

6. BUSINESS AND OPERATIONAL OVERVIEW

6.1 Nature of Business

The Group is principally engaged in the manufacture and sales of SCFs and electronic hardware, with reputable OEMs as repeat buyers. The history of the Group began in 1999, when it commenced the manufacture of SCFs from leased premises located in Puchong. From its humble beginnings, the Group is now a full-fledged manufacturing plant with a factory building in Shah Alam with total built-up area of approximately 29,000 square feet. Over the years, the Group has increased its annual production capacity from 36 million pieces in 1999 to approximately 200 million pieces currently.

SCFs are niche products within the fastener industry, which becomes a part of a panel, chassis, bracket or other items onto which it is installed. The SCFs are installed by pressing them into pre-punched or drilled round holes in the sheet metal. Generally, SCFs take less space and require fewer assembly operations than other fastening solutions, as SCFs were created with the aim to replace conventional screws, nuts and bolts in the metal sheet fabricating assembly. SCFs also have greater reusability and more holding power than sheet metal screws.

The greatest advantage of using SCFs is that it enables design engineers to use thinner sheet metal (with thickness of less than 1 mm) for the chassis, thus saving material costs and weight in the finished products. SCFs also have greater reliability and holding power, and due to their compact design, SCFs also provide a neat finished appearance.

The SCFs manufactured by the Group enable engineers to design products with the following specifications:-

- (a) **Fewer parts to handle.** With the use of SCFs, hardware such as washers, lock washers and loose nuts are no longer used in final assembly;
- (b) **Fewer assembly steps.** Since the task of hardware installation is performed during fabrication, the number of steps involved in final assembly also reduces;
- (c) **Less total assembly time.** Fewer parts and steps involved also mean less assembly time required; and
- (d) **No special tooling required** for installation.

6.2 Products

6.2.1 SCFs

The range, and description of each type of SCF currently manufactured by the Group are as follows:-

(a) Self-Locking SCFs

Self-locking SCFs permanently retain their inherent flexing characteristic, permitting repeated use and effective prevailing locking torque (torque is defined as rotational motion). The self-locking SCFs feature the same tried and proven design as the standard SCFs that is preferred and appreciated for its fast, simple assembly.

The self-locking SCFs do not protrude through the reverse side of the sheet metal and provide positive, permanent attachment with high torque-out that is many times greater than locking torque, and high push-out resistance.

(b) Self-Clinching Flush Fasteners

Self-clinching flush fasteners are designed to be completely flushed (i.e. arranged with adjacent sides, surfaces or edges close together, so as to be even, in one plane) in metal sheet as thin as 0.06 inches or 1.5 mm. These fasteners are ideal for applications where thin metal sheets are used and require load-bearing threads but must maintain smooth surfaces, with no protrusions on either surface (i.e. top or bottom). The self-clinching flush fasteners can be installed easily by pressing them into punched or drilled round holes in metal sheets. The hexagonal head of such fasteners and their self-clinching design ensure high axial and torsional strength. The use of the self-clinching flush fasteners enhances the functional and cosmetic qualities of the entire assembly. Further, these fasteners can provide strong threads in places which are inaccessible for installation after the chassis has been formed. Self-clinching flush fasteners can be installed in metal sheets before bending and forming of the metal sheets.

(c) Self-Clinching Nuts

The self-clinching nuts are simple in design, and can be installed quickly and conveniently. They are pressed into punched or drilled holes, by embedding the clinching rings into the metal sheets. The clinching rings lock the displaced metal sheets to the tapered shank, thus ensuring high push-out resistance. High torque-out resistance is also achieved when the knurled platform is embedded into the metal sheets. Several nuts may be pressed into position simultaneously with proper pressing tools. As the clinching is performed on only one (1) surface of the metal sheets, the reverse side remains flushed and smooth.

The proper installation of self-clinching nuts will not distort or damage the threads in these nuts, as the recommended length of their shanks is always less than the thickness of the metal sheets onto which these self-clinching nuts are embedded. These nuts will also not damage the painted surfaces when installed.

(d) Miniature SCFs

Miniature SCFs fit into minimal space and provide strong, reusable threads. Their strong knurled collars, which are completely embedded in the metal sheets, guarantee against the rotation of the miniature SCFs after they have been installed onto the metal sheets. The spin resistance of the knurled collars exceeds the torque that can be exerted by the self-locking SCFs. When the knurled collar is embedded in the metal sheet, the cavity beneath the collar is filled with displaced sheet material thereby developing push-out resistance.

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(e) Self-Clinching Blind Fasteners

Self-clinching blind fasteners provide permanently mounted blind threads in metal sheets that are as thin as 0.04 inch or 1.0 mm. These fasteners provide barriers to protect the threads against foreign matter and the circuits from the intrusion of extra long screws. Self-clinching blind fasteners, which employ the proven self-clinching design, are easily pressed into drilled or punched holes. Their shanks act as their own pilots and being round, these fasteners do not require indexing. These self-clinching blind fasteners can be easily installed using any standard press and applying a squeezing force.

(f) Self-Clinching Studs and Pins

Self-clinching studs are pressed into punched or drilled holes and embedded onto the metal sheets using any standard press. The metal displaced by the self-clinching studs flows smoothly and evenly around the ribs and into the annular groove. This action creates flush head assembly and securely locks the studs onto the metal sheets, thus ensuring high torque-out and push-out resistance.

Self-clinching pins satisfy a wide range of positioning, pivot and alignment applications. Their chamfered ends make mating hole location easy.

(g) Self-Clinching Standoffs

The self-clinching standoffs, which use the proven self-clinching design, are pressed into punched or drilled holes and permanently mounted onto thin metal sheets. These standoffs are installed with their heads flushed with one (1) surface of the mounting sheet.

