ended 31 August 2004 RM'000	Financial year ended 31 August 2005 RM'000
Revenue	110	5,258	18,385
Results of operating activities before interest, research and development (R&D) expenses, depreciation, taxation and amortisation	18	1,352	5,325
R&D expenses	-	(87)	(14)
Profit before interest, depreciation, taxation and amortisation	18	1,265	5,311
Interest expenses	-	-	(31)
Depreciation expenses	-	(83)	(264)
Amortisation of deferred development costs	(7)	(25)	(66)
Profit before tax	11	1,157	4,950
Tax (expense)/ income	(2)	2	-
Profit after tax	9	1,159	4,950
Weighted average number of ordinary shares in issue ('000)	23	228	1,161
Gross earnings per ordinary share (RM)	0.48	5.07	4.26
Net earnings per ordinary share (RM)	0.39	5.08	4.26

Notes:

- i. There were no extraordinary items and exceptional items during the financial period/ years under review.
- ii. Overprovision of deferred tax liabilities in 2003 of RM2,000 which had been reversed in 2004 was taken into consideration in calculating the effective tax rate for 2003 and 2004.
- iii. The effective tax rates of ETI TECH for past financial period/ years were lower than the statutory income tax rate due to the pioneer status granted by Multimedia Development Corporation to ETI TECH for the development and commercialisation of the PLI Battery Series 1, 2, 3, 4, 6 and 8. Under this incentive, 100% of the ETI TECH's statutory income from the development and commercialisation of the PLI Battery Series 1, 2, 3, 4, 6 and 8 are exempted from income tax for a period of five years commencing from 15 July 2003 to 14 July 2008.

13. ACCOUNTANTS' REPORT (Cont'd)

- iv. The gross earnings per ordinary share have been calculated by dividing the profit before tax by the weighted average number of ordinary shares of ETI TECH in issue during the financial period/ years under review.
- v. The net earnings per ordinary share have been calculated by dividing the profit after tax by the weighted average number of ordinary shares of ETI TECH in issue during the financial period/ years under review.

6. SUMMARISED BALANCE SHEETS

As the acquisition of ETI TECH only took place on 30 July 2005, it is therefore impracticable to present the proforma balance sheets of ETICB Group throughout the financial years/ period under review. The proforma financial position of ETICB Group has been presented by way of proforma statement of assets and liabilities as of 31 August 2005 in Note 7 of this report based on the latest audited financial statements as of 31 August 2005 of ETICB Group and based on the assumption that the corporate exercise as mentioned under Note 2.2 of this report had been effected on 31 August 2005.

The summarised balance sheets of each company within the ETICB Group based on their respective audited financial statements as of the end of the relevant financial period/ years are as follows:

6.1 ETICB

	As of 31 August 2005 RM'000
Investment in a subsidiary company	8,169
Current assets	595
Current liabilities	(613)
Net current liabilities	(18)
	<hr/> 8,151 <hr/>
Share capital	8,169
Accumulated loss	(18)
	<hr/> 8,151 <hr/>
Number of ordinary shares in issue ('000)	81,690
Net tangible assets per ordinary share (RM)	0.10

13. ACCOUNTANTS' REPORT (Cont'd)

6.2 ETI TECH

	As of 31 August 2003 RM'000	As of 31 August 2004 RM'000	As of 31 August 2005 RM'000
Property, plant and equipment	-	331	3,976
Development costs	199	441	1,355
Current assets	60	2,096	12,706
Current liabilities	(22)	(700)	(5,628)
Net current assets	38	1,396	7,078
	237	2,168	12,409
Share capital	226	1,000	1,377
Reserves	9	1,168	10,899
Shareholders' equity	235	2,168	12,276
Long-term liability	2	-	133
	237	2,168	12,409
Number of ordinary shares in issue ('000)	226	1,000	1,377
Net tangible assets per ordinary share (RM)	0.16	1.73	7.93

13. ACCOUNTANTS' REPORT (Cont'd)

7. STATEMENT OF ASSETS AND LIABILITIES

The following are the detailed statement of assets and liabilities of ETICB Group which have been prepared for illustrative purposes only and based on the audited consolidated balance sheets of ETICB as of 31 August 2005. The statement of assets and liabilities of the ETICB Group have been prepared on the assumption that the corporate exercise as mentioned under Note 2.2 had been effected on 31 August 2005 and should be read in conjunction with the notes thereon.

	Note	Audited ETICB Group RM'000	Proforma Group RM'000
NON-CURRENT ASSETS			
Property, plant and equipment	9.3	3,976	5,047
Development costs	9.4	1,355	6,480
CURRENT ASSETS			
Inventories	9.5	1,247	1,247
Trade receivables	9.6	7,446	7,446
Other receivables and prepaid expenses	9.7	711	711
Short-term deposits with a licensed bank	9.8	690	690
Cash and bank balances		2,629	22,659
Total Current Assets		12,723	32,753
CURRENT LIABILITIES			
Trade payables	9.9	1,840	1,840
Other payables and accrued expenses	9.10	1,564	635
Amount owing to directors	9.11	10	10
Bank borrowings	9.12	1,366	1,366
Hire-purchase payable	9.13	40	40
Dividends payable to former shareholders of subsidiary company		843	843
Total Current Liabilities		5,663	4,734
NET CURRENT ASSETS		7,060	28,019
		12,391	39,546
SHARE CAPITAL	9.14	8,169	14,750
SHARE PREMIUM	9.15	-	21,533
RETAINED PROFIT		4,089	3,130
		12,258	39,413
LONG-TERM LIABILITY			
Hire-purchase payable	9.13	133	133
		12,391	39,546
Par value per share (RM)		0.10	0.10
Number of ordinary shares assumed in issue ('000)		81,690	147,500
Net Tangible Assets/ Proforma Net Tangible Assets (RM'000)		10,903	32,933
Net Tangible Assets/ Proforma Net Tangible Assets per ordinary share (RM)		0.13	0.22

