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TECHFAST HOLDINGS BERHAD

(Company No. 047830-D) Incorporated in Malaysia





Fastening solutions for industries

TECHFAST HOLDINGS BERHAD (647820-D) | Incorporated in Malaysia



TECHFAST



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CORPORATE INFORMATION

→ BOARD OF DIRECTORS

Chairman cum Group Managing Director

Yap Yoon Sing

Executive Director

Fong Kok Leong

Lim Tock Ooi

Independent Non-Executive Director

Yap Kok Ching

Gan Ping Shou @ Gan Ping Sieu

→ AUDIT COMMITTEE

Chairman

Yap Kok Ching

Members

Gan Ping Shou @ Gan Ping Sieu

Lim Tock Ooi

→ NOMINATION COMMITTEE

Chairman

Gan Ping Shou @ Gan Ping Sieu

Members

Yap Kok Ching

Yap Yoon Sing

→ REMUNERATION COMMITTEE

Chairman

Yap Kok Ching

Members

Lim Tock Ooi

Gan Ping Shou @ Gan Ping Sieu

→ OPTION COMMITTEE

Chairman

Yap Yoon Sing

Members

Yap Kok Ching

Gan Ping Shou @ Gan Ping Sieu

→ AUDITORS

GEP Associates (AF 1030)

Chartered Accountants

25 Jalan PJU 1/42A

Dataran Prima

47301 Petaling Jaya

Selangor Darul Ehsan

→ LISTING

MESDAQ Market of Bursa Malaysia Securities Berhad

Stock Name : TECFAST

Stock Code : 0084

→ COMPANY SECRETARIES

Chin Ooi Wee (LS 006616)

Choong Lee Lan (MIA 20842)

→ REGISTERED OFFICE

Suites 7.21 & 7.22 7th Floor

Imbi Plaza Jalan Imbi

55100 Kuala Lumpur

Tel : 03-2142 3584

Fax : 03-2142 0327

→ HEAD OFFICE

No. 11 Jalan Pasaran 23/5

Seksyen 23 40300 Shah Alam

Selangor Darul Ehsan

Tel : 03-5548 5112

Fax : 03-5548 5113

E-mail : techfast@pd.jaring.my

Website : www.techfast.com.my

→ SPONSOR

AmMerchant Bank Berhad

22nd Floor Bangunan AmBank Group

55 Jalan Raja Chulan

50200 Kuala Lumpur

Tel : 03-2026 3939

Fax : 03-2381 1780

→ SHARE REGISTRAR

Epsilon Registration Services Sdn Bhd

312 3rd Floor Block C Kelana Square

17 Jalan SS 7/26

47301 Petaling Jaya

Selangor Darul Ehsan

Tel : 03-7806 2116

Fax : 03-7806 1261

→ PRINCIPAL BANKERS

Hong Leong Bank Berhad

AmBank Berhad

CORPORATE STRUCTURE



100%



TECHFAST MANUFACTURING SDN. BHD.
(Company No. 481838-T) • Incorporated in Malaysia

100%

TECHFAST PRECISION SDN. BHD.
(Company No. 703432-V) • Incorporated in Malaysia



100%

TECHFAST TECHNOLOGIES SDN. BHD.
(Company No. 707821-U) • Incorporated in Malaysia

100%



TECHFAST PRECISION (SIP) CO. LTD.
(Company No. 022273)
Incorporated in the People's Republic of China

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Second Annual General Meeting of Techfast Holdings Berhad will be held at Rose and Carnation Room, Mezzanine Floor, Hotel Melia Kuala Lumpur, No. 16, Jalan Imbi, 55100 Kuala Lumpur on Friday, 28 April 2006 at 10.00 a.m. for the following businesses:

AGENDA

ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2005 together with the Directors' and Auditors' Reports thereon. **(Resolution 1)**
2. To approve payment of a special tax exempt dividend of 0.5 sen per ordinary share and a final tax exempt dividend of 1.0 sen per ordinary share for the financial year ended 31 December 2005. **(Resolution 2)**
3. To approve the payment of Directors' fees for the financial year ended 31 December 2005. **(Resolution 3)**
4. To re-elect the following Directors retiring in accordance with the Company's Articles of Association:
 - i) Fong Kok Leong **(Resolution 4)**
 - ii) Lim Tock Ooi **(Resolution 5)**
 - iii) Gan Ping Shou @ Gan Ping Sieu **(Resolution 6)**
 - iv) Yap Kok Ching **(Resolution 7)**
5. To re-appoint Messrs GEP Associates as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 8)**

SPECIAL BUSINESS

To consider and, if thought fit, to pass with or without modifications the following Ordinary Resolution:

6. Authority to Allot and Issue Shares pursuant to Section 132D of the Companies Act, 1965 **(Resolution 9)**

*THAT pursuant to Section 132D of the Companies Act, 1965 and subject to the approval of the relevant authorities, the Directors be and are hereby authorised and empowered to allot and issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be also empowered to obtain approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next annual general meeting of the Company."
7. To transact any other ordinary business of which due notice shall have been given in accordance with the Companies Act, 1965.

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT a special tax exempt dividend of 0.5 sen per ordinary share and a final tax exempt dividend of 1.0 sen per ordinary share for the financial year ended 31 December 2005, if approved by shareholders at the Second Annual General Meeting to be held on Friday, 28 April 2006, will be paid on 11 May 2006 to depositors registered in the Record of Depositors at the close of business on 4 May 2006.

A depositor shall qualify for the entitlement to the dividend only in respect of:

- a) shares transferred to the Depositor's Securities Account before 4.00 p.m. on 4 May 2006 in respect of ordinary transfers; and
- b) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the rules of Bursa Malaysia Securities Berhad.

By Order of The Board

CHIN OOI WEE (LS 006616)

CHOONG LEE LAN (MIA 20842)

Company Secretaries

Kuala Lumpur

5 April 2006

NOTES :

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company and paragraphs (a), (b), (c) and (d) of Section 149(1) of the Companies Act, 1965 shall not apply.
2. The instrument appointing a proxy must be deposited at the Company's Registered Office at Suites 7.21 & 7.22 7th Floor Imbi Plaza Jalan Imbi 55100 Kuala Lumpur not less than 48 hours before the time fixed for holding the meeting, or any adjournment thereof.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.

EXPLANATORY NOTE ON SPECIAL BUSINESS

Resolution No. 9, item 6

The Ordinary Resolution No. 9 under item 6, if passed, will empower the Directors to allot and issue up to a maximum of 10% of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the interest of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the conclusion of the next Annual General Meeting.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. DIRECTORS WHO ARE STANDING FOR RE-ELECTION

The Directors who are standing for re-election at the Second Annual General Meeting are as follows :

- i) Fong Kok Leong
- ii) Lim Tock Ooi
- iii) Gan Ping Shou @ Gan Ping Sieu
- iv) Yap Kok Ching

The profiles of the Directors standing for re-election are set out on pages 7 to 9 of this Annual Report.

2. DETAILS OF DIRECTORS' ATTENDANCE AT BOARD MEETINGS

The details are set out in the Corporate Governance section on page 15 of this Annual Report.

3. PLACE, DATE AND TIME OF THE MEETING

The Second Annual General Meeting of the Company will be held at Rose and Carnation Room, Mezzanine Floor, Hotel Melia Kuala Lumpur, No. 16, Jalan Imbi, 55100 Kuala Lumpur on Friday, 28 April 2006 at 10.00 a.m.



PROFILE OF DIRECTORS



YAP YOON SING

Chairman cum Group Managing Director

Mr. Yap, a Malaysian aged 40, was appointed to the Board on 31 March 2005 as the Chairman and Group Managing Director. He graduated from the National Chengchi University, Taiwan in 1989 with a Bachelor of Commerce degree majoring in Business Administration.

Upon his graduation, Mr. Yap joined the Chinese Management Association ("CMA") Taiwan as a Management Consultant where his job function was to give management diagnosis and consultation to the small and medium-sized industries in Taiwan. Upon his return to Malaysia in 1991, he helped to set up a precision turned parts manufacturing company and joined the company as an Assistant General Manager, where he was in charge of marketing, purchasing, planning and production matters.

Mr. Yap together with Mr. Fong Kok Leong were the founders of Techfast Manufacturing Sdn. Bhd., a subsidiary of the Company. He has a hands-on approach in managing the Group's operations and is recognised by his peers in the worldwide self-clinching fastener ("SCF") manufacturing industry through his direct marketing efforts. He has more than eleven (11) years of experience in the SCF industry and he is very focused in the long-term business strategy, the development and formulation of overall strategies and business plans of the Techfast Group.

He is the Chairman of the Option Committee and member of the Nomination Committee of the Company.

He is also a director of the other subsidiaries, Techfast Manufacturing Sdn. Bhd., Techfast Precision (SIP) Co. Ltd., Techfast Precision Sdn. Bhd. and Techfast Technologies Sdn. Bhd.



FONG KOK LEONG

Executive Director

Mr. Fong, a Malaysian aged 35, was appointed to the Board on 31 March 2005 as an Executive Director of the Company.

He started his career in 1989 where he was attached with a turn parts manufacturer in Singapore where he honed his technical and management skills. He returned to Malaysia in 1994 and worked for another turn parts manufacturer as a technician for another four years before setting up Techfast Manufacturing Sdn. Bhd. in 1999 with Mr. Yap Yoon Sing.

He has more than seventeen (17) years of hands-on business and operational experience in the machinery industry which is crucial to the management of the Group's manufacturing plant. He spearheads the Production Division and Research and Development team in the design of tools and die, and developing higher value-added products with the aim of expanding the Group's product range. In addition, he also assists the Group Managing

Director in business development initiatives and process improvements.

Mr. Fong was responsible for the setting up of the Group's manufacturing plant in the People's Republic of China where he is currently the president of Techfast Precision (SIP) Co. Ltd. He is also a director of the other subsidiaries, Techfast Manufacturing Sdn. Bhd., Techfast Precision Sdn. Bhd. and Techfast Technologies Sdn. Bhd.

PROFILE OF DIRECTORS (cont'd)



LIM TOCK OOI

Executive Director

Mr. Lim, a Malaysian aged 59, was appointed to the Board on 31 March 2005 as an Executive Director of the Company.

He is a graduate from the University of New England, Australia in 1971 with a Bachelor degree in Economics. He is a member of the Institute of Chartered Accountants in Australia, the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants. He is also a Fellow member of the Malaysian Institute of Taxation.

Mr. Lim qualified as a Chartered Accountant in 1974 while working for Deloitte, Haskin & Sells (now known as Deloitte Touche Tohmatsu) in Sydney, Australia. In 1976, he returned to Malaysia and worked for an international firm of chartered accountants for approximately four (4) years. In 1980, he started his accounting practice under the name of Messrs. Michael Lim & Co.

He is currently responsible for the formulation of corporate strategies and plans for the Techfast Group and is responsible for the overall financial management and administration of the Group.

He is a member of the Audit Committee and Remuneration Committee of the Company.

He is also a director of the other subsidiaries, Techfast Precision (SIP) Co. Ltd, Techfast Precision Sdn. Bhd. and Techfast Technologies Sdn. Bhd. Mr. Lim also holds directorship in other private limited companies in a non-executive capacity.



GAN PING SHOU @ GAN PING SIEU

Independent Non-Executive Director

Mr. Gan, a Malaysian aged 40, was appointed on 31 March 2005 as Independent Non-Executive Director of the Company.

He obtained his Bachelor degree in Law from Queen Mary College, University of London in 1989 and thereafter became a Barrister-at-law of the Honourable Society of Lincoln's Inn. His post-graduate studies include a degree of Master of Law (LLM) from University Malaya and Diploma (Syariah) from the International Islamic University Malaysia.

He is the Chairman of the Nomination Committee, member of the Audit Committee, Option Committee and Remuneration Committee of the Company.

He is a practising advocate and solicitor at Messrs. Gan and Zul., Advocates and Solicitors. He currently holds the posts of the Head of National Legal Bureau and Auditor General of the Malaysian Chinese Association (Youth Section). He is a member of the Johore State Legislative Assembly (Mengkibol Kluang).