(h) Keyhole Self-Clinching Standoffs

Keyhole self-clinching standoffs are designed for use in the assembly of personal computer boards or panels, to enable quick and easy removal of the boards or panels from the assembled computer by simply sliding the boards or panels sideways and lifting them off. The use of such standoffs can dramatically reduce the amount of loose hardware required. They can also be used for spacing or hanging of replaceable components.

(i) Self-Clinching Panel Fastener Assemblies

This type of fastener is made from stainless steel for high corrosion resistance. It may be tool or hand-actuated and is available in three (3) screw lengths for most sizes. This fastener may also be made in steel.

(j) Self-Clinching Low Panel Fastener Assemblies

This is a low-profile design panel fastener. It may be tool or hand-actuated. The large knurls offers ease of use.

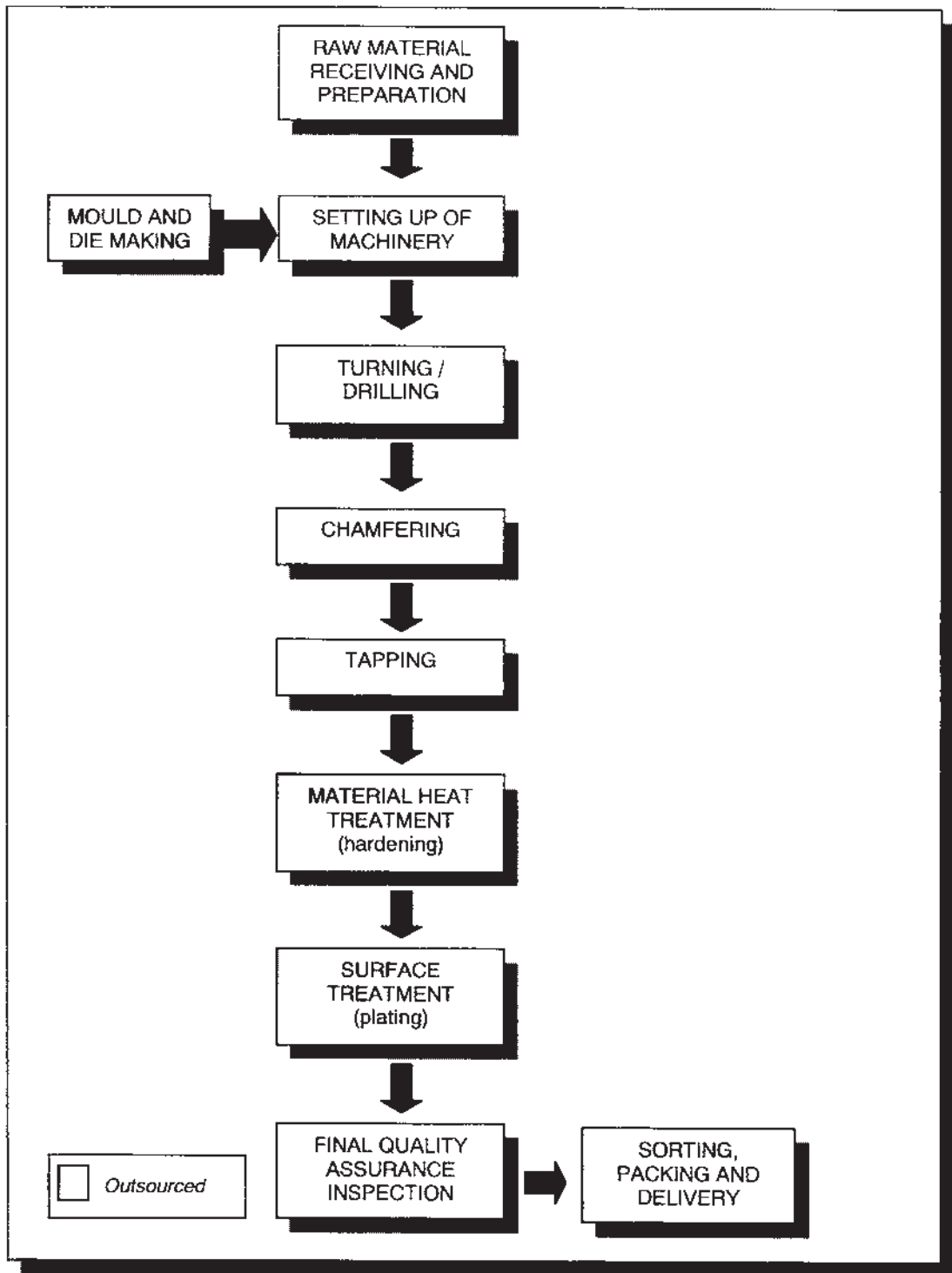
6.2.2 Electronic Hardware

The Group also manufactures and distributes another type of fastener, commonly known as electronic hardware, which are used in the chassis and enclosures of computers, networking devices and servers, flat screen monitors and televisions, and other electronic and electrical items.

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6.3 Manufacturing Process

The manufacturing processes involved in the manufacture of SCFs are depicted as follows:-



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(a) Mould and Die Making

The Group currently has the facility to perform mould and die making. In circumstances where it is more cost effective to outsource this process, the Group does not rule out such arrangements whereby the appointed supplier will carry out the various stages of design and development encompassing planning, review and verification activities based on specifications provided by the Group. Prior to acceptance, the Group will verify the moulds to ensure that the Group's specifications have been met. The verification process involves testing by the Group as well as customers.

(b) Raw Materials Receiving and Preparation

Raw materials such as steel, aluminium and brass rods are inspected upon arrival at the factory, applying quality control ("QC") procedures which utilise micrometers.