13. ACCOUNTANTS' REPORT (Cont'd)

8. PROFORMA CONSOLIDATED CASH FLOW STATEMENT

The following are the proforma consolidated cash flow statement of ETICB Group which have been prepared for illustrative purposes only and based on the audited financial statements of ETICB for the period from 30 September 2004 (date of incorporation) to 31 August 2005 and the audited financial statements of ETI TECH for the year ended 31 August 2005. The proforma consolidated cash flow statement of the ETICB Group have been prepared on the assumption that the ETICB Group had been in existence throughout the said financial period and based on the assumption that the corporate exercise in note 2.2 had been effected.

	Proforma Group RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipt from customers	12,167
Cash paid to suppliers and employees	(13,394)
Net cash used in operating activities	(1,227)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	8
Payment of capitalised development costs	(6,105)
Purchase of property, plant and equipment	(4,780)
Net cash used in investing activities	(10,877)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from:	
ESOS	15,317
Public issue	14,297
Issuance of shares by ETI TECH	6,000
Increase in bank borrowings	1,366
Listing expenses paid	(1,500)
Short-term deposit held as security value	(600)
Decrease in amount owing to directors	(89)
Interest paid	(31)
Repayment of hire-purchase payable	(27)
Net cash generated from financing activities	34,733
NET INCREASE IN CASH AND CASH EQUIVALENTS	22,629
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	120
CASH AND CASH EQUIVALENTS AT END OF YEAR	22,749
Cash and cash equivalents comprise of:	
Cash and bank balances	22,659
Short-term deposits with a licensed bank	690
	23,349
Less: Short-term deposit held as security value	(600)
	22,749

13. ACCOUNTANTS' REPORT (Cont'd)**9. NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES****9.1 BASIS OF PREPARATION OF STATEMENT OF ASSETS AND LIABILITIES**

The statement of assets and liabilities has 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.

9.2 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 company made up to the end of the financial period. All significant intercompany transactions, balances and resulting unrealised gains are eliminated on consolidation. 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 company are measured at its 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 company acquired or disposed of during the financial period 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 and of the Company 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 and other operating income are recognised on an accrual basis.

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 rates ruling at balance sheet date. Translation gains and losses are recognised in the income statements as they arise.

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

	RM
1 United States Dollar	3.7505
1 Singapore Dollar	2.2406

13. ACCOUNTANTS' REPORT (Cont'd)

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 and the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by the 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.

Impairment of Assets

At each balance sheet date, the Group and the Company reviews 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, unless the asset is carried at revalued amount, in which case, the impairment loss is treated as a revaluation decrease.

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, unless it reverses an impairment loss on revalued assets, in which case, the reversal is treated as a revaluation increase.

13. ACCOUNTANTS' REPORT (Cont'd)

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%
Equipment	20%
Computer	33.33%
Office equipment	20%
Motor vehicle	20%

Gains or losses 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.

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.

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.

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.

Allowance is made for obsolete, slow moving or defective items when appropriate.

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

Borrowings and payables are stated at cost.

13. ACCOUNTANTS' REPORT (Cont'd)

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 is 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 sheet include cash and bank balances, short-term deposits, 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.

13. ACCOUNTANTS' REPORT (Cont'd)**9.3 PROPERTY, PLANT AND EQUIPMENT**

	RM'000
Cost arising from acquisition of subsidiary company:	
Long leasehold land	1,305
Equipment	2,074
Computer	89
Office Equipment	18
Motor vehicle	218
Building under construction	320
	<u>4,024</u>
Accumulated depreciation	<u>(48)</u>
Net Book Value of ETICB Group	3,976
Utilisation of proceeds from public issue	1,071
Net Book Value of Proforma Group	<u>5,047</u>

As of 31 August 2005, the carrying value of motor vehicle of the Group which was acquired under hire-purchase arrangement of which instalments are still outstanding and registered under the name of a director (Lee Kah Kheng) is RM213,324.

The Group leases the long leasehold land for a period of 60 years commencing 26 December 2004. As of 31 August 2005, the unexpired lease period of long leasehold land is 59 years.

9.4 DEVELOPMENT COSTS

	RM'000
Cost arising from acquisition of subsidiary company	1,359
Less: Amortisation of development cost	<u>(4)</u>
ETICB Group	1,355
Utilisation of proceeds from public issue	5,125
Proforma Group	<u>6,480</u>

13. ACCOUNTANTS' REPORT (Cont'd)

9.5 INVENTORIES

	ETICB Group and Proforma Group RM'000
At cost:	
Raw materials	1,033
Work-in-progress	179
Finished goods	35
	<u>1,247</u>

9.6 TRADE RECEIVABLES

Trade receivables comprise amounts receivable for the sale of goods. The credit periods granted on sales of goods range from 45 to 60 days.