PROFILE OF DIRECTORS (cont'd)



YAP KOK CHING

Independent Non-Executive Director

Mr. Yap, a Malaysian aged 49, was appointed on 31 March 2005 as an Independent Non-Executive Director of the Company.

Graduated from the University of Melbourne, Australia with a Bachelor of Commerce degree majoring in Accounting and Economics, Mr. Yap is also a member of the Malaysian Institute of Accountants and a Fellow member of CPA Australia.

He started his career as an Accountant in 1982 with Clipper Express Co., Australia. In 1985, he took up the position of Regional Accountant with ANL Shipping Agencies ("ANL"), Australia. He left ANL in 1988 to join Steeves Lumley Limited, Australia as Group Accountant until December 1995 when he returned to Malaysia. In July 1996, he was appointed as the Financial Controller of Tamadam Bonded Warehouse Berhad where he served until November 2001 before joining Otto Industrial Pte. Ltd. in Singapore as Financial Controller. In June 2002, he was transferred back to Malaysia to serve in a related company, Perdana Park City Sdn Bhd, where he remained until March 2003. Mr. Yap then served as the Chief Financial Officer of the Tan Cheong Leong Group of Companies until December, 2005.

Mr. Yap is the Chairman of both the Audit Committee and Remuneration Committee and a member of Option Committee and Nomination Committee of the Company. He is also the Senior Independent Director to whom all concerns regarding the Group may be conveyed.

He also sits on the Board of Nikko Electronics Bhd., a listed company in Bursa Malaysia Securities Berhad as an Independent Non-Executive Director and holds directorship in several other private limited companies.

ADDITIONAL INFORMATION ON DIRECTORS

Conflict of Interest and Family Relationships with any Director and/or Major Shareholder

None of the Directors have any conflict of interest with the Group. None of the directors has family relationships with any other directors.

Convictions for offences (within past 10 years, other than traffic offences)

None of the Directors have any convictions for offences other than traffic offences.

Securities held in the Company and its subsidiary

The details are disclosed in the Directors' Report on page 30 of this Annual Report.

STATEMENT BY THE CHAIRMAN CUM GROUP MANAGING DIRECTOR

Dear Shareholders,

On behalf of the Board of Directors, it is my pleasure to present to you the inaugural Annual Report and the audited Financial Statements of the Group and the Company for the year ended 31 December 2005.

The year 2005 was a year that marked an important milestone for the Company with its successful listing on the MESDAQ Market of Bursa Malaysia Securities Berhad ("Bursa Securities") on 6 June 2005. With the successful listing on Bursa Securities, I strongly believe the Group is now geared for our next stage of growth.

FINANCIAL RESULTS

For the year ended 31 December 2005, the Group recorded a revenue of RM20.40 million and profit after taxation of RM5.75 million after deducting pre-acquisition profit of RM1.22 million. The Group profit was contributed mainly by Techfast Manufacturing Sdn. Bhd. ("Techfast Manufacturing"), a wholly-owned subsidiary acquired by the Company on 30 March 2005.

On a full year basis, Techfast Manufacturing recorded a revenue of RM20.11 million and profit after taxation of RM4.88 million for the year ended 31 December 2005, representing an increase of about 40% and 21% respectively when compared with the results of the preceding year.

CORPORATE DEVELOPMENT

On 30 March, 2005, the Company acquired the entire issued and paid-up share capital of Techfast Manufacturing for a consideration of RM11,499,998 in exchange for 114,999,980 ordinary shares of RM0.10 each credited as fully paid shares in the Company. In conjunction with the listing exercise, 37,000,000 ordinary shares of RM0.10 each at an issue price of RM0.39 per share were issued by way of public offer. Following the public issue, the entire 152,000,000 shares of RM0.10 each were listed on the MESDAQ Market of Bursa Malaysia on 6 June 2005.

UTILISATION OF IPO PROCEEDS

The Company raised RM14.43 million from the Public Issue exercise to fund capital expenditure for plant and machinery, expenditure for research and development, listing exercise and general working capital expenses.

As at 31 December 2005, other than the listing expenses which have been fully disbursed, the balance of the proceeds amounting to RM7.41 million or about 51% had remained unutilized.

REVIEW OF OPERATIONS

Since listing, the Company has set up a subsidiary, Techfast Precision (SIP) Co. Ltd ("Techfast China") in Weiting at Suzhou Industrial Park in the Jiangsu Province in the People's Republic of China producing self-clinching fasteners and electronic hardware to increase the Group's production output to meet increasing demand. Under the investment guidelines of Suzhou Industrial Park, the subsidiary will enjoy corporate income tax concessions for five years with tax exemption on income for the first two years and income tax rate of 7.5% for the next three years, being half of the prevailing tax rate of 15% commencing from the first profit making year.

STATEMENT BY THE CHAIRMAN CUM GROUP MANAGING DIRECTOR (cont'd)



In the year 2005, Techfast Manufacturing has made further inroads in its global expansion efforts, succeeding in penetrating into new international markets namely Turkey, Ireland, Slovakia, Hungary and Greece increasing the total number of export destinations to 30 countries. Sales to these new markets contributed about 7% of the increased export revenue of Techfast Manufacturing in 2005.

INDUSTRY TREND AND DEVELOPMENT

The imminent boom in the Plasma and LCD televisions industry that is set to take off like the mobile phone revolution augurs well for the self-clinching fasteners ("SCF") industry, as SCFs are widely used in the metal chassis as component parts for making of these televisions.

The Group already enjoys a good reputation for producing quality SCFs that are well suited for use as component parts in high-end electrical and electronic devices. It is therefore well-positioned to benefit from the latest trend and development in the Plasma and LCD television industry.

The end users of the Group's products in the Plasma and LCD televisions industry now include electronic giants like Samsung, Sharp, Phillips and Toshiba.

STATEMENT BY THE CHAIRMAN CUM GROUP MANAGING DIRECTOR (cont'd)

LOOKING FORWARD

The Group is expanding its manufacturing operation to include the production of specialised turning parts. Our subsidiary, Techfast Precision Sdn. Bhd. ("Techfast Precision"), acquired a factory premise adjacent to the present factory location of Techfast Manufacturing for this purpose. The decision by the Company to venture into this business was to meet the demand by existing customers for such specialised products and to complement its current product offerings. I am also pleased to announce that Techfast Precision has been granted pioneer status by Malaysian Industrial Development Authority ("MIDA") and accorded income tax exemption on 70% of its statutory business income for a period of five years.

Techfast Technologies Sdn. Bhd. ("Techfast Technologies"), another subsidiary of the Company will undertake the manufacture of various types of panel fasteners following research and development carried out by Techfast Manufacturing. The manufacturing facility of this subsidiary will be located in the same factory premises as Techfast Precision.

Both the subsidiaries mentioned above are expected to commence operations in the second quarter of this year.

Moving forward, the Group remains focused in its efforts to build and promote its own "TFM" brand in the global markets. The Group fully recognises the importance of branding in its aspiration to become a key global market player in the industry.

The Board is optimistic about the prospects of the Company for 2006, with positive full year contributions expected from Techfast China and the commencement of business of the other two subsidiaries, Techfast Precision and Techfast Technologies this year.

INDUSTRY EXCELLENCE AWARDS

I am pleased to advise that Techfast Manufacturing has won several prestigious industry awards in 2005. For a second year in a row, the subsidiary won the Golden Bull Award 2005 organised by Nanyang Siang Pau and the Enterprise 50 Award 2005 organised by the Small and Medium Industries Development Corporation in conjunction with Deloitte KassimChan.

Techfast Manufacturing also won the Gold Medal in the Malaysian Emerging Brand Award 2004/2005 jointly organised by the Malaysian International Chamber of Commerce and Industry ("MICCI") and the Brandz Group. Other awards received included the Selangor Export Excellent Award (Manufacturing) 2005 organised by the Selangor State Government Investment Centre and the Merit Certificate of Industry Excellence Award 2005 accredited by the Ministry of International Trade and Industry.

STATEMENT BY THE CHAIRMAN CUM GROUP MANAGING DIRECTOR (cont'd)

DIVIDENDS

The Board has recommended dividends of 1.5 sen per ordinary share comprising a special tax exempt dividend of 0.5 sen and a final tax exempt dividend of 1.0 sen per ordinary share for shareholders' approval at the forthcoming Annual General Meeting.

Though the Company is in a high growth phase of a dynamic industry and would require all the available resources for expansion, the Board is mindful of providing a reasonable return on investment to our shareholders.

APPRECIATION

On behalf of the Board, I wish to express my sincere gratitude and appreciation to the management team and staff for their continued support and contribution towards the success of the Group. I would like to take this opportunity to also thank the regulatory authorities, our customers, distributors, business associates, bankers and our strategic partners for their support especially during the listing exercise of the Company. We look forward to their continued support and contribution to the growth of the Company.

YAP YOON SING

Chairman cum Group Managing Director
20 March 2006



STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors ("the Board") of Techfast Holdings Berhad ("the Company") undertakes measures to enhance corporate governance framework which are practiced throughout the Company and its subsidiaries ("the Group") as a fundamental part of discharging its responsibilities to protect, realise and enhance shareholders' value and the financial performance of the Group. To this end, the Board fully supports the recommendations of the Malaysian Code on Corporate Governance ("the Code").

The Board is pleased to outline the key principles applied and best practices adopted by the Group to comply with Parts 1 and 2 of the Code.

1. BOARD OF DIRECTORS

The Board is entrusted with the proper stewardship of the Company's resources for the best interest of its shareholders and also to steer the Group towards achieving its maximum economic value.

1.1 Composition and Balance of the Board

The Board consists of five (5) members, comprising one (1) Chairman cum Group Managing Director, two (2) Executive Directors and two (2) Independent Non-Executive Directors. Collectively, the composition equips the Board with a mix of industry-specific knowledge and broad business, financial, regulatory and technical experience. The Board complies with paragraph 13.2 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for the MESDAQ Market which states that a listed company must have at least two (2) independent directors. A brief profile of each Director is set out on pages 7 to 9 of this Annual Report.

Due to the strong independent component of the Board, the roles of the Chairman and Managing Director have not been divided, and both functions continue to be exercised by Mr. Yap Yoon Sing. He is primarily responsible for the Board's effectiveness and conduct as well as overall management and development of strategic direction of the Group.

The presence of Independent Non-Executive Directors, Mr. Gan Ping Shou @ Gan Ping Sieu and Mr. Yap Kok Ching, both are of sufficient calibre and experience to bring objectivity, balance and independent judgement to Board decisions.

Mr Yap Kok Ching is also the Senior Independent Non-Executive Director to whom all concerns regarding the Group may be conveyed.

1.2 Board Responsibilities

The Board has reserved appropriate strategic, financial and organisational matters for its collective decision. Key matters, such as approval of annual and interim results, material investments, material agreements, major capital expenditures, budgets, long term plans and succession planning for top management are reserved for the Board.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

1.3 Board Meetings

The Board meets every quarter and additional meetings are held as and when necessary. Since the appointment of the current Board members on 31 March 2005, the Board has held three (3) meetings during the year under review. The number of meetings attended by the Board members is as follows:-

Members	Attendance
Yap Yoon Sing	3/3
Fong Kok Leong	3/3
Lim Tock Ooi	3/3
Yap Kok Ching	3/3
Gan Ping Shou @ Gan Ping Sieu	3/3

1.4 Appointment to the Board

The appointment of any additional Director is made as and when it is deemed necessary by the Board with due consideration given to the mix of expertise and experience required for discharging its duties and responsibilities effectively. The Board is assisted in this regard by the Nomination Committee details of which are set out on page 18.

1.5 Re-election of Directors

In accordance with the Company's Articles of Association, at least one-third (1/3) of the Directors for the time being or if the number is not three (3) or a multiple of three (3) then the nearest one-third (1/3) shall retire from office at each Annual General Meeting. All Directors except Managing Director shall retire from office once at least every three (3) years but shall be eligible for re-election. Directors who are appointed by the Board during the financial year are subject to re-election by the shareholders at the next Annual General Meeting following their appointments.