The Group has adopted the first-in-first-out (FIFO) method of inventory control using color codes to minimise stock obsolescence.

(c) Turning / Drilling

Raw materials consisting of steel rods which pass the QC inspection are fed into single-spindle machines and/or the 5-spindle Davenport machines where the steel rods are drilled at high speed into the required SCFs with the correct diameter and configuration. The single-spindle machines are able to churn out four (4) parts per minute whilst the 5-spindle Davenport machines, working at five (5) times the speed of a single-spindle machine, are able to churn out 20 parts per minute.

(d) Chamfering

Chamfering is the process of creating chamfers (i.e. holes) in the center of the SCFs for ease of tapping and installation onto panels. The Group currently uses 18 units of automatic chamfering machines for this process.

(e) Tapping

After the SCFs have been chamfered, they go through the tapping process whereby internal threads are cut in the chamfers of the SCFs, using automatic tapping machines. There are currently 32 automatic tapping machines at the manufacturing plant.

(f) Material Heat (Hardening) and Surface (Plating) Treatment

In order to increase the strength and hardness of the SCFs as well as to protect them from corrosion, the tapped SCFs undergo heat treatment and plating. The treated SCFs are then lapped and polished to attain shiny and smooth surfaces which prevent adhesion of foreign and unwanted material during mass production. This is an important step to maintain the high precision, low tolerance quality of the end product.

These two (2) processes have been outsourced to a subcontractor. To ensure that customer requirements are being met, the SCFs are inspected prior to acceptance by the Group. The Group performs regular on-site audit visits to the subcontractor's treatment facilities.

(g) Final Quality Assurance and Inspection

As the products and/or their parts and components tend to be sophisticated in design, the quality of these products is essential in retaining existing customers and attracting new ones. It is also important for the Group to maintain its status as a quality manufacturer of precision SCFs and electronic hardware.

The Group applies in-process quality controls at all points of its manufacturing process to facilitate corrective actions to eradicate causes of deviation. The Group also conducts random sampling of its finished products and quality assurance reports are then prepared. Besides the conducting of its regular quality audits, the Group's quality management system is also subject to reviews by customers and bi-annual external audits carried out by BM Trada in compliance with the criteria set out under the Group's ISO 9001: 2000 certification.

(h) Sorting, Packing and Delivery

The final products are then sorted manually and packed before delivery to customers. The Group is planning to use automatic optical inspection and sorting machines, which are the latest technology currently used by key industry players, to reduce human error in the sorting process to improve on the consistency in product quality.

(i) Waste Treatment

In a month, the Group uses approximately 2,000 litres of machining oil in the manufacture of SCFs and hardware component. Most of the machining oil can be recycled by the oil-recycling machine. The wastewater from the manufacturing process, which is a mixture of machining oil and water, goes through a filtration process using three (3) filters prior to discharge into the common sewerage system.

6.4 Premises and Production Facilities

The Group operates from its double-storey manufacturing plant located in the industrial area of Shah Alam with total built-up area of approximately 29,000 sq. ft. on approximately 40,000 sq. ft. of leasehold land, which will be expiring in 2096. The manufacturing plant is equipped with advanced-technology equipment comprising the following:-

- 134 units of single spindle turning machines
- 2 units of 5-spindle Davenport turning machines
- 3 units of computer numeric control ("CNC") automatic lathe machine
- 18 units of automatic chamfering machines
- 32 units of automatic tapping machines
- 3 units of profile projectors
- 50 units of micrometers
- 50 units of calipers
- 3 units of torque tester
- 1 unit of push-out tester
- 1 unit of standoff inserter machine
- 1 unit of oil recycling machine
- 1 unit of precision measuring instrument
- 1 unit of die drawing machine
- 1 unit of salt spray tester
- 1 unit of thickness tester
- 1 unit of press metal machine
- 1 unit of micro hardness tester.

The manufacturing plant is currently producing an output capacity of 200 million pieces and running on two (2) 12-hour production shifts. The Group has a supply of raw materials which can last up to four (4) to five (5) months at its manufacturing plant. In the past 12 months, there have not been any major disruptions in the operations of the Group's manufacturing plant.

6.5 Dependency on Patents or Licences, Industrial, Commercial or Financial Contracts or New Manufacturing Processes

Although the Group has intellectual property rights as disclosed in Section 6.15 "Intellectual Property Rights", the directors of Techfast Holdings confirm that the Group does not depend on patents or licences, industrial, commercial or financial contracts or new manufacturing processes.

6.6 Marketing and Distribution Network

The Techfast Holdings Group distributes its SCFs through two (2) key channels; direct selling to OEMs in the domestic market, and through strategic alliances and partnership with key distributors overseas.

The Group Managing Director is also very pro-active and hands-on in his marketing approach. Throughout the year, he would make numerous overseas marketing trips to approach customers directly to seek sales orders and has built a recognition amongst the customers. The Group also participates in trade exhibitions, both locally and internationally. The Group's website also offers customers information on the products manufactured by the Group. In addition, the Group has developed a strong sales and marketing team.

6.7 Competition

The Group believes that it competes with the more established players in the global SCF manufacturing industry such as Penn Engineering & Manufacturing Corp, Southco Inc. and Captive Fastener Corporation in the US, and PSM International in the UK. As market leaders, they control a total of 40% of the world SCF market (*Source: Frost & Sullivan*). Other competitors are based in Taiwan and China of which the Group does not have official sources of information on their current market share. The Group, through Techfast Manufacturing, captured approximately 54% of the domestic SCF market and 0.36% of global market share in 2003 (*Source: Frost & Sullivan*).