Analysis of trade receivables by currencies:

	ETICB Group and Proforma Group RM'000
United States Dollar	6,465
Ringgit Malaysia	981
	<u>7,446</u>

9.7 OTHER RECEIVABLES AND PREPAID EXPENSES

	ETICB Group and Proforma Group RM'000
Other receivables	46
Prepaid expenses	665
	<u>711</u>

Analysis of other receivables by currencies:

	ETICB Group and Proforma Group RM'000
Ringgit Malaysia	23
Singapore Dollar	18
United States Dollar	5
	<u>46</u>

13. ACCOUNTANTS' REPORT (Cont'd)**9.8 SHORT-TERM DEPOSITS WITH A LICENSED BANK**

The short-term deposit held as security value of RM600,000 is pledged to a local bank for bank overdraft and other banking facilities obtained by the Group as mentioned in Note 9.12.

The effective interest rates for the short-term deposits range from 2.75% to 3.00% per annum. The short-term deposits are maturing within September 2005 to November 2005.

9.9 TRADE PAYABLES

Trade payables comprise amounts outstanding for trade purchases. The credit periods granted to the Group for trade purchases range from 45 to 60 days.

Analysis of trade payables by currencies:

	ETICB Group and Proforma Group RM'000
Ringgit Malaysia	1,641
United States Dollar	199
	<hr/>
	1,840
	<hr/>

9.10 OTHER PAYABLES AND ACCRUED EXPENSES

	ETICB Group RM'000	Proforma Group RM'000
Other payables	1,368	439
Accrued expenses	196	196
	<hr/>	<hr/>
	1,564	635
	<hr/>	<hr/>

Other payables comprise amounts outstanding for ongoing costs.

Analysis of other payables and accrued expenses by currencies:

	ETICB Group RM'000	Proforma Group RM'000
Ringgit Malaysia	1,489	560
United States Dollar	75	75
	<hr/>	<hr/>
	1,564	635
	<hr/>	<hr/>

13. ACCOUNTANTS' REPORT (Cont'd)**9.11 AMOUNT OWING TO DIRECTORS**

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

9.12 BANK BORROWINGS

	ETICB Group and Proforma Group RM'000
Secured	
Bankers' acceptance	191
Trust receipts	1,175
	<u>1,366</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 guaranteed by certain directors of the Group.

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 3.5% per annum above the Bank Negara Malaysia's funding rate.

The effective interest rates are as follows:

	ETICB Group and Proforma Group %
Bankers' acceptance	3.2
Trust receipts	5.0

The bankers' acceptance and trust receipts are maturing within September 2005 to November 2005.

9.13 HIRE-PURCHASE PAYABLE

	ETICB Group and Proforma Group RM'000
Total outstanding	195
Less: Interest in suspense outstanding	(22)
Principal outstanding	<u>173</u>
Less: Amount due within one year	(40)
Non current portion	<u>133</u>

13. ACCOUNTANTS' REPORT (Cont'd)

The non-current portion is repayable as follows:

	ETICB Group and Proforma Group RM'000
Later than 1 year and not later than 2 years	40
Later than 2 years and not later than 5 years	93
	<u>133</u>

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.

9.14 SHARE CAPITAL

	ETICB Group		Proforma Group	
	No. of shares of RM 0.10 each '000	RM'000	No. of shares of RM 0.10 each '000	RM'000
Authorised:				
Shares:				
At beginning of year	1,000	100	1,000	100
Increased during the year	249,000	24,900	249,000	24,900
	<u>250,000</u>	<u>25,000</u>	<u>250,000</u>	<u>25,000</u>
At end of year	250,000	25,000	250,000	25,000
Issued and fully paid:				
Ordinary shares:				
At beginning of year	*	*	-	-
New shares issued pursuant to the acquisition of ETI TECH	81,690	8,169	81,690	8,169
	<u>81,690</u>	<u>8,169</u>	<u>81,690</u>	<u>8,169</u>
As of 31 August 2005	81,690	8,169	81,690	8,169
Public Issue	-	-	31,772	3,177
ESOS	-	-	34,038	3,404
	<u>-</u>	<u>-</u>	<u>65,810</u>	<u>6,581</u>
After corporate exercise	81,690	8,169	147,500	14,750

* The issued and fully paid share capital consists of 20 ordinary shares of RM0.10 each.

13. ACCOUNTANTS' REPORT (Cont'd)**9.15 SHARE PREMIUM**

Share premium arose from allotment of ordinary shares at premium net of share issue expenses.

9.16 LEASE COMMITMENTS

As of 31 August 2005, non-cancellable long-term lease commitments in respect of rental of premises are as follows:

	ETICB Group and Proforma Group RM'000
Not later than 1 year	3
Later than 1 year but not later than 5 years	2
	<hr/>
	5
	<hr/>

9.17 CAPITAL COMMITMENTS

As of 31 August 2005, the Group has capital expenditure contracted but not provided for in the financial statements in respect of construction of industrial building amounting to RM3,600,000.

10. CONSOLIDATED NET TANGIBLE ASSETS

Based on the statement of assets and liabilities as of 31 August 2005, the consolidated net tangible assets per ordinary share of RM0.10 each is as follows:


	ETICB Group	Proforma Group
Net tangible assets as of 31 August 2005 (RM'000)	10,903	32,933
Number of ordinary shares in issue as of 31 August 2005 ('000)	81,690	81,690
Public Issue ('000)	-	31,772
ESOS ('000)	-	34,038
	<hr/>	<hr/>
	81,690	147,500
	<hr/>	<hr/>
Net tangible assets per ordinary share of RM0.10 each	RM0.13	RM0.22
	<hr/>	<hr/>


13. ACCOUNTANTS' REPORT (*Cont'd*)

11. AUDITED FINANCIAL STATEMENTS

No audited financial statements have been prepared in respect of any period subsequent to 31 August 2005.