1.6 Supply of Information

Members of the Board have access to information on a timely basis to enable them to discharge their duties and responsibilities.

Directors are each provided with Notices of Board meetings and Board papers for each agenda item in advance of each meeting to ensure that Directors have ample time to study them and be properly prepared for discussion and decision making. The Board papers provide updates on business, operational and corporate developments and other useful information to enable Directors to discharge their responsibilities effectively.

Any new requirements and/or amendments to regulations as issued by regulatory bodies, such as Bursa Securities and Securities Commission, are circulated for the attention of Directors.

1.7 Access to Information and Advice

Directors have access to the advice and services of the Company Secretaries who are responsible for ensuring that Board procedures are followed and applicable rules and regulations are complied with. Any additional information requested by Directors is readily available. Minutes of all meetings are maintained as a record of proceedings carried out.

Directors may also consult with the Chairman cum Group Managing Director and other Board members prior to seeking any independent professional advice.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

1.8 Directors' Training

All Directors are provided with appropriate training and guidance as to their duties and responsibilities as Directors of a public listed company. The Directors have successfully completed the Mandatory Accreditation Programme conducted by a body corporate approved by Bursa Securities. The Directors will continue to attend other relevant training programmes and seminars to enhance their knowledge and to keep abreast with latest development, new laws, regulations and changing commercial risks.

2. DIRECTORS' REMUNERATION

2.1 Level, make-up and procedure for determination

The Remuneration Committee is responsible for recommending to the Board the remuneration framework for Directors as well as the remuneration package for Executive Directors and senior management. The Company's remuneration scheme for Directors is linked to their performance, service seniority, experience and scope of responsibilities. This aims to attract, motivate and retain Directors with the relevant experience and expertise required to manage the business of the Group effectively and successfully. Executive Directors are abstained from deliberations and voting on the decision in respect of their own remuneration package.

The Board as a whole determines the remuneration of Non-Executive Directors. The individual Directors concerned are abstained from decisions in respect of their own remuneration package.

Details of the Remuneration Committee are set out on page 19 of this Annual Report.

2.2 Details of Directors' remuneration

The aggregate remuneration of directors for the financial year ended 31 December 2005 were as follows:

Components	Executive Directors RM'000	Non-Executive Directors RM'000	Total RM'000
Fees	–	16	16
Salaries / Other emoluments	372	5	377
Total	372	21	393

The number of directors of the Company whose remuneration fell within the respective bands is as follows:-

Range of Remuneration (RM)	Executive Directors	Non-Executive Directors	Total No.
Below 50,000	–	2	2
50,001 – 100,000	1	–	1
100,001 – 200,000	2	–	2

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

3. INVESTOR RELATIONS AND SHAREHOLDER COMMUNICATION

3.1 Shareholder and Investor Relations

The Group values dialogue with investors as a means of effective communication that enables the Board to convey information about the Group's performance, corporate strategy and other matters affecting shareholders' interests. Such information is communicated through the Annual Report and the various disclosures and announcements to Bursa Securities including quarterly and annual results.

Care is taken to ensure that no market sensitive information such as corporate proposals, financial results and other material information is disseminated to any party without first making an official announcement through Bursa Securities.

3.2 Annual General Meeting ("AGM")

The AGM provides a vital forum for dialogue with shareholders. At the AGM, shareholders are encouraged to participate in the question-and-answer sessions on the resolutions being proposed or to share viewpoints and acquire information on issues relevant to the Group business operation in general.

Copies of the Annual Report and Notice of the AGM are sent to all shareholders at least twenty-one (21) days before the meeting. The Notice of the AGM is also published in widely circulated newspapers.

Each item of special business included in the Notice of the meeting will be accompanied by an explanatory statement for the effects of a proposed resolution to facilitate full understanding and evaluation of issues involved.

4. ACCOUNTABILITY AND AUDIT

4.1 Financial Reporting

The Directors are aware of their responsibilities to present a balance and understandable assessment of the Group's financial performance and prospect. In this respect, the Audit Committee assists the Board in overseeing the Group's financial reporting processes and the quality of its financial reporting.

4.2 Internal Control

The Board of Directors is responsible for maintaining a sound system of internal control to provide reasonable assurance regarding the achievement of the Group's objectives in ensuring effectiveness and efficiency of operation, reliability and transparency of financial information and compliance with laws and regulations.

The Board recognises that reviewing the Group's system of internal control is a continuing process, designed to manage rather than eliminate the risk of failure to achieve business objectives. Accordingly, the systems, processes and procedures being put in place are aimed at minimizing those risks and to provide reasonable but not absolute assurance against material misstatement, fraud and loss.

The Statement on Internal Control as set out on page 20 of in this Annual Report provide an overview of the state of internal controls within the Group.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

4.3 Relationship with the External Auditors

The external auditors, Messrs GEP Associates have continued to report to the members of the Company on their findings which are included as part of the Company's financial reports with respect to each year's audit on the statutory financial statements. In doing so the Company has established a transparent arrangement with the auditors to meet their professional requirements.

The role of the Audit Committee in relation to the external auditors is set out on pages 21 to 24 of this Annual Report.

5. THE BOARD COMMITTEES

As appropriate or whenever required as provided by the Articles of Association, the Board has delegated certain responsibilities to certain Committees, namely Nomination Committee, Remuneration Committee, Audit Committee and Option Committee to assist the Board in the discharge of its duties effectively, which operates within clearly defined terms of reference.

5.1 Nomination Committee

The Nomination Committee was established on 21 July 2005. The members of the Committee are as follows:-

Gan Ping Shou @ Gan Ping Sieu	(Chairman, Independent Non-Executive Director)
Yap Kok Ching	(Independent Non-Executive Director)
Yap Yoon Sing	(Group Managing Director)

The objectives of the Nomination Committee are to:

- assist the Board of Directors of Techfast Holdings Berhad ("the Board") in assessing existing directors and identifying, nominating and orienting new directors to enhance corporate governance.
- assist the Board in ensuring that appointments of Directors are made on merit basis.
- assist the Board in identifying and reviewing on an annual basis the desired mix of skills, experience, qualifications and other core competencies required of Directors to enable the Board to function effectively and efficiently.
- examine and review the overall composition of the Board in terms of size and balance between Executive Directors, Non-Executive Directors and Independent Directors.

No meeting was held during the financial year ended 31 December 2005.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

5.2 Remuneration Committee

The Remuneration Committee was established on 21 July 2005. The members of the Committee are as follows:-

Yap Kok Ching	(Chairman; Independent Non-Executive Director)
Lim Tock Ooi	(Executive Director)
Gan Ping Shou @ Gan Ping Sieu	(Independent Non-Executive Director)

The objectives of the Remuneration Committee is to assist the Board of Directors in ensuring that the Executive Directors and key senior managerial staff of the Techfast Group ("the Group") are fairly rewarded for their individual contributions to the Group's overall performance and that the levels of remuneration package are sufficient to attract, retain and motivate the Executive Directors and key senior management staff needed to manage the business of the Group successfully.

The determination of remuneration package of Non-Executive Directors is a matter of the Board as a whole.

One (1) meeting was held during the financial year ended 31 December 2005 with full attendance from all the Committee members.

5.3 Audit Committee

The report of the Audit Committee is set out on pages 21 to 24 of this Annual Report.

5.4 Option Committee

The Option Committee was established on 31 March 2005. The members of the Committee are as follows :

Yap Yoon Sing	(Chairman cum Group Managing Director)
Yap Kok Ching	(Independent Non-Executive Director)
Gan Ping Shou @ Gan Ping Sieu	(Independent Non-Executive Director)

The objectives of the Option Committee are to:

- assist the Board of the Company in discharging its responsibilities relating to the implementation of the Employees' Share Option Scheme ("the Scheme") in accordance with the relevant laws and regulations including the By-Law of the Scheme.
- regulate and administer the Scheme subject to the Company's Memorandum and Articles of Association, the By-Laws of the Scheme, the Company's policy guidelines and other relevant laws and regulations.
- carry out functions relating to the Scheme assigned by the Board of the Company.

One (1) meeting was held during the financial year ended 31 December 2005 with full attendance from all the Committee members.

STATEMENT ON INTERNAL CONTROL

The Board of Directors is pleased to present the Statement on Internal Control of the Group comprising Techfast Holdings Berhad and its subsidiaries which outlines the key elements of internal control for the year ended 31 December 2005.

RESPONSIBILITY OF THE BOARD

The Board of Directors acknowledges its responsibility for the Group's system of internal control to cover the financial, compliance and operational controls of the Group. The Board also recognises its responsibility for reviewing the adequacy and integrity of the system of internal control to safeguard shareholders' investments and the Group's assets.

However, it should be noted that the system of internal control is designed to manage rather than to eliminate the risk of failure to achieve business objectives. As such, it can only provide reasonable and not absolute assurance against material misstatement or loss regarding:

- (a) the safeguarding of assets against unauthorised use or disposition; and
- (b) the maintenance of proper accounting records and the reliability of financial information used within the business or for publication.

RISK MANAGEMENT FRAMEWORK

The Executive Directors with the assistance of the senior management are continuously identifying, evaluating and managing significant business risks that affecting the day-to-day operations of the Group.

The Audit Committee, on behalf of the Board, considers the effectiveness of the operation of the internal control procedures in the Group during the financial year. 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 key elements of the Group's internal control system can be summarised as follows:

The Board is satisfied that for the financial year under review, there was no material losses, deficiencies or errors arising from any inadequacy or failure of the Group's system of internal control that would require disclosure in the Group's Annual Report.

AUDIT COMMITTEE REPORT

The Audit Committee was established by the Board of Directors on 31 March 2005. The Board of Directors is pleased to present the report of the Audit Committee for the financial year ended 31 December 2005.

1. MEMBERS

The Audit Committee comprises the following members:-

Yap Kok Ching	(Chairman, Independent Non-Executive Director)
Gan Ping Shou @ Gan Ping Sieu	(Independent Non-Executive Director)
Lim Tock Ooi	(Executive Director)

2. TERMS OF REFERENCE

2.1 Membership

The Committee shall be appointed by the Board from amongst the Directors of the Company and shall consist of not less than three (3) members, the majority of whom shall be Independent Directors and at least one member of the Committee must be a member of the Malaysian Institute of Accountants or such other qualification and experience as approved by Bursa Malaysia Securities Berhad. The Chairman of the Committee shall be an Independent Director appointed by the Board of Directors.

No alternate director and/or chief executive officer shall be appointed as a member of the Audit Committee.

2.2 Authority

As empowered by the Board, the Audit Committee shall:

- i) have explicit authority to investigate any matter within its terms of reference;
- ii) have the resources which it needs to perform its duties;
- iii) have full and unrestricted access to any information, records, properties and personnel including the chief executive officer and/or the chief financial officer of the Company and of the Group which it requires in the course of performing its duties;
- iv) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- v) be able to obtain independent professional or other advice in the performance of its duties at the cost of the Company;
- vi) be able to invite outsiders with relevant experience to attend its meeting if necessary; and
- vii) be able to convene meetings with external auditors, excluding the attendance of the executive members of the Audit Committee, whenever deemed necessary.

Management shall provide the fullest co-operation in providing information and resources to the Audit Committee, and in implementing or carrying out all requests made by the Audit Committee.

AUDIT COMMITTEE REPORT (cont'd)

2.3 Duties and Responsibilities

The duties of the Committee shall be:

- a) to review the quarterly and annual financial statements with both the external auditors and management before approval by the Board, focusing particularly on :
 - changes in accounting policies and practices;
 - implementation of major accounting policy changes;
 - significant and unusual events; and
 - compliance with accounting standards and other statutory requirements.
- b) to review with external auditors:
 - their audit plan, encompassing the nature and scope of the audit before the commencement of the audit;
 - their evaluation of the system of internal controls;
 - their audit report;
 - their audit finding; and
 - the assistance given by the employees of the Company to the external auditors.
- c) to review the adequacy of the scope, quality, functions and resources of the internal audit function and that it has the necessary authority to carry out its work;
- d) to review internal audit programme and to consider major findings of internal audit investigations and management's responses thereto and ensure that appropriate actions are taken on the recommendations of the internal audit function;
- e) to review the effectiveness of the internal control and management information systems;
- f) to review any related party transaction and conflict of interest situation that may arise within the Company or Group, including any transaction, procedure or course of conduct that raises questions of management integrity;
- g) to review any letter of resignation from the external auditors of the Company;
- h) to review any management letter sent by the external auditors to the Company and the management's response to such letter;
- i) to review whether there is reason (supported by grounds) to believe that the Company's external auditors are not suitable for re-appointment;
- j) to make recommendations to the Board on the nomination and remuneration of the external auditors;
- k) to review the assistance given by the Company's officers to the external auditors;
- l) to review all areas of significant financial risk and the arrangements in place to contain those risks to acceptable levels; and
- m) to carry out any additional duties which may arise from time to time as prescribed by the Board.