6.7.1 Competitive Advantages

The directors of Techfast Holdings believe that its competitive advantages in this market are as follows:-

(a) Established Track Record

The Techfast Holdings Group has established itself as a niche player in the SCF industry and has been in the business for over (5) years. It has captured 54% of the local SCF market share in 2003 and is the only manufacturer of SCF in Malaysia and possibly one of the few, if not the only manufacturer of SCF in the major countries in the ASEAN region (*Source: Frost & Sullivan*). It is now exporting to over twenty five (25) countries which spans over five (5) continents.

(b) Wide Range of SCFs

The Techfast Holdings Group is currently producing approximately 1,500 different types of SCFs that cater for the electronic, telecommunications and information technology industry. The R & D initiatives undertaken by the Group will further enhance the range of SCFs manufactured by the Group in the near future. The Group believes that the diverse range of SCFs manufactured by the Group will transform the Group into a one-stop center to fulfill the SCF requirements of end users, wholesalers and distributors.

(c) Ability to Custom Make SCFs

The Techfast Holdings Group has the ability to custom make SCFs to meet the requirements of its customers. With the ever changing technology trends and the introduction of new products in the electronic and electrical (“E&E”) and information technology (“IT”) industry, one of the key requirements for OEMs’ survival is the adaptivity of manufacturing processes and inputs to embrace these changes. The Techfast Holdings Group has the expertise in assisting OEMs in the development and introduction of the new types of SCFs required in the assembly of new products. Its R & D team has in the past successfully introduced various new SCFs and is currently researching on new forms of SCFs to adapt to the changing technology trends.

(d) Favourable Geo-Political Location

The location of the Group’s manufacturing facility in Malaysia has proven to be cost advantageous and has contributed to the Group’s growth. The Group also operates in a country which is economically and politically stable to the extent that the products manufactured by the Group have attracted the attention of customers from the US and Europe which seek to diversify their supplier base to mitigate the risk of over reliance on a particular source country. Besides that, the cost of production in Malaysia is generally lower than those in the US, UK or Europe.

(e) Strategic Alliance with Key Industry Players

The Group has successfully formed strategic alliance with one of the largest industry players in terms of being its core supplier of SCFs. Besides that, the Group has over the past few years established its international distribution network via arrangements with key distributors. These alliances and distribution arrangements are hard to come by and provide the Techfast Holdings Group a competitive edge as compared to the other players in the industry which do not have such alliances.

(f) Stringent Quality and Production Control

Quality is one of the key success factors of the Group. The management is committed to maintaining the quality of its products. The Group’s stringent quality control and assurance system not only ensures the quality of end products but also trouble shoots any faults that may arise during the manufacturing process. SCF manufacturers compete on quality, thus any defects found in the end products may cause the manufacturer to suffer losses.

Strict quality and in-process control procedures are enforced where products are checked and measured at every stage of the production process by experienced quality controllers. As a testimony of the emphasis on quality management, Techfast Manufacturing was accredited with the ISO 9001:2000 certification by BM Trada in March 2002.

(g) A Dedicated and Experienced Management Team

The Group is managed by a team of competent individuals with a combined 33 years of experience in the manufacturing industry, including 15 years in the SCF industry, who are well versed in all aspects of technicalities associated with SCF manufacturing and distribution.

6.7.2 Barriers to Entry

The SCF industry is characterised with high barriers to entry. The barriers to entry provide a good protection to the Group from additional competition from new entrants and also existing fastener manufacturers trying to become niche players in the SCF industry. One of the main reasons that there are no other SCF manufacturers in Malaysia and the Techfast Holdings Group could be one of the few, if not only manufacturer of SCF in the major countries in the ASEAN region is because of the high barriers to entry in this industry. The barriers to entry are as follows:-

(a) Technical Expertise Required to Produce SCFs

As the SCF is a niche product within the fastener industry, technical engineering expertise is required to ensure high levels of product consistency and quality is crucial in SCF manufacturing operations. Specialised production processes are required to produce different types of SCFs and the control of machinery to churn out SCFs with the exact required measurements lie in the expertise of the engineers and not merely by employing the use of machinery.

The founder of the Techfast Holdings Group, Yap Yoon Sing has more than eight (8) years related experience in precision turn part machining prior to starting his SCF business. Besides that, it took him and his management an additional few years to refine the day-to-day operations and implement process improvements.

(b) Restricted Market Penetration

The SCF is a niche group of products in the fragmented fasteners market. Due to its classification as specialty fasteners, the access to distribution in the world market has traditionally been dominated by a few major key suppliers.

The Techfast Holdings Group distributes its SCFs through two (2) key channels; direct selling to OEMs in the domestic market, and through strategic alliances and partnership with key distributors overseas.

The Techfast Holdings Group has successfully formed a relationship with one of the largest distributors of fastening and assembly products in the world. The symbiotic relationship includes securing an exclusive arrangement to distribute the Group's SCFs to the world markets. The arrangement also includes technology transfer that will enhance the Group's operations. The Group has recently secured a tie-up with a key distributor in the India market and is also currently in discussions with several key distributors in the US for exclusive territorial distribution agreements.

As the Techfast Holdings Group continues to tie-up with key distributors, this strategy limits the access of new entrants to strategic distribution channels. The Group believes that any new entrants will need to overcome the long and productive relationships the Techfast Holdings Group has with its customers which were formed based on long term co-operation, high-quality products and exclusivity. Hence, it is difficult for new players to penetrate the distribution channels for the SCF industry.

(c) Established Customer Base and Market Acceptance

The users of SCF place quality as one of their utmost priorities. As such, the users of SCF are very selective in sourcing for their supplies. Hence, establishing a wide customer base and obtaining market acceptance from users from various industries and countries has proven to be difficult. One of the benefits of having an established and diverse customer base is the sustainability and growth in sales.