Yours faithfully,


DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants


LEE CHENG HEOH
2225/04/06(J)
Partner

Penang

14. **PROFORMA CONSOLIDATED BALANCE SHEETS OF ETICB AS AT 31 AUGUST 2005, TOGETHER WITH THE BASES AND ASSUMPTIONS, AND THE REPORTING ACCOUNTANTS' LETTER THEREON**

(Prepared for inclusion in this Prospectus)

Deloitte.

Deloitte KassimChan (AF 0080)
Chartered Accountants
4th Floor, Wisma Wang
251-A, Jalan Burma
10350 Penang
Malaysia

Tel : +60(4) 2288255
Fax : +60(4) 2288355
mypenang@deloitte.com
www.deloitte.com.my

15 February 2006

The Board of Directors
ETI Tech Corporation Berhad
57-2, Persiaran Bayan Indah
Bayan Bay, Sungai Nibong
11900 PENANG
MALAYSIA

Dear Sirs,

**ETI TECH CORPORATION BERHAD (COMPANY NO.: 667845 M)
PROFORMA CONSOLIDATED BALANCE SHEETS
AS OF 31 AUGUST 2005**

We have reviewed the presentation of the Proforma Consolidated Balance Sheets of ETI Tech Corporation Berhad ("ETICB") and its subsidiary ("the Group") as of 31 August 2005, together with the notes thereto for which the Directors are solely responsible, as set out in the accompanying statements which we have stamped for the purpose of identification. The Proforma Consolidated Balance Sheets have been prepared for illustrative purposes only for inclusion in the Prospectus of ETICB, in connection with the corporate exercise of ETICB and the subsequent listing of and quotation for the entire enlarged issued and paid-up share capital of ETICB on the MESDAQ Market of Bursa Malaysia Securities Berhad ("Securities Exchange").

In our opinion,

- (i) the Proforma Consolidated Balance Sheets, together with the notes thereto, which are provided for illustrative purposes only, have been properly compiled on the basis stated;
- (ii) such basis is consistent with the accounting policies normally adopted by the Group; and
- (iii) the adjustments as explained in Notes to the Proforma Consolidated Balance Sheets are appropriate for the purposes of the Proforma Consolidated Balance Sheets.

Yours faithfully,



DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants



LEE CHENG HEOH
2225/04/06(J)
Partner

14. **PROFORMA CONSOLIDATED BALANCE SHEETS OF ETICB AS AT 31 AUGUST 2005, TOGETHER WITH THE BASES AND ASSUMPTIONS, AND THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)**

**ETI TECH CORPORATION BERHAD (COMPANY NO.: 667845 M)
PROFORMA CONSOLIDATED BALANCE SHEETS
AS OF 31 AUGUST 2005**

	As of 31 August 2005 RM'000	Proforma I RM'000	Proforma II RM'000
NON-CURRENT ASSETS			
Property, plant and equipment	3,976	5,047	5,047
Development costs	1,355	6,480	6,480
CURRENT ASSETS			
Inventories	1,247	1,247	1,247
Trade receivables	7,446	7,446	7,446
Other receivables and prepaid expenses	711	711	711
Short-term deposits with a licensed bank	690	690	690
Cash and bank balances	2,629	7,342	22,659
Total Current Assets	12,723	17,436	32,753
CURRENT LIABILITIES			
Trade payables	1,840	1,840	1,840
Other payables and accrued expenses	1,564	635	635
Amount owing to directors	10	10	10
Bank borrowings	1,366	1,366	1,366
Hire-purchase payable	40	40	40
Dividends payable to former shareholders of subsidiary company	843	843	843
Total Current Liabilities	5,663	4,734	4,734
NET CURRENT ASSETS	7,060	12,702	28,019
	12,391	24,229	39,546
SHARE CAPITAL	8,169	11,346	14,750
SHARE PREMIUM	-	9,620	21,533
RETAINED PROFIT	4,089	3,130	3,130
	12,258	24,096	39,413
LONG-TERM LIABILITY			
Hire-purchase payable	133	133	133
	12,391	24,229	39,546
Par value per ordinary share (RM)	0.10	0.10	0.10
Number of ordinary shares ('000)	81,690	113,462	147,500
Net Tangible Assets/ Proforma Net Tangible Assets (RM'000)	10,903	17,616	32,933
Net Tangible Assets/ Proforma Net Tangible Assets per ordinary share (RM)	0.13	0.16	0.22

Stamped for the purpose of
identification only with our
letter/report dated
15 FEB 2006
Deloitte KassimChan
Penang

14. PROFORMA CONSOLIDATED BALANCE SHEETS OF ETICB AS AT 31 AUGUST 2005, TOGETHER WITH THE BASES AND ASSUMPTIONS, AND THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

**ETI TECH CORPORATION BERHAD (COMPANY NO.: 667845 M)
NOTES AND ASSUMPTIONS TO THE
PROFORMA CONSOLIDATED BALANCE SHEETS**

1. Basis of Preparation

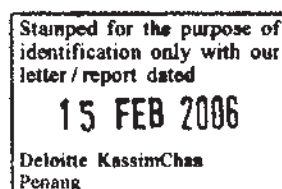
The Proforma Consolidated Balance Sheets together with the notes thereon have been prepared for illustrative purposes only, based on accounting principles and bases consistent with those previously adopted in the preparation of the audited financial statements of ETI Tech Corporation Berhad ("ETICB") and its subsidiary company ("the Group") as of 31 August 2005, and on the assumptions that the corporate exercise of ETICB has been effected on that date.