AUDIT COMMITTEE REPORT (cont'd)

2.4 Meetings

Meeting shall be held not less than four (4) times a year and such additional meetings as the Chairman may decide to fulfill its duties. The external auditors may request a meeting if they consider this necessary.

The Committee may require any employee and/or the external auditors to attend meetings. If necessary, the Committee shall meet with the external auditors without any Executive Director present.

A quorum shall be two (2) members who shall be Non-Executive Directors. If the Chairman is not present, the members present shall elect one of their members to be the Chairman of the Meeting.

2.5 Retirement and Resignation

A member of the Audit Committee who wishes to retire or resign should provide sufficient written notice to the Company so that a replacement may be appointed before he leaves. In the event of any vacancy in the Audit Committee resulting in the non-compliance of the above requirement, the Board must fill the vacancy within two (2) months, but in any case not later than three (3) months.

2.6 Secretary of the Audit Committee

The Company Secretary shall be the Secretary of the Audit Committee.

2.7 Rights of External / Internal Auditors

The external auditors and internal auditors (if any) have the right to appear and be heard at any meeting for the Audit Committee and shall so appear when required by the Audit Committee.

Upon the request of the external auditors or internal auditors (if any), the Chairman of the Audit Committee shall convene a meeting of the Committee to consider any matters that the auditors believe should be brought to the attention of the directors or shareholders. The Committee may invite any persons to be in attendance to assist in its deliberations.

2.8 Functional Independence

The Audit Committee shall function independently of the other directors and officers of the Group. Such other directors and officers may attend any particular Audit Committee meeting only at the Audit Committee's invitation, specific to the relevant meeting.

Other than as provided herein, the Audit Committee may regulate its own procedures including the calling of meetings, the notice to be given of such meetings, the voting and proceedings thereat, the keeping of minutes and the custody, production and inspection of such minutes.

AUDIT COMMITTEE REPORT (cont'd)

3. NUMBER OF MEETING AND DETAILS OF ATTENDANCE

Since the establishment of the Committee on 31 March 2005, the Committee held three (3) meetings during the year under review. The number of meetings attended by the Committee members is as follows:-

Members	Attendance
Yap Kok Ching	3/3
Gan Ping Shou @ Gan Ping Sieu	3/3
Lim Tock Ooi	3/3

The meetings were appropriately structured through the use of agendas, which were distributed to members with sufficient notification.

The Company Secretary was in attendance as secretary of the Committee in all meetings. The Senior Account Executive of the Group also attended the meeting, where appropriate, upon invitation.

4. SUMMARY OF ACTIVITIES

The Committee had carried out the following activities during the three (3) meetings in discharging their duties and responsibilities:

- reviewed the quarterly reports of the Group and the recommendation of the same to the Board for approval and release of the Group's result to Bursa Malaysia Securities Berhad.
- reviewed with external auditors on their audit planning memorandum on the statutory audit of the Group for the financial year ended 31 December 2005.
- reviewed with external auditors on the results and issues arising from their audit of the financial year end statements and their resolutions of such issues highlighted in their report to the Committee.
- considered and recommended the external auditors for re-appointment.

5. INTERNAL AUDIT

At present, the Group does not have an internal audit department and the Audit Committee relied on discussions with the management and Executive Directors, review of quarterly financial statements and input from the external auditors to discharge its duties. The Board of Directors is of the opinion that the existing system of internal control is adequate for the current level of operations.

STATEMENT OF DIRECTORS' RESPONSIBILITY

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:

- 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
- 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.

ADDITIONAL COMPLIANCE INFORMATION

1. Share Buyback

During the financial year, the Company did not enter into any share buyback transactions.

2. Options, Warrants or Convertible Securities

The Company's Employees Share Option Scheme was implemented on 30 May 2005, details of which are set out in Note 10 to the Financial Statements: Share Capital on pages 52 to 54 of this Annual Report.

There were no warrants or convertible securities issued by the Company during the financial year.

3. American Depository Receipt ("ADR") or Global Depository Receipt ("GDR") Programme

During the financial year, the Company did not sponsor any ADR and GDR programme.

4. Sanctions and Penalties

There were no sanctions or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies during the financial year.

5. Non-Audit Fees

The amount of non-audit fees paid to the external auditors by the Group for the financial year ended 31 December 2005 was RM31,500, which was for professional services rendered in respect of the Group's listing exercise.

6. Profit Estimates, Forecast or Projection

The Company did not issue any profit estimates, forecast or projection for the financial year.

7. Profit Guarantee

The Company did not issue any profit guarantee during the financial year.

8. Material Contract Involving Directors and Major Shareholders

There are no material contracts involving Directors and major shareholders during the financial year.

9. Recurrent Related Party Transactions of a Revenue or Trading Nature

The Company does not have any recurrent related party transaction of a revenue or trading nature during the financial year.

10. Revaluation Policy

The Company did not revalue any of its property, plant and equipment during the financial year.



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DIRECTORS' REPORT

The directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2005.

PRINCIPAL ACTIVITIES

The principal activities of the Company are that of investment holding and provision of management services. The principal activities of the subsidiary companies are disclosed in Note 14 to the Financial Statements. There have been no significant changes in the principal activities of the Company and its subsidiary companies during the financial year.

RESULTS

	Group	Company
Net profit for the year	RM5,749,060	RM5,110

In the opinion of the directors, the results 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 recommend the payment of a special tax-exempt dividend of 0.5 sen per share and a final tax-exempt dividend of 1.0 sen per share amounting to RM760,000 and RM1,520,000 respectively in respect of the current financial year, subject to the approval of members at the forthcoming Annual General Meeting.

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 Company increased its :

- (a) authorised share capital from RM100,000 to RM50,000,000 through the creation of 499,000,000 new ordinary shares of RM0.10 each.
- (b) issued and paid-up share capital from RM2 to RM15,200,000 in conjunction with the listing thereof on the MESDAQ Market of Bursa Malaysia Securities Berhad.

The details of the changes of the issued and paid-up share capital of the Company are as follows :

Date of Issue	Number of Ordinary Shares of RM0.10 each	Terms of Issue	Purpose of Issue
30 March 2005	114,999,980	Issued price of RM0.10 each	Acquisition of subsidiary company.
31 May 2005	37,000,000	Public issue at an issued price of RM0.39 each for cash	To finance working capital, research and development, acquisition of plant and machinery and defray listing expenses.

DIRECTORS' REPORT (cont'd)

ISSUE OF SHARES AND DEBENTURES (cont'd)

All additional new ordinary shares issued during the financial year rank pari-passu with the existing shares of the Company.

There were no issue of debentures during the financial year.

EMPLOYEE SHARE OPTIONS SCHEME

In conjunction with the listing of the Company's shares on the MESDAQ Market of Bursa Malaysia Securities Berhad, the Company implemented an Employee Share Option Scheme ("ESOS"). The ESOS is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 12 April 2005. Details of the ESOS are set out in Note 10 to the Financial Statements.

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of the employees who have been granted options to subscribe for less than 500,000 ordinary shares in the Company during the financial year. The list of employees granted options to subscribe for 500,000 and above in the Company is as follows :

Name	Grant Date	Expiry Date	Exercise Price	Number of Share Options		
				Granted	Exercised	31.12.2005
Chan Chun Yi	30.5.2005	29.5.2010	RM0.39	700,000	–	700,000
Teh Cheng Aik	30.5.2005	29.5.2010	RM0.39	300,000	–	300,000
Teh Cheng Aik	7.10.2005	6.10.2010	RM0.37	300,000	–	300,000

Details of options granted to directors are disclosed in the section on Directors' Interests in this report.

DIRECTORS

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

Yap Yoon Sing	(Appointed on 31.3.2005)
Lim Tock Ooi	(Appointed on 31.3.2005)
Fong Kok Leong	(Appointed on 31.3.2005)
Gan Ping Shou @ Gan Ping Sieu	(Appointed on 31.3.2005)
Yap Kok Ching	(Appointed on 31.3.2005)
Wong Mei Ling	(Resigned on 31.3.2005)
Chong Lee Yan	(Resigned on 31.3.2005)

In accordance with the Company's Articles of Association, Mr Lim Tock Ooi, Mr Fong Kok Leong, Mr Gan Ping Shou @ Gan Ping Sieu and Mr Yap Kok Ching shall retire from the Board at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

DIRECTORS' REPORT (cont'd)

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 :

Shares in the Company Registered in name of director	No. of ordinary shares of RM0.10 each			Balance at 31.12.2005
	Balance at 1.1.2005	Bought	Sold	
Yap Yoon Sing	–	35,515,582	(4,041,600)	31,473,982
Fong Kok Leong	–	23,605,597	(2,250,000)	21,355,597
Lim Tock Ooi	–	18,353,164	–	18,353,164
Yap Kok Ching	–	200,000	–	200,000
Gan Ping Shou @ Gan Ping Sieu	–	200,000	–	200,000

The Company	No. of options over ordinary shares of RM0.10 each			Balance at 31.12.2005
	Balance at 1.1.2005	Granted	Exercised	
Yap Yoon Sing	–	1,500,000	–	1,500,000
Lim Tock Ooi	–	2,000,000	–	2,000,000
Fong Kok Leong	–	1,500,000	–	1,500,000

By virtue of the above directors' interest in shares of the Company, Mr Yap Yoon Sing is deemed to have an interest in shares of all the subsidiary companies to the extent of the Company has an interest in the subsidiary companies.

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 benefits (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors shown in the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

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.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) On 30 March 2005, the Company acquired the entire issued and paid-up share capital of Techfast Manufacturing Sdn. Bhd. comprising 2,428,574 ordinary shares of RM1 each for a total purchase consideration of RM11,499,998 by issuing 114,999,980 new ordinary shares of RM0.10 each per share credited as fully paid shares in the Company. Following this acquisition, Techfast Manufacturing Sdn. Bhd. became a wholly-owned subsidiary of the Company.
- (b) A public issue of 37,000,000 new ordinary shares of RM0.10 each at an issue price of RM0.39 per share.

DIRECTORS' REPORT (cont'd)

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (cont'd)

- (c) On 6 June 2005, the entire issued and paid-up share capital of 152,000,000 ordinary shares of RM0.10 each in the Company were listed on the MESDAQ Market of Bursa Malaysia Securities Berhad.
- (d) On 19 July 2005, the Company incorporated a wholly-owned subsidiary, Techfast Precision Sdn. Bhd. with an authorised share capital of RM100,000 consisting of 100,000 ordinary shares of RM1 each with an issued and paid-up share capital of RM2.
- (e) On 2 August 2005, the Company registered a subsidiary in the People's Republic of China with a registered share capital of US\$2,100,000. As at 31 December 2005, US\$685,506 or the equivalent of RM2,591,283 of the registered capital has been paid up.
- (f) On 8 August 2005 and 26 October 2005, Techfast Manufacturing Sdn. Bhd., a wholly-owned subsidiary entered into five Sale and Purchase Agreements to acquire five units of residential apartments as staff quarters for a total purchase consideration of RM465,000.
- (g) On 26 August 2005, the Company incorporated a wholly-owned subsidiary, Techfast Technologies Sdn. Bhd. with an authorised share capital of RM100,000 consisting of 100,000 ordinary shares of RM1 each with an issued and paid-up share capital of RM2.