The Techfast Holdings Group services a customer base that comprises 23% local and 77% international customers in diverse industries for the financial year ended 31 December 2004. As such, the Group is not reliant on a specific industry/market. It was not easy for the Techfast Holdings Group to penetrate the export market and its achievement today is a result of its focus on product quality, brand recognition, customer relationships and service reliability.

Having an established customer base strategically positions the Techfast Holdings Group across the emerging domestic market. Emerging markets provide greater potential for acceleration of sales growth. However, the risks associated with unsustainable non-recurring sales in these markets are balanced by sales acquired through mature markets, such as the US and Europe. The Group's portfolio of buyers has enabled the Group to diversify its business risk.

The Group believes that new entrants will find it difficult to attain the international market penetration currently enjoyed by the Techfast Holdings Group and obtaining market acceptance for untested products. The Group has formed long and productive relationships with its customers, some spanning over five (5) years.

(d) Critical Mass Orders / Economies of Scale

An important factor in ensuring the success of key market players is the ability to achieve a critical mass of order quantity. Greater sales volume translates into large production volume which enables a manufacturer to leverage on economies of scale. New players would find it difficult to obtain critical mass orders especially in an industry where the distribution channels restricted to existing players and market acceptance of products from new players is low.

Possessing economies of scale will impact favourably on profit margins as there will be less production downtime incurred to cater for adjustments to machinery to cater for non-standardised product specification variations.

As at 18 April 2005, the Techfast Holdings Group has approximately 130 active customers, both domestic and overseas. The Group, through Techfast Manufacturing, has also entered into a strategic alliance with one of the largest distributors of fastening and assembly products in the world, as a channel for the distribution of the Techfast Holdings Group's range of SCFs. The management anticipates that this alliance will substantially increase the Group's export volume in the coming years.

Through the alliance, the Techfast Holdings Group will also secure the transfer of technology and skills in operating the Davenport 5-spindle high-speed automatic lathe machines. These machines are capable of turning out five (5) times the output of the single spindle machines, incorporating the tapping process which eliminates the additional secondary process currently used. The use of the Davenport machines will substantially lower production costs. The Techfast Holdings Group currently has two (2) Davenport machines at its factory.

(e) Niche Product Strategy

From the onset as a startup in the manufacturing parts business, the founders of the Techfast Holdings Group have identified the business focus, i.e. on SCF as a niche product. The unique feature of the SCFs market requires a manufacturer to have a diverse range of line items (exceeding 1,500 line items) to be considered as a key player in this niche market.

As a result of its business focus, the Techfast Holdings Group has managed to manufacture a diverse range of SCFs over the last five (5) years. It has also built up a sufficient level of stock availability on a pareto range of SCFs such that new entrants will encounter difficulties in duplicating the Group's product range in a short period of time. In essence, the Techfast Holdings Group believes that it has developed a lead time advantage over new entrants in this field in the Asia Pacific region.

6.7.3 Substitute Products

The directors of Techfast Holdings believe that currently there is no direct substitute for SCFs in thin sheet metal assembly requiring threaded fastening. Permanent fixtures, such as blind rivets, are non-threaded fasteners and cannot substitute SCFs in areas where maintenance and repair require the disassembling of parts. The directors of Techfast Holdings further believe that SCFs are now the industry norm for thin sheet metal assembly requiring threaded fastening.

6.8 Growth and Marketing Strategy

Since incorporation, the Group has been focused on moving up the industry value chain to becoming a manufacturer with an established brand name which is readily recognised by customers and offering a wide range of products known for its consistency in product quality. To achieve its objectives, the Group will adopt the following strategies:-

- (a) Increase its sales volume; and
- (b) Establish its brand name.

6.8.1 Increase in Sales Volume

The Group's strategy to increase sales volume is predominantly driven by the following:-

- (a) The expansion of its geographical market to include China;
- (b) The introduction of new technology to increase production output;
- (c) Continuous efforts in cost reduction to ensure competitive pricing;
- (d) A wider range of product offering which will also include higher value added products; and
- (e) The establishment of alternative marketing channels.

(a) Geographical Market Expansion

The developing economy of China represents a sizable portion of the world SCF market in terms of usage which still remains untapped. As SCF manufacturers rush to lower production costs and continue to compete in the world market on price, the Techfast Holdings Group also faces the same cost competitive pressures. It will be to the Group's advantage to expand its market reach as well as manufacturing facilities into China. For the year ended 31 December 2004, the Group exported 3.38% of its total sales to this market. The viability of this proposed expansion will require the Group to evaluate several factors such as the location of the manufacturing facility, capital requirements and the requirement of regulatory approvals.

(b) Introduction of New Technology to Increase Production Output

The Group is currently evaluating more effective use of the Davenport machines, which may significantly increase production output. These machines are not only able to combine the turning, chamfering and tapping processes into a single machine but are also able to complete these processes in a fraction of the time usually required. However, the management notes that the use of such machines requires the existence of a critical mass order to justify the economic feasibility of using the Davenport machines.

The management is also introducing CNC automatic lathe machines into its production process for more precision manufacturing, such as the manufacture of panel fasteners.

(c) Continuous Efforts in Cost Reduction to Ensure Competitive Pricing

The location of the Group's manufacturing facility has proven to be cost advantageous and has contributed to the Group's growth. The Group is continuously improving its manufacturing processes as well as evaluating the expansion of its manufacturing facility to regions where there is abundant cheap direct labour to reduce manufacturing costs. The management believes that this strategy will result in the growth in the Group's market share.