The corporate exercise of ETICB which was approved by Securities Commission on 8 July 2005 involves the following transactions:

- i. Acquisition of the entire issued and fully paid-up share capital of ETI Tech (M) Sdn. Bhd. ("ETI TECH") comprising 1,376,627 ordinary shares of RM1.00 each for a total purchase consideration of RM8,168,998 satisfied by the issuance of 81,689,980 new ordinary shares of RM0.10 each at par in ETICB ("ETICB Shares"). The said acquisition was completed on 30 July 2005 and was accounted for using the acquisition method of consolidation.
- ii. Public issue of 31,772,000 new ETICB Shares at an issue price of RM0.45 per ETICB Share. Upon completion of the Public Issue, the issued and paid-up share capital of ETICB will increase to RM11,346,200 comprising 113,462,000 ETICB Shares credited as fully paid-up.
- iii. Establishment of an Employee Share Option Scheme ("ESOS") for eligible employees and directors of the Group. The number of ESOS options to be offered under the ESOS shall not exceed 30% of the issued and paid-up share capital of ETICB at any one time during the duration of the ESOS.
- iv. Listing of and quotation for the entire enlarged issued and paid-up share capital of ETICB comprising 113,462,000 ETICB Shares and such number of new ETICB Shares to be issued upon the exercise of options to be granted pursuant to the ESOS on the Official List of the MESDAQ Market of Securities Exchange.

1.1 Proforma I

Proforma I had been presented based on the audited consolidated balance sheets of ETICB as of 31 August 2005 and incorporating the Public Issue of 31,772,000 new ETICB Shares at an issue price of RM0.45 per ETICB Share.



14. PROFORMA CONSOLIDATED BALANCE SHEETS OF ETICB AS AT 31 AUGUST 2005, TOGETHER WITH THE BASES AND ASSUMPTIONS, AND THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

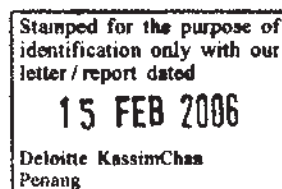
The gross proceeds from the Public Issue amounting to RM14,297,400 will accrue entirely to ETICB and will be utilised as follows:

	RM'000
Part settlement of consideration for lease of land and construction of building	2,000
Research and development expenditure	5,125
Marketing expenditure	959
Working capital	4,713
Estimated listing expenses	1,500
Total	14,297

The estimated listing expenses of RM1,500,000 will be written off against the share premium account.

1.2 Proforma II

Proforma II incorporates the effects of Proforma I and the full exercise of 34,038,000 ESOS options, representing 30% of the issued and paid-up share capital of ETICB of 113,462,000 ETICB Shares upon completion of the Public Issue, at an assumed exercise price of RM0.45 per ETICB Share ("ESOS").



14. PROFORMA CONSOLIDATED BALANCE SHEETS OF ETICB AS AT 31 AUGUST 2005, TOGETHER WITH THE BASES AND ASSUMPTIONS, AND THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

2. The movement of the issued and paid-up capital, share premium, retained profit, property, plant and equipment, development costs, other payables and accrued expenses and cash and bank balances after taking into account the above transactions are as follows:

	Share Capital RM'000	Share Premium RM'000	Retained Profit RM'000	Property, Plant and Equipment RM'000	Development Costs RM'000	Other Payables and Accrued Expenses RM'000	Cash and Bank Balances RM'000
As of 31 August 2005	8,169	-	4,089	3,976	1,355	1,564	2,629
Public Issue	3,177	11,120	-	-	-	-	14,297
Estimated listing expenses	-	(1,500)	-	-	-	-	(1,500)
Part settlement of consideration for lease of land	-	-	-	-	-	(929)	(929)
Construction of building	-	-	-	1,071	-	-	(1,071)
Development expenditure	-	-	-	-	5,125	-	(5,125)
Marketing expenditure	-	-	(959)	-	-	-	(959)
Proforma I	11,346	9,620	3,130	5,047	6,480	635	7,342
ESOS	3,404	11,913	-	-	-	-	15,317
Proforma II	14,750	21,533	3,130	5,047	6,480	635	22,659

Stamped for the purpose of
identification only with our
letter / report dated
15 FEB 2006
Deloitte KassimChan
Penang

15. **EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT AND THE LETTER THEREON**

(Prepared for inclusion in this Prospectus)

Infocredit 
Creating value...building trust

Infocredit D&B (Malaysia) Sdn Bhd (527570-M)

Level 9-3A, Menara Milenium, Jalan Damania,
Pusat Bandar Damansara, 50490 Kuala Lumpur, Malaysia.
Tel: (603) 2718 1000 Fax: (603) 2718 1001
Website: www.icdnb.com.my

15 February 2006

To:

The Board of Directors
ETI Tech Corporation Berhad
57-2, Persiaran Bayan Indah
Bayan Bay, Sungai Nibong
11900 Penang

RE: EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT FOR ETI TECH CORPORATION BERHAD

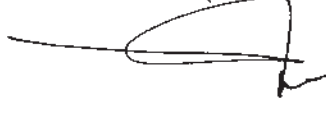
This Executive Summary has been prepared for inclusion in the Prospectus to be dated 15 February 2006 pursuant to the proposed listing of ETI Tech Corporation Berhad ("ETICB") on MESDAQ of Bursa Malaysia Securities Berhad.