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 provision for doubtful debts, and have satisfied themselves that there were no known bad debts and no provision for doubtful debts is required; and
- (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 any amount to be written off as bad debts or provided for as 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.

DIRECTORS' REPORT (cont'd)

OTHER FINANCIAL INFORMATION (cont'd)

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 which 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.

Other than as disclosed in Note 28 to the Financial Statements, 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 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 the Group and of the Company for the succeeding financial year other than as disclosed in Note 31 to the Financial Statements.

REGISTERED OFFICE

The registered office of the Company is located at :

Suites 7.21 & 7.22
7th Floor, Imbi Plaza
Jalan Imbi
55100 Kuala Lumpur
Malaysia

PRINCIPAL PLACE OF BUSINESS

The principal place of business of the Company is located at :

No. 11, Jalan Pasaran 23/5
Seksyen 23
40300 Shah Alam
Selangor Darul Ehsan
Malaysia

EMPLOYEES

As at the end of the financial year, the Group has 264 employees (2004 : Nil). The Company does not have any employee as at the end of the current and previous financial years.

DIRECTORS' REPORT (cont'd)

AUDITORS

The auditors, Messrs GEP Associates, have indicated their willingness to continue in office.

Signed in accordance with a resolution of the Directors dated 20 March 2006.

YAP YOON SING

LIM TOCK OOI

Kuala Lumpur

STATEMENT BY DIRECTORS

The directors of **TECHFAST HOLDINGS BERHAD**, state that, in their opinion, the accompanying balance sheets, income statements, statements of changes in equity and cash flow statements, together with the notes thereto, are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable 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 at 31 December 2005, their results and cash flows for the year ended on that date.

Signed in accordance with a resolution of the Directors dated 20 March 2006.

YAP YOON SING

LIM TOCK OOI

Kuala Lumpur

STATUTORY DECLARATION

I, **LIM TOCK OOI**, being the Director primarily responsible for the accounting records and financial management of **TECHFAST HOLDINGS BERHAD**, do solemnly and sincerely declare that the accompanying balance sheets, income statements, statements of changes in equity and cash flow statements, together with the notes thereto, are, to the best of my knowledge and belief, 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)
LIM TOCK OOI,)
 at Kuala Lumpur)
 on 20 March 2006)

LIM TOCK OOI

Before me,

ONG KAH CHONG
 W145
 Commissioner for Oaths

AUDITORS' REPORT TO THE MEMBERS OF TECHFAST HOLDINGS BERHAD (Incorporated in Malaysia)

We have audited the accompanying balance sheets, income statements, statements of changes in equity and cash flow statements, together with the notes thereto.

The financial statements are the responsibility of the Company's directors. It is our responsibility to form an independent opinion, based on our audit, on those 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 auditing standards in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations, which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free of material misstatement. Our audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. Our audit also includes an assessment of the accounting principles used and significant estimates made by the directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe 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 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 at 31 December 2005, 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 of the Group and of the Company; 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 and auditors' report of the subsidiary company, of which we have not acted as auditors, as mentioned in Note 14 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 Company's financial statements 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 those purposes.

The auditors' report on the financial statements of the subsidiary companies that have been consolidated were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.

GEP ASSOCIATES
AF 1030
Chartered Accountants

Petaling Jaya
20 March 2006

GONG WOUI TEIK
741/04/06 (J)
Partner

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2005

	Note	2005 RM
NON-CURRENT ASSET		
Property, plant and equipment	3	13,608,030
CURRENT ASSETS		
Inventories	4	5,749,153
Trade receivables	5	6,584,436
Other receivables, deposits and prepayments		1,023,279
Fixed deposits with licensed banks	6	8,720,055
Cash in hand and at banks		2,609,187
		24,686,110
Less : CURRENT LIABILITIES		
Trade payables	7	914,128
Other payables and accruals		1,850,636
Hire purchase creditors	8	397,779
Bank borrowings	9	1,634,764
		4,797,307
NET CURRENT ASSETS		19,888,803
		33,496,833
Financed by :		
SHARE CAPITAL		
	10	15,200,000
RESERVES		
	11	14,780,715
SHAREHOLDERS' EQUITY		29,980,715
LONG TERM AND DEFERRED LIABILITIES		
Hire purchase creditors	8	487,320
Term loans	12	2,025,298
Deferred taxation	13	1,003,500
		33,496,833

The accompanying Notes form an integral part of the Financial Statements.

BALANCE SHEET

AS AT 31 DECEMBER 2005

	Note	2005 RM	2004 RM
NON-CURRENT ASSET			
Investment in subsidiary companies	14	14,091,285	–
CURRENT ASSETS			
Deposits and prepayments		24,739	539,913
Amount owing by subsidiary companies	15	2,710,775	–
Fixed deposits with licensed banks	6	7,500,000	–
Cash in hand and at bank		119,747	2
		10,355,261	539,915
Less : CURRENT LIABILITY			
Other payables and accruals		216,684	546,723
		216,684	546,723
NET CURRENT ASSETS/(LIABILITY)		10,138,577	(6,808)
		24,229,862	(6,808)
Financed by :			
SHARE CAPITAL	10	15,200,000	2
RESERVES	11	9,029,862	(6,810)
SHAREHOLDERS' EQUITY/(CAPITAL DEFICIENCY)		24,229,862	(6,808)

The accompanying Notes form an integral part of the Financial Statements.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	2005 RM
Revenue	16	20,396,707
Cost of goods sold		(11,847,316)
Gross profit		8,549,391
Other operating income		308,833
Reserve on consolidation written off		2,266,846
Selling and distribution expenses		(261,589)
Administrative expenses		(1,354,275)
Other operating expenses		(1,231,650)
Profit from operations	17	8,277,556
Finance costs	18	(275,248)
Profit before taxation		8,002,308
Income tax expense	19	(1,032,913)
Net profit after taxation		6,969,395
Pre-acquisition profit		(1,220,335)
Net profit for the year		5,749,060
Earnings per share (sen)	20	
- basic		5.27
- diluted		-

The accompanying Notes form an integral part of the Financial Statements.

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	2005 RM	5.4.2004 to 31.12.2004 RM
Revenue	16	235,190	–
Other operating income		52	–
Other operating expenses		(230,132)	(6,810)
Net profit/(loss) for the year/period	17	<u>5,110</u>	<u>(6,810)</u>

The accompanying Notes form an integral part of the Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2005

	Non-Distributable Reserves			Distributable Reserve	Total RM
	Share Capital RM	Share Premium RM	Translation Reserve RM	(Accumulated Loss)/ Retained Earnings RM	
Balance at 1 January 2005	2	-	-	(6,810)	(6,808)
Issue of shares (Note 10)					
- Acquisition of subsidiary company	11,499,998	-	-	-	11,499,998
- Public issue	3,700,000	10,730,000	-	-	14,430,000
Net profit for the year	-	-	-	5,749,060	5,749,060
Listing expenses written off	-	(1,698,438)	-	-	(1,698,438)
Exchange differences on translation of financial statements of foreign entity	-	-	6,903	-	6,903
Net (loss)/profit not recognised in the Income Statement	-	(1,698,438)	6,903	-	(1,691,535)
Balance at 31 December 2005	15,200,000	9,031,562	6,903	5,742,250	29,980,715

The accompanying Notes form an integral part of the Financial Statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2005

	Share Capital RM	Non- Distributable Reserve Share Premium RM	Distributable Reserve (Accumulated Loss)/ Retained Earnings RM	Total RM
Balance at 5 April 2004	2	-	-	2
Net loss for the period	-	-	(6,810)	(6,810)
Balance at 31 December 2004	2	-	(6,810)	(6,808)
Issue of shares (Note 10)				
- Acquisition of subsidiary company	11,499,998	-	-	11,499,998
- Public issue	3,700,000	10,730,000	-	14,430,000
Net profit for the year	-	-	5,110	5,110
Listing expenses written off	-	(1,698,438)	-	(1,698,438)
Balance at 31 December 2005	15,200,000	9,031,562	(1,700)	24,229,862

The accompanying Notes form an integral part of the Financial Statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	2005 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation		8,002,308
Adjustments for :		
Depreciation of property, plant and equipment		1,291,878
Interest expense		218,049
Gain on disposal of property, plant and equipment		(107)
Unrealised gain on foreign exchange		(23,767)
Interest income		(69,691)
Pre-acquisition profit before taxation		(1,404,935)
Reserve on consolidation written off		(2,266,846)
Operating profit before working capital changes		5,746,889
Increase in inventories		(1,762,519)
Increase in trade receivables		(1,551,331)
Decrease in other receivables, deposits and prepayments		613,536
Decrease in trade payables		(219,090)
Decrease in other payables and accruals		(46,953)
Decrease in bills payable		(1,506,370)
Cash generated from operations		1,274,162
Tax paid		(592,646)
Bankers' acceptance interest paid		(32,156)
Bank overdraft interest paid		(17,595)
Net cash generated from operating activities		631,765
CASH FLOWS FROM INVESTING ACTIVITIES		
Withdrawal of fixed deposits		800,000
Acquisition of subsidiary companies, net of cash and cash equivalent acquired	21 (d)	571,063
Fixed deposits interest received		52,641
Proceeds from disposal of property, plant and equipment		8,580
Purchase of property, plant and equipment	22	(3,530,165)
Net cash used in investing activities		(2,097,881)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares		14,430,000
Payment of hire purchase interest		(31,638)
Repayment of hire purchase creditors		(297,634)
Payment of term loan interest		(136,660)
Repayment of term loans		(697,232)
Listing expenses		(1,698,438)
Net cash generated from financing activities		11,568,398
NET INCREASE IN CASH AND CASH EQUIVALENTS		10,102,282
EFFECTS OF EXCHANGE RATE CHANGES		6,903
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		2
CASH AND CASH EQUIVALENTS AT END OF YEAR	23	10,109,187

The accompanying Notes form an integral part of the Financial Statements.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	2005 RM	5.4.2004 to 31.12.2004 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit/(loss) for the year/period before working capital changes		5,110	(6,810)
Decrease/(Increase) in deposits and prepayments		515,174	(539,913)
Increase in amount owing by subsidiary companies		(2,710,775)	-
(Decrease)/Increase in other payables and accruals		(330,039)	546,723
Net cash used in operating activities		(2,520,530)	-
CASH FLOWS FROM INVESTING ACTIVITY			
Investment in subsidiary companies		(2,591,287)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		14,430,000	2
Listing expenses		(1,698,438)	-
Net cash generated from financing activities		12,731,562	2
NET INCREASE IN CASH AND CASH EQUIVALENTS		7,619,745	2
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD		2	-
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	23	7,619,747	2

The accompanying Notes form an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2005

1. BASIS OF PREPARATION OF THE 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 approved accounting standards in Malaysia.

The financial statements were approved and authorised for issue by the Board of Directors on 20 March 2006.

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 otherwise indicated in the accounting policies below.

Basis of Consolidation

The consolidated financial statements include the audited financial statements of the Company and all its subsidiary companies as listed in Note 14 to the Financial Statements, made up to the end of the financial year. Subsidiary companies are those companies in which the Group has power to exercise control over the financial and operating activities so as to obtain benefits from their activities.

Subsidiary companies are consolidated from the date, on which control is transferred to the Group and are no longer consolidated from the date that control ceases. Subsidiary companies are consolidated using the acquisition method of accounting.

Under the acquisition method of accounting, the results of subsidiary companies acquired or disposed off during the financial year are included in the consolidated financial statements from the date of their acquisition or up to the date of their disposal. All intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies for subsidiary companies have been changed to ensure consistency with the policies adopted by the Group.

Reserve on Consolidation

Reserve on consolidation represents the deficit of the purchase consideration over the share of the fair values of the identifiable net assets of a subsidiary company at the date of acquisition. Reserve on consolidation is recognised in the Income Statement in the year of acquisition.

Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss, if any.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Property, Plant and Equipment and Depreciation (cont'd)

Freehold land is not depreciated. Leasehold land is amortised over its remaining lease period of 93 years. Depreciation of other property, plant and equipment is computed on the straight line method at the following rates based on the estimated useful lives of the various property, plant and equipment :

	Rate per annum (%)
Buildings	2
Plant and machineries	10 to 15
Electrical installation	15
Renovation	15
Motor vehicles	10 to 20
Office equipment	15 to 20
Furniture and fittings	15
Tools and equipment	15

Impairment of Assets

The carrying amount of the assets is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount.

Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

An impairment loss is charged to the Income Statements immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any available previously recognised revaluation surplus for the same asset.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised of the asset no longer exist or have decreased. The reversal is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the Income Statements immediately, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the Income Statements, a reversal of that impairment loss is recognised as income in the Income Statements.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Investment in Subsidiary Companies

Investment in subsidiary companies is stated at cost and is reviewed for impairment at the end of the financial year if events or changes in circumstances indicate that its carrying value may not be recoverable.

On disposal of an investment, the difference between the net disposal proceeds and its carrying amount is charged or credited to the Income Statements.

Inventories

Inventories are stated at lower of cost and net realisable value determined principally on first in, first out basis. Inventories of finished goods and work-in-progress consist of direct materials, direct labour and an appropriate proportion of factory overheads.

Trade and Other Receivables

Trade and other receivables are carried at anticipated realisable values. Bad debts are written off when identified. Specific allowance is made for any debt which is considered to be doubtful of collection based on a review of all outstanding amounts as at the balance sheet date.

Trade and Other Payables

Trade and other payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

Property, Plant and Equipment Acquired under Hire Purchase

Property, plant and equipment acquired under hire purchase are capitalised in the financial statements and the corresponding obligations treated as liabilities. Finance charges are allocated to the Income Statements on the sum-of-digits method over the period of the respective agreements.

Interest-Bearing Borrowings

Interest-bearing bank loans, overdrafts and other borrowings are recorded at the amount of proceeds received. All borrowing costs are charged to Income Statements as expense in the period in which they incurred.

Equity Instruments

Ordinary shares are classified as equity.

Dividends on ordinary shares are recognised in the statement of changes in equity in the period in which they are declared.

Revenue Recognition

Revenue from sale of goods is recognised when the goods are delivered and upon customers' acceptance.

Interest income from deposits is recognised on an accrual basis.

Revenue from management service is recognised when the services are rendered.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Employee Benefits

(i) Short term benefits

Wages, salaries, paid annual leave and sick leave, bonuses, social security contribution and non-monetary benefits are recognised as an expense in the year which the associated services are rendered by employees of the Group.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employee Provident Funds. Such contributions are recognised as an expense in the Income Statements as incurred.

Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the Income Statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

Foreign Currency Transactions and Balances

Foreign currency transactions are converted into Ringgit Malaysia at the exchange rates ruling at transaction dates. Foreign currency monetary items at financial year end are translated at the rates ruling at the balance sheet date. Non-monetary items which are carried at historical cost are translated using the historical rate as at the date of acquisition, and non-monetary items which are carried at fair value are translated using the exchange rate ruling when the fair values were determined. Exchange differences are taken up in the Income Statements.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Foreign Currency Transactions and Balances (cont'd)

Assets and liabilities of overseas subsidiaries, denominated in foreign currencies, are translated into Ringgit Malaysia at the exchange rates ruling at the financial year end. Results of operations of those foreign entities are translated at an average rate for the financial year which best approximates the exchange rates at the dates of the transactions. All translation gains or losses are taken up and reflected in the translation reserve account under shareholders' equity.

On the disposal of the overseas subsidiaries, such translation differences are recognised in the Income Statements as part of the gain or loss on disposal.

The exchange rates ruling at balance sheet date used per one unit of foreign currency are as follows :

	2005 RM	2004 RM
United States Dollar	3.7500	3.8000
Singapore Dollar	2.2000	2.3223
Chinese Renminbi	0.4685	-

Financial Instruments

Financial instruments carried on the balance sheets include cash and bank balances, 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. Interest, 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 has 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.

Cash Equivalents

The Group and the Company adopt the indirect method in the preparation of the cash flow statements.

Cash equivalents are short-term, highly-liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to cash with insignificant risk of changes in value.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. PROPERTY, PLANT AND EQUIPMENT

2005

GROUP

NET BOOK VALUE	Balance at 1.1.2005 RM	Acquisition of subsidiary RM	Addition RM	Disposal RM	Exchange Difference RM	Deprecia- tion RM	Balance at 31.12.2005 RM
Freehold land	-	88,590	-	-	-	-	88,590
Long leasehold land	-	1,627,742	-	-	-	(13,354)	1,614,388
Buildings	-	2,523,205	-	-	-	(37,949)	2,485,256
Plant and machineries	-	5,538,897	2,875,808	-	4,256	(1,041,137)	7,377,824
Electrical installation	-	461,937	16,845	-	-	(67,926)	410,856
Renovation	-	56,299	185,915	-	915	(1,092)	242,037
Motor vehicles	-	243,508	654,105	-	257	(63,897)	833,973
Office equipment	-	170,654	151,401	-	93	(36,207)	285,941
Furniture and fittings	-	77,206	61,218	-	86	(15,019)	123,491
Tools and equipment	-	90,178	79,266	(8,473)	-	(15,297)	145,674
	-	10,878,216	4,024,558	(8,473)	5,607	(1,291,878)	13,608,030

	Cost RM	Accumulated Depreciation RM	Net Book Value RM
Freehold land	88,590	-	88,590
Long leasehold land	1,650,000	(35,612)	1,614,388
Buildings	2,587,955	(102,699)	2,485,256
Plant and machineries	11,321,494	(3,943,670)	7,377,824
Electrical installation	609,671	(198,815)	410,856
Renovation	248,321	(6,284)	242,037
Motor vehicles	1,228,461	(394,488)	833,973
Office equipment	400,404	(114,463)	285,941
Furniture and fittings	160,916	(37,425)	123,491
Tools and equipment	177,366	(31,692)	145,674
	18,473,178	(4,865,148)	13,608,030

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

The following are the net book values of property, plant and equipment which are being pledged to licensed banks for term loan facilities granted to the Group as mentioned in Note 12 to the Financial Statements:

	Group 2005 RM
Freehold land	88,590
Buildings	2,485,256
Long leasehold land	1,614,388
Plant and machineries	377,827
	4,566,061

Net book values of property, plant and equipment of the Group held under hire purchase are as follows :

	Group 2005 RM
Plant and machineries	532,993
Motor vehicles	754,908
	1,287,901

Included in property, plant and equipment of the Group are the following costs of fully depreciated assets which are still in use:

	Group 2005 RM
Plant and machineries	27,600
Motor vehicles	197,159
	224,759

4. INVENTORIES

	Group 2005 RM
At cost :	
Finished goods	2,309,847
Work-in-progress	1,328,144
Raw materials	2,111,162
	5,749,153

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

5. TRADE RECEIVABLES

The currency exposure profile of trade receivables is as follows :

	Group 2005 RM
- United States Dollar	4,805,815
- Ringgit Malaysia	1,478,808
- Singapore Dollar	299,813
	<hr/> 6,584,436 <hr/>

The Company's normal credit term ranges from 30 to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

6. FIXED DEPOSITS WITH LICENSED BANKS

Included in fixed deposits of the Group is an amount of RM1,220,055 which has been pledged to licensed banks for banking facilities granted to one of the subsidiary companies as mentioned in Note 9 and Note 12 to the Financial Statements.

The fixed deposits of the Group and of the Company have maturity period of one month to one year. The effective interest rates of the fixed deposits are between 3.0% to 3.7% per annum.

7. TRADE PAYABLES

The currency exposure profile of trade payables is as follows :

	Group 2005 RM
- Ringgit Malaysia	630,959
- Singapore Dollar	283,169
	<hr/> 914,128 <hr/>

The normal trade credit terms granted to the Company ranges from 30 to 60 days.

8. HIRE PURCHASE CREDITORS

Total hire purchase instalments due :

	Group 2005 RM
Within one year	435,465
Between two to five years	530,431
	<hr/> 965,896 <hr/>
Unexpired term charges	(80,797)
Outstanding principal amount due	885,099
Within one year (included in current liabilities)	(397,779)
	<hr/> 487,320 <hr/>

Hire purchase liabilities are subject to interest rates ranging from 2.3% to 5.0% per annum.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

9. BANK BORROWINGS

	Group 2005 RM
Current portion of term loans (Note 12)	992,868
Bankers' acceptances	641,896
	<u>1,634,764</u>

The bankers' acceptances are secured on the Group's fixed deposits as mentioned in Note 6 to the Financial Statements and a corporate guarantee by the Company. They bear interest charges ranging from 3.05% to 3.45% per annum. The maturity period of bankers' acceptance ranges from 94 to 120 days.

10. SHARE CAPITAL

	Group 2005 RM	Company 2005 RM	2004 RM
Share capital is represented by :			
Authorised			
500,000,000 ordinary shares of RM0.10 each			
At beginning of year/period	100,000	100,000	100,000
Created during the year	49,900,000	49,900,000	-
At end of year/period	<u>50,000,000</u>	<u>50,000,000</u>	100,000
Issued and fully paid			
152,000,000 ordinary shares of RM0.10 each			
At beginning of year/period	2	2	2
Issued during the year			
- Acquisition of subsidiary company	11,499,998	11,499,998	-
- Public issue	3,700,000	3,700,000	-
At end of year/period	<u>15,200,000</u>	<u>15,200,000</u>	2

As approved by shareholders at a General Meeting held on 17 March 2005, the authorised share capital of the Company was increased from RM100,000 to RM50,000,000 through the creation of an additional 499,000,000 new ordinary shares of RM0.10 each.

As approved by Directors vide Directors' circular Resolutions on 30 March 2005 and 31 May 2005, the issued and fully paid-up share capital of the Company was increased from RM2 comprising of 20 ordinary shares of RM0.10 each to RM15,200,000 comprising of 152,000,000 ordinary shares of RM0.10 each by way of :

- (a) An issue of 114,999,980 new ordinary shares of RM0.10 each in the Company credited as fully paid shares at an issue price of RM0.10 each being the consideration for the acquisition of the entire equity interest in Techfast Manufacturing Sdn. Bhd. for a total purchase consideration of RM11,499,998;

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

10. SHARE CAPITAL (cont'd)

- (b) A public issue of 37,000,000 new ordinary shares of RM0.10 each in the Company at an issue price of RM0.39 per share.

The resulting share premium arising from the above issuance of shares has been credited to share premium account.

The newly issued shares ranked pari-passu with the existing shares of the Company.

EMPLOYEE SHARE OPTIONS SCHEME ("ESOS")

At an Extraordinary General Meeting held on 12 April 2005, the shareholders of the Company approved the establishment of an Employee Share Options Scheme ("ESOS"). The salient features of the ESOS are as follows :

- (a) the Options Committee appointed by the Board of Directors to administer the ESOS, may from time to time grant options to eligible employees of the Group to subscribe for new ordinary shares of RM0.10 each in the Company.
- (b) Subject to the discretion of the Options Committee, any employee whose employment has been confirmed and any executive directors holding office in a full-time executive capacity of the Group, shall be eligible to participate in the ESOS.
- (c) The total number of shares to be issued under the ESOS shall not exceed in aggregate 10% of the issued share capital of the Company at any point of time during the tenure of the ESOS and out of which not more than 50% of the shares shall be allocated, in aggregate, to directors and senior management.

Not more than 10% of the shares available under the ESOS shall be allocated to any individual director or employee who, either singly or collectively through his/her associates, holds 20% or more in the issued and paid-up capital of the Company.