(d) Wider Range of Product Offering, including Higher Value Added Products

The management is currently conducting R & D on the production of higher value added products which will require more processes whilst utilising the Group's existing machinery. Few types of the panel fasteners have already been commercialised and will be the key driver in sales growth, both in terms of value and volume. The Group has already received interests in the panel fasteners from buyers in the US and Europe.

(e) Establishment of Alternative Marketing Channels

The management recognises that the Internet is changing the fastener distribution network. By distributing through the Internet, the Group will be able to employ real-time communication technology that allows for better control of its inventory, purchasing and logistic support to meet timely delivery.

The management is evaluating an e-business presence through the creation of e-commerce capabilities on its website. This website, when completed, is expected to provide a business-to-consumer (B2C) business model where customers are able to place orders online. The investment required for the establishment of such a business model is currently being evaluated by the management. The establishment of this web presence is expected to provide an alternative sales and marketing channel to drive sales growth.

6.8.2 Establishment of a Brand Name

The Group plans to build its TFM™ brand name into a worldwide recognisable name. TFM™ already enjoys respectable presence and recognition amongst its peers and buyers in the global market through TFM™'s repeated participation in international trade shows.

In line with this strategy, the Group has submitted applications for the registration of the TFM™ logo in Malaysia under International Class No. 6. The TFM™ trademark has been registered in the UK and US, under International Class No. 6. The Group's investment in its brand name reinforces the Group's dedication to quality that is a hallmark of the work culture that the Group has adopted for its entire organisation.

The Group's brand differentiation strategy is geared towards establishing loyalty, brand image and premium pricing. The Group also aims to produce its catalogues with TFM™ part numbers for distribution to the global market. As brand name becomes more established and the TFM™ part numbers grow, the Group's customers will start to quote orders in TFM™ part numbers.

In line with market development initiatives, the Techfast Holdings Group is currently evaluating the economics of selling third party standoff inserting machines, which is complementary to the Group's existing operations. The long-term goal is for these machines to bear the TFM™ brand. From a strategic viewpoint, the usage of such machines, which in the future will carry the TFM™ brand, by customers, is aimed at increasing the customers dependence on these machines, hence, increasing switching costs should the customers switch to other brands. Switching costs are critical forms of barrier to entry.

6.9 Research and Development

The Group understands the importance of R & D in its business continuity and has set-up a R & D facility within its factory building in Shah Alam. The Techfast Holdings Group has embarked on several R & D initiatives on enhancements in product offerings and improvements in production processes.

The Techfast Holdings Group aims to create a niche position in providing revolutionary solutions in specific areas of sheet metal assembly through design innovation, engineering process innovations and development of higher value-added products with optimal cost efficiency.

Currently, the Group's R & D initiatives are spearheaded by Fong Kok Leong, the Executive Director of Techfast Holdings, supported by a team of four (4) technical personnel. In line with the Group's R & D plan, the Group will expand its R & D team. The R & D Department is equipped with equipments such as a profile projector, an inserting machine, a salt spray tester, a micro hardness tester and computer-aided design (CAD) software.

The Group's R & D initiatives are focused on the following areas:-

- (a) Design of Products;
- (b) Production process improvement; and
- (c) Machine usage and technological upgrades.

6.9.1 Design of Products

The Group's R & D initiatives in this area concentrate on the design of value-added products, such as panel fasteners, ultra thin metal sheet swage SCFs and plastic encapsulated fasteners, which are expected to contribute higher profit margins due to the complexity in the manufacture of these products.

The management believes that these value-added products are also the current focus of manufacturers located in countries which experience higher labour costs, such as Singapore. The Group is in a unique position whereby its manufacturing facilities are located in a country with relatively lower labour costs and the Group also enjoys access to a pool of intellectual capital resources.

The Groups' R & D initiatives on design of new products are on-going as the Techfast Holdings Group intends to widen the breadth of its product offering. The Techfast Holdings Group has successfully designed new SCF series such as "TFPF 11/12", "TFPF30", "TFFF C2" and "TFSP".

6.9.2 Production Process Improvement

The objectives of this area are to develop innovative, effective and efficient production methodologies, and expertise in sourcing of suitable raw material and its usage; facilitate automation through the design of accessory devices and tools; and reduce the dependence on human monitoring.

The management is constantly seeking new methods to improve the production process and enhance operational efficiencies. Lower costs and efficiencies will ultimately add to the Group's competitive edge. The Group has previously been successful in integrating the turning, chamfering/drilling and tapping process.

Currently the Group is conducting research on a new method of production which will create very little scrap materials and the final product will have better mechanical properties in terms of strength. This method of production will also involve substantial cost savings.

6.9.3 Machine Usage and Technological Upgrades

(a) Innovation in Machine Usage

Machines, such as the CNC machines and the Davenport 5-spindle machines, are essential tools for the high precision SCF industry. To remain competitive, the Group recognises that it is imperative to keep abreast with the technology advancements of these machines.

The Group is building its technical expertise on the CNC and Davenport machines so that the Group can utilise quick-change tooling and produce a proprietary computerised interface to constantly monitor tool wear, productivity and quality. As a start, two (2) of the Group's employees have been sent overseas to undergo training on using the Davenport machines under the technology transfer arrangement with one of the largest distributors of fastening and assembly products in the world.

(b) Technological Improvements / Upgrades

In the fastener industry where carbon steel is extensively used, zinc chromate plating is commonly used as a corrosion protection finishing. Although zinc chromate is the norm for fastener protection finishing, the international environmental protection community has called for a stop in the use of hexavalent chromate in zinc plating. Many countries have set a time frame to discontinue the use of hexavalent chromate. The European Union has already set the beginning of year 2007 as the time for total prohibition of use of hexavalent chromate. The USA and Japan are expected to follow suit.