This research is undertaken with the purpose of providing an overview of the rechargeable battery industry in Malaysia. The research methodology for the research includes both primary research, involving in-depth trade interviews and telephone interviews of pertinent companies, as well as secondary research such as reviewing press articles, periodicals, Government literatures, in-house corporate databases, Internet research and online databases.

Infocredit D&B (Malaysia) Sdn Bhd ("Infocredit D&B or the Researcher") has prepared this Executive Summary in an independent and objective manner and has taken all reasonable consideration and care to ensure the accuracy and completeness of the Executive Summary. In addition, the Researcher acknowledges that if there are significant changes affecting the contents of the Executive Summary after the issue of the Prospectus and before the issue of securities, then the Researcher has an on-going obligation to either cause the Executive Summary to be updated for the changes and, where applicable, cause the Company to issue a Supplementary Prospectus, or without our consent to the inclusion of the Executive Summary in the Prospectus.

The Executive Summary is highlighted in the following sections.

For and on behalf
INFOCREDIT D&B (MALAYSIA) SDN BHD



.....
Tan Sze Chong
Managing Director

15. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT AND THE LETTER THEREON (Cont'd)



EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT

Introduction

The rechargeable battery market is a promising industry which is gradually taking over the primary battery market. The popularity of the rechargeable battery is expected to rise due to an increase in environmental concerns globally and the convenience it offers to consumers through time and effort saved from not having to make repeated purchases as would have been the case for primary batteries.

As consumers demand greater mobility in communication, businessmen demand faster means of conducting transactions, large companies are devising a greater array of portable electronic gadgets to suit everyone's needs. Miniaturisation and portability of a wide array of devices ranging from consumer electronics, notebooks to medical equipment, have spurred the demand for batteries. Compact, lightweight, reliable and high capacity are, and will continue to be, the driving forces for newly developed batteries in this portable age. Apart from consumer devices, batteries are also required for other industrial and commercial use such as power tools and bicycles. During war and in the conduct of national defence, reliable and dependable batteries are required to power aviation instruments and communication devices.

As there are many formidable long-established multi-nationals like Samsung SDI Company Limited, Matsushita Battery Industrial Company Limited, Sanyo Electric Company, Sony Corporation and Toshiba Corporation, smaller players tend to stay as contract manufacturers of OEM. These large companies are also subsidiaries of holding companies which manufacture a wide array of consumer electronic devices.

These conglomerates invest heavily in researching, developing and enhancing batteries that will meet the power needs of these new devices. The challenge for small players is to balance brand building and marketing as well as delivering consistent, quality batteries within specifications required by OEM at the most competitive price.

There are various types of rechargeable batteries, each with their advantages and limitations of use. The most promising power sources available to date for consumer electronics in this portable age is the Lithium-ion and Polymer Lithium-ion batteries as they are lightweight and have high energy densities.

Definition, Classification & Application Markets

There are five (5) main types of rechargeable batteries, namely, Lead Acid, Nickel Cadmium ("NiCd"), Nickel Metal Hydride ("NiMH"), Lithium-ion ("Li-ion") and Polymer Lithium-ion ("PLi"). The evolution of the basic cell chemistry is mainly focussed towards higher density and lighter weight to meet the needs of today's energy demand.

Characteristics Of Rechargeable Batteries

Characteristic	Lead Acid	NiCd	NiMH	Li-ion	PLi
Capacity (Ah / kg)	7.5	11	19.3	47	49
Nominal voltage (Volt)	2.0	1.2	1.2	3.6	3.7
Energy (Wh / kg)	30	40	70	175	180
Energy (Wh / litre)	100	120	150	300	320
Cycle life (100% DOD)	500+	800+	500+	500+	700+
Operating Temperature	-20°C to 50°C	-20°C to 50°C	-20°C to 40°C	-20°C to 50°C	-20°C to 60°C
Toxicity	Yes	Yes	Yes	No	No
Memory effect	No	Yes	Yes	No	No
Scalability	Fair	Difficult	Difficult	Difficult	Easy

Rechargeable batteries have been widely used in IT, telecommunication devices and consumer products; they are especially important for portable devices and products. The application market segmentation below illustrates some of the wide ranging products that use rechargeable batteries as energy solutions.

15. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT AND THE LETTER THEREON (Cont'd)



- Mobile IT/Telecommunication Devices (Mobile phones, walkie-talkies, notebooks, PDAs, cordless phones, etc)
- Electronic & Electrical Products (power tools, handheld vacuum cleaners, etc)
- Automotive (automobiles, electric scooters, electric bicycles, etc)
- Consumer Products (portable DVD, VCD and CD players, camcorders, digital cameras, etc)
- Military / Defence Devices (Unmanned Aerial Vehicles, radio communications, Diver propulsion vehicles, etc)
- Others (Handheld industrial equipment, vehicle tracking equipment, bio medical equipment and security systems, etc)

Smart Battery

An increasing number of today's rechargeable batteries are made 'smart'. Equipped with a controller circuitry to enable these batteries to communicate with the charger and user alike to provide statistical information. Typical applications for 'smart' batteries are notebook computers and video cameras. Increasingly, these batteries are also used in advanced biomedical devices and defence applications.

There are several types of 'smart' batteries, each offering different complexities, performance and cost. The most basic 'smart' battery may only contain a simple controller circuitry to identify its chemistry and invoke the charger which charge algorithm to apply. Other batteries claim to be smart simply because they provide protection from overcharging, under-discharging and short-circuiting.