- (d) The ESOS shall be in force for a period of five years and the Company may, if the Board deems fit upon the recommendation of the Options Committee, renew the ESOS for a further five years, without further approval from the relevant authorities.
- (e) The options may be exercised in full or in lesser number of shares provided that the number shall be in the multiples of 100 shares.
- (f) The price at which the options are to be exercised shall be the average of the mean market quotation of the shares as shown in the daily official list issued by the Bursa Malaysia Securities Berhad for five days preceding the date of offer with a discount of not more than 10%.
- (g) The options shall become exercisable to the extent of one-fifth of the shares granted on each of the five anniversaries from the date of grant provided that the employee has been in continuous services with the Group throughout the period other than stated in the offer letter. The employees' entitlements to the options are vested as soon as they become exercisable. Options which are exercisable in a particular year but are not exercised shall be carried forward to subsequent years subject to the Option Period. Any balance of Options not exercised within six (6) months preceding the Date of Expiry shall be capable of being exercised in full. Any Options which remain unexercised at the expiry of the Option Period shall be automatically terminated without any claim against the Company.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

10. SHARE CAPITAL (cont'd)

EMPLOYEE SHARE OPTIONS SCHEME ("ESOS") (cont'd)

(h) The employees to which the options have been granted have no right to participate, by virtue of these options, in any share issue of another company within the Group.

The movement of number of options granted, exercised and lapsed pursuant to the ESOS during the financial year are as follows :

Grant Date	Expiry Date	Exercise Price RM/share	Number of Share Options				
			At 1.1.2005	Granted	Exercised	Lapsed	At 31.12.2005
2005							
30.3.2005	29.3.2010	0.39	-	12,050,000	-	(900,000)	11,150,000
7.10.2005	6.10.2010	0.37	-	1,300,000	-	-	1,300,000
			-	13,350,000	-	(900,000)	12,450,000

11. RESERVES

	Group 2005 RM	Company 2005 RM	2004 RM
Non-distributable			
Share premium	9,031,562	9,031,562	-
Translation reserve	6,903	-	-
	9,038,465	9,031,562	-
Distributable			
Retained earnings/(Accumulated loss)	5,742,250	(1,700)	(6,810)
Total reserves	14,780,715	9,029,862	(6,810)

Share Premium

Share premium arose as follows :

	2005 RM
Public issue of 37,000,000 ordinary shares issued at a premium of RM0.29 per ordinary share	10,730,000
Listing expenses *	(1,698,438)
	9,031,562

* Included in listing expenses written off is non audit fee of RM63,000 paid to the auditors of the Company.

Translation Reserve

Exchange differences arising on translation of foreign entities are taken to the translation reserve as described in the accounting policies of the Group in Note 2 to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

12. TERM LOANS

	Group 2005 RM
Total repayable	3,018,166
Amount repayable within one year (Note 9)	(992,868)
	<u>2,025,298</u>
Amount repayable between two to five years	(1,486,189)
	<u>539,109</u>

The term loans are secured by the Group's properties, plant and machineries and fixed deposits as mentioned in Note 3 and Note 6 to the Financial Statements and also a corporate guarantee by the Company. The repayment period ranges from 36 to 120 months and the term loans bear interest rates ranging from 6.25% to 6.85% per annum.

13. DEFERRED TAXATION

	Group 2005 RM
Arising from acquisition of subsidiary company	789,584
Recognised in Income Statement	213,916
	<u>1,003,500</u>

The component and movement of deferred tax liability during the year is as follows :

	Revaluation of leasehold land and building RM	Accelerated Capital Allowances RM	Others RM	Total RM
Arising from acquisition of subsidiary company	94,884	691,329	3,371	789,584
Recognised in Income Statement	-	210,632	3,284	213,916
	<u>94,884</u>	<u>901,961</u>	<u>6,655</u>	<u>1,003,500</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

14. INVESTMENT IN SUBSIDIARY COMPANIES

	Company	
	2005 RM	2004 RM
Unquoted shares, at cost	<u>14,091,285</u>	–

Name of Company	Place of Incorporation	Effective Equity Interest		Principal Activities
		2005	2004	
Techfast Manufacturing Sdn. Bhd.	Malaysia	100%	–	Manufacturing and marketing of self-clinching fasteners and electronic hardware for the electronic, telecommunication and information technology industries.
*Techfast Precision (SIP) Co. Ltd.	People's Republic of China	100%	–	Manufacturing and marketing of self-clinching fasteners and electronic hardware for the electronic, telecommunication and information technology industries.
Techfast Precision Sdn. Bhd.	Malaysia	100%	–	Dormant
Techfast Technologies Sdn. Bhd.	Malaysia	100%	–	Dormant

*Subsidiary company not audited by the auditors of the Company

15. AMOUNT OWING BY SUBSIDIARY COMPANIES

The amount owing by subsidiary companies is unsecured, interest-free and without fixed terms of repayment.

16. REVENUE

The revenue of the Group and of the Company represents interest income, management fee receivable and invoiced value of goods sold less returns, discounts and sales tax.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

17. PROFIT FROM OPERATIONS

(a) The profit from operations is arrived at after charging :	Group 2005 RM	2005 RM	Company 2004 RM
	Staff costs	2,696,335	-
Reserve on consolidation written off	2,266,846	-	-
Depreciation of property, plant and equipment	1,291,878	-	-
Directors' remuneration :			
- Emoluments and allowances	376,800	130,800	-
- EPF	44,640	15,120	-
- Fee	16,000	16,000	-
Rental of premises	137,540	-	-
Realised loss on foreign exchange	16,786	-	-
Auditors' remuneration	16,000	3,000	500
<hr/>			
And crediting :			
Interest income	70,758	-	-
Unrealised gain on foreign exchange	21,911	-	-
Gain on disposal of property, plant and equipment	107	-	-
<hr/>			
(b) Staff costs			
Salaries, wages, bonuses and allowances	2,461,750	-	-
Other staff related expenses	133,978	-	-
EPF and SOCSO	100,607	-	-
<hr/>			
	2,696,335	-	-

(c) Directors' Remuneration

Remuneration paid and payable to Directors of the Company analysed into bands of RM50,000 :	Executive Directors 2005 No.	Non-Executive Directors 2005 No.
	RM50,000 and below	-
RM50,001 - RM100,000	1	-
RM100,001 - RM150,000	1	-
RM150,001 - RM200,000	1	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

17. PROFIT FROM OPERATIONS (cont'd)

	Group 2005 RM	Company 2005 RM	2004 RM
Executive :			
Emoluments	372,000	126,000	-
EPF	44,640	15,120	-
	416,640	141,120	-
Non-Executive :			
Fee	16,000	16,000	-
Allowances	4,800	4,800	-
	20,800	20,800	-

18. FINANCE COSTS

	Group 2005 RM
Term loan interest	166,463
Hire purchase interest	46,382
Bank overdraft interest	17,595
Bankers' acceptance interest	44,808
	275,248

19. INCOME TAX EXPENSE

	Group 2005 RM
Tax expense for the year	737,000
Deferred tax expense relating to origination and reversal of temporary differences	320,416
	1,057,416
Overprovision in prior year	(24,503)
	1,032,913

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

19. INCOME TAX EXPENSE (cont'd)

A reconciliation of income tax expense applicable to profit/(loss) before taxation at the statutory income tax rate to income tax expense of the Group and of the Company is as follows :

	Group 2005 RM	Company 2005 RM	2004 RM
Profit/(loss) before taxation	8,002,308	5,110	(6,810)
Taxation at Malaysian statutory rate @ 28%/20%	2,240,600	1,000	(1,400)
Effect of different tax rate	(40,000)	-	-
Expenses not deductible for tax purposes	15,700	-	-
Tax incentive	(573,900)	-	-
Non-recognition of deferred tax asset	49,900	200	1,400
Income not subject to tax	(634,700)	-	-
Underprovision of deferred taxation in prior year	1,016	-	-
Overprovision in prior year	(24,503)	-	-
Others	(1,200)	(1,200)	-
Tax expense in the Income Statements	1,032,913	-	-

20. EARNINGS PER SHARE

Basic earnings per share

The basic earnings per share for the Group is calculated based on Group's net profit for the year attributable to the shareholders of RM5,749,060 and on the weighted average number of ordinary shares in issue during the financial year of 109,068,498.

Diluted earnings per share

The diluted earnings per share is not disclosed as the unissued ordinary shares granted to executive employees pursuant to the Company's ESOS have no dilutive effect as the exercise price is above the average market value of the Company's shares.

21. INVESTMENT IN SUBSIDIARY COMPANIES

- (a) During the financial year, the Company acquired or incorporated the following subsidiary companies :
- (i) On 30 March 2005, the Company acquired the entire issued and paid-up share capital of Techfast Manufacturing Sdn. Bhd. comprising 2,428,574 ordinary shares of RM1 each for a total purchase consideration of RM11,499,998 by issuing 114,999,980 new ordinary shares of RM0.10 each per share credited as fully paid shares in the Company.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

21. INVESTMENT IN SUBSIDIARY COMPANIES (cont'd)

- (ii) On 19 July 2005, the Company incorporated a wholly-owned subsidiary, Techfast Precision Sdn. Bhd. with an authorised share capital of RM100,000 consisting of 100,000 ordinary shares of RM1 each with an issued and paid up share capital of RM2.
- (iii) On 2 August 2005, the Company registered a subsidiary in the People's Republic of China with a registered share capital of US\$2,100,000. As at 31 December 2005, US\$685,506 or the equivalent of RM2,591,283 of the registered capital has been paid up.
- (iv) On 26 August 2005, the Company incorporated a wholly-owned subsidiary, Techfast Technologies Sdn. Bhd. with an authorised share capital of RM100,000 consisting of 100,000 ordinary shares of RM1 each with an issued and paid up share capital of RM2.
- (b) The effects of acquisition of the above subsidiary companies on the financial results of the Group are as follows :

	Group 2005 RM
Revenue	15,977,430
Cost of goods sold	(9,586,476)
	6,390,954
Other operating income	261,367
	6,652,321
Selling and distribution expenses	(200,104)
Administrative expenses	(1,154,047)
Other operating expenses	(754,704)
Profit from operations	4,543,466
Finance costs	(218,049)
Profit before taxation	4,325,417
Income tax expense	(848,313)
Increase in Group net profit	3,477,104

- (c) The effects of acquisition of subsidiary companies on the financial position of the Group at the financial year end are as follows :

	Group 2005 RM
Property, plant and equipment	13,608,030
Inventories	5,749,153
Receivables	7,582,976
Cash and cash equivalents	3,709,495
Payables	(2,548,080)
Borrowings	(4,545,161)
Deferred taxation	(1,003,500)
Increase in Group net assets	22,552,913

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

21. INVESTMENT IN SUBSIDIARY COMPANIES (cont'd)

(d) Details of net assets acquired at date of acquisition are as follows :

	Group 2005 RM
Property, plant and equipment	10,878,216
Inventories	3,986,634
Receivables	6,122,903
Fixed deposits with licensed banks	2,620,055
Cash and bank balances	202,397
Payables	(2,476,046)
Borrowings	(6,777,731)
Deferred taxation	(789,584)
Reserve on consolidation	(2,266,846)
Total purchase consideration	<u>11,499,998</u>
Less : Satisfied by issuance of shares	<u>(11,499,998)</u>
	-
Less : Cash and cash equivalents on acquisition	<u>(571,063)</u>
Cashflow on acquisition, net of cash and cash equivalents	<u><u>(571,063)</u></u>

22. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

During the financial year, the Group acquired certain property, plant and equipment by the following mode of payments :

	Group 2005 RM
Aggregate cost	4,030,165
Financed by hire purchase	<u>(500,000)</u>
Cash consideration	<u><u>3,530,165</u></u>

23. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts :

	Group 2005 RM	Company 2005 RM	2004 RM
Cash in hand and at banks	2,609,187	119,747	2
Fixed deposits with licensed banks	8,720,055	7,500,000	-
	<u>11,329,242</u>	<u>7,619,747</u>	2
Less : Fixed deposits pledged to licensed banks	<u>(1,220,055)</u>	-	-
	<u><u>10,109,187</u></u>	<u><u>7,619,747</u></u>	2

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

24. TAX EXEMPT ACCOUNT

Subject to the agreement by the Inland Revenue Board, the Group has the following tax exempt account balances which are available for the distribution of tax exempt dividend :

	Group 2005 RM
Chargeable income earned in waiver year	839,285
Reinvestment allowances	7,254,440
	<u>8,093,725</u>

25. CAPITAL COMMITMENT

	Group 2005 RM
In respect of contracted but not provided for the purchase of property	<u>418,500</u>

26. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Other than as disclosed elsewhere in the financial statements, the significant events during the financial year are as follows :

- (a) A public issue of 37,000,000 new ordinary shares of RM0.10 each at an issue price of RM0.39 per share.
- (b) On 6 June 2005, the entire issued and paid-up share capital of 152,000,000 ordinary shares of RM0.10 each in the Company were listed on the MESDAQ Market of Bursa Malaysia Securities Berhad.
- (c) On 8 August 2005 and 26 October 2005, Techfast Manufacturing Sdn. Bhd., a wholly-owned subsidiary company entered into five Sale and Purchase Agreements to acquire five units of residential apartments as staff quarters for a total purchase consideration of RM465,000.