The Group is pro-actively collaborating with their plating sub-contractors to develop innovative technologies using organic and inorganic materials to replace zinc chromate conversion in plating. Currently, the Group's products are already in compliance with the requirements set by the European Union.

The amount spent on past R & D projects for the past four (4) financial years ended 31 December 2004 is as follows:-

31 December	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
R & D expenses	63	110	137	205
Percentage of turnover	1.31	2.02	1.65	1.43

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6.10 Major Licences and Permits Obtained

The details of the Group's major licences and permits as at 18 April 2005 are as follows:-

Authority	Date of Licence / Permit	Validity	Nature of Licence / Permit	Equity Condition	Status of Compliance
Techfast Manufacturing					
Royal Customs and Excise Malaysia ("RCEM")	11.01.2003	from 01.06.1999 ^a	Sales Tax Act – Manufacturer's Licence for video cassettes player parts, remote control parts, telecommunication equipment parts, television radio parts and fax machine parts	-	N.A.
RCEM	10.11.2003	06.12.2004 to 05.12.2005	Sales Tax Act – Licence for the import/purchase of materials and components free of sales tax for use in the manufacture of goods	-	N.A.
MITI	22.11.2003	from 14.08.2003 ^a	Manufacturing licence for SCFs, turned parts and nut parts	-	N.A.
Majlis Perbandaran Shah Alam ("MBSA")	07.01.2003	Expires 31.12.2005	Industrial licence for metal products and unit advertisement permit	-	N.A.

Notes:-

N.A. Not applicable
a No expiry date.

6.11 Principal Markets and Major Customers

The Group sells its SCFs to a range of companies, both local and international, such as OEMs and contract manufacturers as well as wholesalers and distributors. Local sales contributed approximately 23% to the Group's total turnover for the financial year ended 31 December 2004, with the balance from overseas markets. For the aforementioned financial year, the Group exported to a total of 25 countries respectively, mainly to the US, the UK, Singapore, Italy, Japan and China.

Save as disclosed below, there were no customers who individually contributed more than 10% to the Group's total sales for the financial year ended 31 December 2004:-

Name of Customer	Country	Length of Relationship (Years)
TR Fastenings Ltd	United Kingdom	2
Filtech Corporation Pte Ltd	Singapore	2

The Techfast Holdings Group's top ten customers for the financial year ended 31 December 2004 are as follows:-

Name of Customer	Country	% of Turnover	Length of Relationship (Years)
TR Fastening Ltd	United Kingdom	12	2
Likom Caseworks Sdn Bhd	Malaysia	6	6
JDI Fastening Pte Ltd	Singapore	9	3
TR Formac Pte Ltd	Singapore	8	4
Filtech Corporation Pte Ltd	Singapore	11	2
S.I. Precision Engineering (M) Sdn Bhd	Malaysia	3	6
TR Formac (Shanghai) Pte Ltd	Peoples Republic of China	3	3 months
Fastener and Components	US	5	3
PSM Celada Fasteners SRL	Italy	3	2
Youngreen Electronics (M) Sdn Bhd	Malaysia	4	1

The Group does not have any major reliance on any individual customer for business.

6.12 Sources of Raw Materials and Major Suppliers

The raw materials required by the Group in the manufacture of SCFs include steel, stainless steel, aluminium and brass, which are mainly sourced from local suppliers. The quality of such raw materials is of international standards as the Group has adopted the policy of only seeking reputable suppliers. The good working relationships developed with its suppliers have also ensured that the raw materials supplied to the Group are priced competitively and delivered on time.

Save as disclosed below, there were no suppliers who individually contributed more than 10% to the Group's total purchases for the financial year ended 31 December 2004:-

Name of Supplier	Country	% of Purchases	Length of Relationship (Years)
Weng Zheng Sdn Bhd	Malaysia	42	5
Jia Guan Metal Inc.	Taiwan	29	3
Chung Yih Steel Sdn Bhd	Malaysia	16	3 months

For the financial year ended 31 December 2004, the Group's ten (10) largest suppliers were as follows:-

Name of Supplier	Country	% of Purchases	Length of Relationship (Years)
Weng Zheng Sdn Bhd	Malaysia	42	6
Jia Guan Metal Inc.	Taiwan	29	4
Chung Yih Steel Sdn Bhd	Malaysia	16	1
TR Formac Pte Ltd	Singapore	9	3
E-Metal (M) Sdn Bhd	Malaysia	1	6
Hwa Guan Metal (M) Sdn Bhd	Malaysia	< 1	6
Thian Soon Industrial Hardware Sdn Bhd	Malaysia	< 1	3
Bright Enterprise (Malaysia) Sdn Bhd	Malaysia	< 1	1
JDI Fastening (S) Pte Ltd	Singapore	< 1	2
TSA Industries (Malaysia) Sdn Bhd	Malaysia	< 1	4

Presently, there are no long-term agreements between the Group and its customers and/or suppliers as it is an industry norm due to the price competitiveness. Please refer to Section 4.2 "Absence of Long-Term Contractual Agreements with Customers and/or Suppliers" for additional information. However, the Group has satisfied the stringent demands imposed by its customers at competitive prices, thus enabling long-standing business relationships to continue. In addition, the good working relationships established with the Group's suppliers have ensured their co-operation in terms of supply frequencies, schedule changes and technical advances. Other than the above named suppliers, there are alternative suppliers that Techfast Holdings is able source its supplies from and Techfast Holdings is not reliant on any single supplier.