Although the notebook computer segment is the most heavily invested in smart batteries, the technology is also used in other segments. Other industry segments which are currently being dominated by NiCD and NiMH batteries such as power tools and the electric scooters/bicycles pose as big potential markets for PLi smart cells. The electric bicycle or scooter market is estimated to have consumed a minimum of 2.5 million batteries in 2003 and the estimated market size for batteries required by power tools in China was 20 million units.

Technology Trends

Given the trends in consumer electronics and telecommunications devices towards miniaturisation and mobility, the slimmer geometry offered by PLi battery technology coupled with simplified packaging, lighter and yet with higher capacity, is consistent with market demand and trends.

With a PLi battery cell thickness measuring as little as one millimetre, equipment designers are left to their own imagination in terms of form, shape and size of any designated product without having to seriously consider the size and weight of the battery as they had to in the past. A good example of the thin profile offered by PLi technology is its impact on the design of mobile phone handsets which has attracted mobile phone manufacturers to use this promising technology for their new generation handsets.

With the trends in PLi technology, it is now possible to create designs which form part of a product's protective housing in the shape of a mat that can be rolled up, or even embedded into a carrying case or piece of clothing. Such innovative PLi batteries are only a few years away from viable commercial applications.

Further trends in the technological application for lithium based batteries is in the advancement of wireless emergency equipment such as lighting, smoke detectors, and other such devices. In the automotive industry, the trend leans towards fixing devices such as GPS equipment in electric vehicles and hybrid electric vehicles (although currently on a test basis), but electric/hybrid electric vehicles are a trend in the automotive industry that lithium technology is expected to move in tandem with.

15. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT AND THE LETTER THEREON (Cont'd)



The rapid advancement of the PLi battery in replacing other types of batteries was driven by the availability of a battery management system. The battery management system has made it possible for PLi battery to be used safely and demonstrates the full potential of PLi technology. The advances in battery management system technology which is expected to expand towards higher current, higher voltage applications, will allow the PLi Smart Battery to penetrate into wider product applications.

Major Market Growth Drivers

Rechargeable batteries are increasingly becoming pervasive with the hectic pace of lifestyles of modern living and conducting businesses with advancements in ICT for mobile computing and wireless communication. Mobile phones, computers and notebooks are expected to continue as the biggest demand drivers. With technology improvement and prices coming down, battery markets for other applications such as digital cameras and digital camcorders, are expected to emerge strong. Some of the major market growth drivers are:

- Demand for wireless communication
Cellular phones are the biggest market for Li-ion and PLi batteries. These battery systems are the fastest growing. This is hardly surprising as mobile cellular subscribers in Malaysia have been growing in the region of 42% per annum between 2000 and 2004 and is expected to continue to grow, albeit at a slower rate, over the next few years.
- Demand for PC and mobile computing
The growth in demand for computer systems increases the demand for Lithium batteries, which are used specifically for memory back-up function found in both desktop and portable computer systems. Sales of personal computers, which have grown rapidly to over 200 million units in 2005 from 190 million units in 2004, will continue to be driven by low-cost personal computers and laptops. This strong growth can clearly be seen in the demand for 'smart' battery packs. 'Smart' battery packs are expected to continue its growth worldwide, with an annual growth rate of 22%. This growth is primarily due to the power-management needs of notebook computers. Other industry trends driving the demand for smart batteries have been the emergence of dual-battery notebooks and flexible battery form factors to fit the requirements of thinner, more compact notebooks.
- Increase in demand for portable audio / video devices
Another important growth factor for rechargeable battery markets is coming from portable audio-video market such as digital cameras and digital camcorders. Digital cameras have moved on from the early adopter stage to the mass market. As prices for digital cameras continue to decline, the mass market is being penetrated at a higher rate.

Market Challenges & Risk Factors

Competition in the rechargeable battery industry is intense and battery manufacturers are constantly under pressure to deliver the best performing battery at cheaper prices. To meet the demands of consumers and manufacturers for smaller and lighter portable electronics devices, battery manufacturers need to keep pace with the power requirements of these devices. As such battery manufacturers have to constantly invest in research to manufacture battery that delivers maximum power in the smallest size and weight. Some of the major challenges and risk factors are:

- Top tier manufacturers versus contract manufacturers
For top-tier battery makers, brand building and marketing of their products are important. The large battery manufacturers are constantly investing into brand building, advertising and promotional activities to create brand awareness and preference. Besides this, they need to keep abreast of end-user industries, particularly consumer electronics devices that are driven by ever-changing consumer desires and market trends. For these reasons, many smaller players tend to stay as contract manufacturers for OEM.

15. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT AND THE LETTER THEREON (Cont'd)



- **Price pressure**
Stiff competition pressures have resulted in the commoditisation of batteries in some market segments. The other factor is the mature battery technology with no distinct product differentiation. Battery vendors often compete on price parameters due to increasing competitions especially from China. In this competitive scenario, it is frequently the company that provides the best price-performance ratio that ultimately has the leading edge.
- **Major OEM accounts**
Smaller players face the challenge to penetrate into the major OEM accounts which are mainly dominated by multinational conglomerates or established players. The market's established players often create working partnerships or strategic alliances with major OEM accounts that allow these vendors and OEM customers to work together to design batteries that best suit the customers' requirements hence creating barriers of entry for new players.
- **Changes in technology and products**
Batteries are always used in conjunction with devices. Hence, it is important to keep track of the developments in end-user industries. The markets for end-user industries, particularly consumer electronic devices, are characterised by rapid technological developments, swift changes in consumer requirements and frequent new product innovations and enhancements. The success for any battery producer depends on its ability to address the increasingly sophisticated needs of the industry. To meet the demands of consumers and manufacturers for smaller and lighter portable electronic devices, battery manufacturers have to constantly invest in research to manufacture battery that delivers maximum power in the smallest size and weight to keep pace with the power requirements of these devices.