27. DIVIDENDS

	Company	
	2005 RM	2004 RM
Dividends proposed		
Special tax-exempt dividend of 0.5 sen per share	760,000	-
Final tax-exempt dividend of 1.0 sen per share	1,520,000	-
	<u>2,280,000</u>	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

28. CONTINGENT LIABILITIES

	2005 RM	Company 2004 RM
Corporate guarantee given to finance companies in connection with facilities granted to subsidiary companies	<u>9,000,000</u>	–

29. FINANCIAL INSTRUMENTS

Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing its risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activity are set out as follows :

Credit Risk

The management has in place a credit policy to monitor and minimise the exposure of default. Receivables are monitored on an ongoing basis.

At balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk for the Company was represented by the carrying amount of each financial asset.

Interest Rate Risk

Interest rate exposure arises from the borrowings and deposits of the Group, and is managed through effective negotiation with financial institutions for best available rates.

Foreign Currency Risk

The Group incur foreign currency risk on certain transactions that are denominated in a currency other than Ringgit Malaysia. The currency giving rise to this risk is United States Dollar, Singapore Dollar and Chinese Renminbi.

The Group does not generally hedge its exposure to fluctuations in foreign exchange rates.

Fair Value

Recognised Financial Instruments

The carrying amounts of financial assets and liabilities of the Company at the balance sheet date approximated their fair value.

There are no fair values for financial instruments not recognised in the balance sheet as at 31 December 2005 that are required to be disclosed.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30. SEGMENTAL INFORMATION

Segment information is presented in respect of the Group's geographical segments. The primary format, geographical segments, is based on the Group's management and internal reporting structure. Inter-segment pricing is determined based on negotiated terms. A secondary format is not presented as the Group's activities in each geographical location are similar.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Geographical segments

The Group comprises the following main geographical segments :

Malaysia
China

	Malaysia	China	Elimination	Consolidated
	RM	RM	RM	RM
Revenue				
Revenue from external customers	20,283,134	113,573	-	20,396,707
Inter-segment revenue	60,288	-	(60,288)	-
Total revenue	20,343,422	113,573	(60,288)	20,396,707
Segment results				
Net profit from ordinary activities	7,148,357	(177,531)	(1,431)	6,969,395
Pre-acquisition profit	(1,220,335)	-	-	(1,220,335)
Net profit for the year	5,928,022	(177,531)	(1,431)	5,749,060
Segment assets	35,848,543	2,647,598	(202,001)	38,294,140
Segment liabilities	8,296,200	226,362	(209,137)	8,313,425

31. SUBSEQUENT EVENT

On 13 January 2006, Techfast Precision Sdn. Bhd., a wholly-owned subsidiary of the Company entered into a Sale and Purchase Agreement to acquire a single storey detached factory together with a double storey office for a total purchase consideration of RM2,500,000.

32. COMPARATIVE FIGURES

No comparative figures have been presented in the consolidated financial statements as this is the first set of financial statements of the Group.

LIST OF PROPERTIES

Registered Owner	Title and Location / Postal Address	Description / Land Use	Age of Building (Years)	Land Area (sq. ft.)	Built-up Area (sq. ft.)	Tenure and Expiry Date	Cost (RM'000)	Net Book Value as at 31.12.2005 (RM'000)
Techfast Manufacturing Sdn. Bhd.	HSD 113071, PT43 Seksyen 23, Mukim Bandar Shah Alam, Daerah Petaling, State of Selangor / No. 11, Jalan Pasaran 23/5, Seksyen 23, 40300 Shah Alam, Selangor Darul Ehsan	Industrial Land / Single-Storey Detached Factory with a three-storey Front Office Annex	8	39,579	29,419	Leasehold – 99 Years (14.08.2096)	3,782	3,667
Techfast Manufacturing Sdn. Bhd.	H.S(D) 37672, P.T. No. 5184, Mukim Klang, Daerah Klang, State of Selangor / No. 15, Jalan 25/57, Seksyen 25, 40400 Shah Alam, Selangor Darul Ehsan	End Unit 2 ¹ / ₂ storey link house / Staff Quarters	11	1,782	1,554	Freehold	152	145
Techfast Manufacturing Sdn. Bhd.	HS(D) 37363, PT 4875 Mukim Klang, Daerah Klang, State of Selangor / No. 23, Jalan 25/47, Jalan Nikmat, Seksyen 25, 40400 Shah Alam, Selangor Darul Ehsan	Intermediate 2 ¹ / ₂ storey link house / Staff Quarters	11	840	1,554	Freehold	144	138
Perbadanan Pengurusan Valencia	GRN 43023, Lot 33686, Mukim Klang, District of Klang, State of Selangor / No. 3C Block D, No. 4A Block H and No. 8C Block K, Jalan Tokoh 25/28, Taman Sri Muda, 40400 Shah Alam, Selangor Darul Ehsan	3 apartment units / Staff Quarters	25	–	2,259 (aggregate)	Freehold	249	238

ANALYSIS OF SHAREHOLDINGS

AS AT 15 MARCH 2006

Authorised Share Capital	:	RM50,000,000.00
Issued and Fully Paid-Up Capital	:	RM15,200,000.00
Class of Equity Securities	:	Ordinary Shares of RM0.10 each
Voting Rights	:	One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	Shareholders		Shares Held	
	Number	% of Shareholders	Number	% of Issued Share Capital
Less than 100 shares	2	0.27	100	0.00
100 – 999 shares	285	37.95	121,000	0.08
1,000 – 4,999 shares	224	29.83	324,100	0.21
5,000 – 10,000 shares	57	7.59	467,500	0.31
10,001 – 100,000 shares	106	14.11	4,802,420	3.16
100,001 – 1,000,000 shares	54	7.19	16,931,600	11.14
Above 1,000,000 shares	23	3.06	129,353,280	85.10
Total	751	100.00	152,000,000	100.00

LIST OF TWENTY (20) LARGEST SHAREHOLDERS

No.	Name	No. of Shares Held	%
1.	Yap Yoon Sing	31,473,982	20.71
2.	Fong Kok Leong	21,355,597	14.05
3.	Lim Tock Ooi	18,353,164	12.07
4.	Tan Gek Eng	12,739,394	8.38
5.	Chin Chee Heun	11,679,394	7.68
6.	Amanah Raya Nominees (Tempatan) Sdn Bhd <i>Qualifier : Public Smallcap Fund</i>	3,540,800	2.33
7.	Amanah Raya Nominees (Tempatan) Sdn Bhd <i>Qualifier : PB Growth Fund</i>	3,137,400	2.06
8.	Chan Chun Yi	2,615,746	1.72
9.	RHB Nominees (Tempatan) Sdn Bhd <i>Qualifier : Pledged Securities Account For Sleuths Holdings Sdn Bhd</i>	2,192,000	1.44
10.	Yeo Cheo Tee	2,000,000	1.32
11.	Wu Long Serng	2,000,000	1.32
12.	Ng Chee Seng	2,000,000	1.32
13.	Tng Kay Lim	1,940,000	1.28
14.	BHLB Trustee Berhad <i>Qualifier : TA Comet Fund</i>	1,774,000	1.17
15.	HDM Nominees (Tempatan) Sdn Bhd <i>Qualifier : Pledged Securities Account for Melval Holdings Sdn Bhd (M12)</i>	1,706,500	1.12

ANALYSIS OF SHAREHOLDINGS (cont'd)

LIST OF TWENTY (20) LARGEST SHAREHOLDERS (cont'd)

No.	Name	No. of Shares Held	%
16.	BHLB Trustee Berhad <i>Qualifier : TA Small Cap Fund</i>	1,614,700	1.06
17.	RHB Capital Nominees (Tempatan) Sdn Bhd <i>Qualifier : Pledged Securities Account For Ting Siew Pin (CEB)</i>	1,524,400	1.00
18.	Yeong Kok Hee	1,500,000	0.99
19.	HDM Nominees (Tempatan) Sdn Bhd <i>Qualifier : Pledged Securities Account for Oh Kim Sun (M12)</i>	1,464,700	0.96
20.	Gan Ping Nan	1,410,000	0.93
	Total	126,021,777	82.91

LIST OF SUBSTANTIAL SHAREHOLDERS

No.	Name of Shareholders	No. of Shares Held			
		Direct	%	Indirect	%
1.	Yap Yoon Sing	31,473,982	20.71	-	-
2.	Fong Kok Leong	21,355,597	14.05	-	-
3.	Lim Tock Ooi	18,353,164	12.07	-	-
4.	Tan Gek Eng	12,739,394	8.38	-	-
5.	Chin Chee Heun	11,679,394	7.68	-	-

DIRECTORS' SHAREHOLDINGS

No.	Name of Directors	No. of Shares Held			
		Direct	%	Indirect	%
1.	Yap Yoon Sing	31,473,982	20.71	-	-
2.	Fong Kok Leong	21,355,597	14.05	-	-
3.	Lim Tock Ooi	18,353,164	12.07	-	-
4.	Gan Ping Shou @ Gan Ping Sieu	200,000	0.13	-	-
5.	Yap Kok Ching	200,000	0.13	-	-

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FORM OF PROXY

No. of shares held

I/We, _____ NRIC / Passport No. _____
(Full Name in Block Letters)

of _____
(Full Address)

being a member/members of **Techfast Holdings Berhad** hereby appoint _____
(Full Name in Block Letters)

of _____
(Full Address)

or failing him, _____ of _____
(Full Name in Block Letters) (Full Address)

or failing him, the CHAIRMAN OF THE MEETING as my/our proxy/proxies, to vote on my/our behalf at the Second Annual General Meeting of the Company to be held at Rose and Carnation Room, Mezzanine Floor, Hotel Melia Kuala Lumpur, No. 16, Jalan Imbi, 55100 Kuala Lumpur on Friday, 28 April 2006 at 10.00 a.m. and at any adjournment thereof.

No.	Resolutions	*For	*Against
	Ordinary Business		
1.	To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2005 together with the Directors' and Auditors' Reports thereon.		
2.	To approve payment of a special tax exempt dividend of 0.5 sen per ordinary share and a final tax exempt dividend of 1.0 sen per ordinary share for the financial year ended 31 December 2005.		
3.	To approve the payment of Directors' fees for the financial year ended 31 December 2005.		
4.	To re-elect Fong Kok Leong.		
5.	To re-elect Lim Tock Ooi.		
6.	To re-elect Gan Ping Shou @ Gan Ping Sieu.		
7.	To re-elect Yap Kok Ching.		
8.	To re-appoint Messrs GEP Associates as Auditors of the Company and to authorise the Directors to fix their remuneration.		
	Special Business		
9.	Authority to allot and issue shares pursuant to Section 132D of the Companies Act, 1965		

* Please indicate with an "X" in the spaces provided as to how you wish votes to be cast. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.

Dated this _____ day of April 2006

 Signature/Common Seal of Shareholder

NOTES :

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company and paragraphs (a), (b), (c) and (d) of Section 149(1) of the Companies Act, 1965 shall not apply.
2. The instrument appointing a proxy must be deposited at the Company's Registered Office at Suites 7.21 & 7.22 7th Floor Imbi Plaza Jalan Imbi 55100 Kuala Lumpur not less than 48 hours before the time fixed for holding the meeting, or any adjournment thereof.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.

**AFFIX
STAMP
HERE**

The Company Secretary
TECHFAST HOLDINGS BERHAD (647820-D)
Suites 7.21 & 7.22, 7th Floor
Imbi Plaza, Jalan Imbi
55100 Kuala Lumpur