Substitute Products

Substitute products within the rechargeable battery industry is very much product dependent. Different cell chemistries would cater for different product requirements, and in the modern society today, mobility is driving the R&D for energy sources which are longer lasting, operates at a higher current rate, weight conscious and fast charging. Consumers' choice drive the power requirements of electrical products, which in turn determine the energy densities.

For smart batteries, the battery management systems utilised are proprietary designs of cell manufacturers or design houses specialising in energy solutions. Product owners such as Nokia, Toshiba, Sony, etc would state their requirements (longer lasting, light, fast charging, etc) and OEM cell manufacturers would design and manufacture according to those requirements. As such, there are no discernible substitute products as battery management systems chosen are simply determined by which cell manufacturer / design house the product owner contracts.

Major Players In Malaysia's PLi Cell Industry

The Malaysian PLi cell industry comprises two major players, namely APL Tech Battery Industry Sdn Bhd ("APL") and the ETICB Group. Another well known player in the local PLi cell industry is Dyna Plastics Sdn Bhd ("Dyna") but the company was reported to have ceased manufacturing operations since 2003.

As a rechargeable energy solution provider that primarily focuses on the R&D and design of battery management systems and battery packaging as well as the development of proprietary battery packs for an increasing range of product applications and portable power packs, the ETICB Group is uniquely placed in the domestic PLi cell industry with no direct competitors in the local market place. APL, on the other hand, is primarily a cell manufacturer, concentrating on volume-driven manufacturing of rechargeable cells and cell chemistry research.

Barriers To Entry

The barriers to entry to the PLi cell segment of the rechargeable battery industry in Malaysia is moderately high primarily due to the lack of technical expertise and knowledge. It is estimated that there are only two companies currently active in Malaysia involved in the technological aspects of PLi cell-based batteries, namely APL and the ETICB Group. Of the two, APL is primarily manufacturing based with R&D activities on PLi manufacturing technology. APL's PLi manufacturing technology is supported by a Korean technology provider.

15. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT AND THE LETTER THEREON (Cont'd)



The ETICB Group, however, is principally involved in the R&D, design and marketing of battery management systems for rechargeable energy storage solutions. The Group's technical foundation in the rechargeable battery industry is strengthened by its directors and shareholders of the Group, including among others, Mr. Khor Yee Kwang, a veteran with more than 20 years of experience in the fields of semiconductor, circuitry and consumer electronics technology, Mr. Chan Kam Woo, a veteran with more than 20 years experience in telecommunication power modules and power systems and Mr. Cheah Thim Kit, who has more than 20 years of experience in electronics manufacturing.

The local fraternity with extensive knowledge of PLi cell chemistry mechanics as well as PLi cell-based battery management systems is estimated to be very small. Therefore, the lack of technical expertise and knowledge based personnel forms a barrier to entry to this segment of the rechargeable battery industry.

Conclusion

The PLi cell segment of the rechargeable battery industry today is mostly dominated by mobile phones, PDA devices and notebooks. However, the PLi cell applications in other niche market segments such as portable chargers, robotics, power tools, solar batteries, electric bicycles/scooters, UPS, etc which are dominated by other cell chemistries is relatively unexplored. These niche markets provide opportunities to market PLi cells as replacement energy solutions due to its wafer thin geometries, lightweight and high density storage capabilities. The major obstacle in penetrating these markets is the lack of a BMS solution that is able to monitor efficiently the wide variations of voltage as well as the performance of each cell in a multiple PLi cell energy environment as opposed to the popularity of the single PLi cell market dominated by cellular phones and other mobile devices.

The rapid advancement of the PLi cell in replacing other types of cell chemistries was driven by the availability of a battery management system. The battery management system has made it possible for the PLi cells to be used safely in series and/or parallel combinations and demonstrates the full potential of PLi technology. The advances in battery management system technology which is expected to expand towards higher current, higher voltage applications, will allow the PLi cell based Smart Batteries to penetrate into wider product applications.

The ETICB Group's R&D on mobile energy solutions utilising PLi cells has successfully developed its Smart Battery solutions that is applicable to a wide variety of industries including, among others, the computer, communication and automotive industries. In addition, the BMS, being an energy control and monitoring technology, is adaptable to other cell chemistries.

Still in its infancy, the ETICB Group's prospects remain bright as society's demand for mobility for its electronics and electrical products continue to grow. New products with small form factors are fast becoming commonplace as mobile phones, notebooks, PDAs, MP3 players, digital cameras, portable DVD players, etc marketed by electronic giants such as Nokia, Sony, Toshiba, Samsung, HP, Canon and Panasonic compete for market share in the global consumer marketplace.

The Group's continual focus on the R&D and design of rechargeable battery solutions for broad market applications (notebooks, mobile phones, etc) and niche market applications (electric scooter, solar cell applications, etc) will contribute positively to the growing demand for mobility, offering technologically advanced, cost effective rechargeable battery solutions to product owners and manufacturers alike.