6.13 Employees

As at 18 April 2005, the Group had 185 employees in the following categories:-

Category of Employees	Full-Time Employees			Contract Workers			Total Employees	
	No.	%	Average Length of Service (Years)	No.	%	Duration of Contract (Years)	No.	%
Managerial and professional	7	4	4	-	-	-	7	4
Technical and supervisory	9	5	4	-	-	-	9	5
Clerical, sales and sales related	4	2	4	2	1	3	6	3
General workers	3	2	4	29	16	3	32	18
Factory workers	11	6	4	120	64	3	131	70
	34	19		151	81		185	100

The Group recognises the importance of its employees and constantly updates them on the latest developments in the industry. The Group also constantly grooms its factory operators with cross-functional training to produce multi-skilled machinists who are adept in the functions and handling of various machinery utilised in the manufacturing plant.

The employees are not members of any labour unions and the management enjoys cordial relationships with the employees. There have not been any labour or industrial disputes in the past between the employees and the management, save for an incident involving a claim by an ex-employee for which the decision by the Industrial Court was found to be in favour of Techfast Manufacturing.

The term of employment for the foreign workers is normally for three (3) years. All the Group's foreign workers are approved by the Ministry of Home Affairs. As at 18 April 2005, being the latest practicable date prior to the printing of this Prospectus, there are no action, caution, reprimands or conditions imposed by the immigration department.

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6.14 Summary of Landed 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	Net Book Value as at 31.12.2004 (RM'000)	Note
Techfast Manufacturing	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	7	39,579	29,419	Leasehold – 99 Years (14.08.2096)	3,728	a
Techfast Manufacturing	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 ½ storey link house / Staff Quarters	10	1,782	1,554	Freehold	147	b
Techfast Manufacturing	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 ½ storey link house / Staff Quarters	10	840	1,554	Freehold	140	c
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	24	-	2,259 (aggregate)	Freehold	243	d

Notes:-

a *The Group's manufacturing plant, constructed on the leasehold industrial land, obtained its certificate of fitness from Majlis Perbandaran Shah Alam on 21 August 1995. The Group's manufacturing plant was purchased on 29 May 2002 at a purchase consideration of RM2.5 million.*

The leasehold industrial land, which has been charged in favour of Malaysian Industrial Development Finance Berhad, cannot be sold, leased, mortgaged or transferred in any way unless with the permission of the State Authorities.

- b The end unit 2 ½ storey link house obtained its certificate of fitness from Majlis Perbandaran Shah Alam on 1.10.85. The house is charged in favour of Hong Leong Bank Berhad and is used as staff quarters.*
- c The intermediate 2 ½ storey link house obtained its certificate of fitness from Majlis Perbandaran Shah Alam on 2.10.1985. The house is charged in favour of Hong Leong Bank Berhad and is used as staff quarters.*
- d The 3 apartment units obtained its certificate of fitness from Majlis Perbandaran Shah Alam on 30 October 1990, 11 October 1998 and 23 September 1998 respectively. The apartments are charged in favour of Hong Leong Bank Berhad and are used as staff quarters.*

6.15 Intellectual Property Rights

The Group's TFM™ logo has been filed for trademark registration under International Class No. 6 in Malaysia. The logo has been registered in the UK under International Class No. 6 under Trade Marks Act 1994 of Great Britain and Northern Ireland and the US under International Class No. 6 under the US Trademark Act of 1946.

The trade mark registered is in respect of the following goods: common metal and their alloy, self-clinching fasteners made of metal, nuts (fasteners) of metal, bolts of metal, metal bolts (fasteners), screws (fasteners), rivets of metal, threaded rivets of metal, spacers of metal, inserts of metals, thread inserts (screw) of metal, screw inserts of metal, spring bushes of metal, bar turned components (rough or semi-finished), and precision turned parts of metal (semi-finished). The registration will be opened for cancellation if the trade mark is not used over 5 years period. For information on the Techfast Holdings Group's intellectual property rights protection, please refer to Section 4.13 "Protection of Intellectual Property Rights" of this Prospectus.

6.16 Interruptions in Operations

There have not been any interruptions in the Techfast Holdings Group's business that have a significant effect on its operations during the past twelve (12) months preceding 18 April 2005 (being the latest practicable date prior to the printing of this Prospectus).

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7. PROSPECTS AND FUTURE PLANS

7.1 Industry Overview

The following industry overview was quoted from a number of sources as indicated herein.

7.1.1 Overview of the World Economy

World output, projected to grow by 4.6% in 2004, is close to matching the strong global growth of 4.7% at the beginning of the new millennium, the highest in the last two decades. The global economy recovered from the adverse effects of the 11 September incident, which drove the world into recession in 2001, and the subsequent fallout from the Severe Acute Respiratory Syndrome (SARS) epidemic, as well as the war in Iraq to attain broad-based growth. This recovery was supported by the accommodative monetary and fiscal policies pursued by major economies which revived confidence to fuel global growth.

The continued strengthening of the global economy is mainly driven by sustained consumption and export growth in the United States (US) and Japanese economies. Elsewhere, the vibrant economies in the Asia-Pacific region, in particular China and to a lesser extent India, further supported the strengthening of global growth. Amidst this optimistic development, world inflation continued to remain benign despite concerns over rising oil prices.

The growth momentum in the global economy in 2005 is expected to decelerate slightly as major economies tighten monetary policy to contain inflationary pressures. Concerns over the possibility of higher oil prices and the slowing down of China's economy are other factors that can dampen growth.

Notwithstanding these uncertainties, it is anticipated that the Federal Reserve Board would pursue a measured approach in raising interest rates. As for oil price hikes, the effort of the Organisation of the Petroleum Exporting Countries to raise supply to 26 million barrels per day effective 1 August 2004, will help contain the price increases. Against this backdrop, growth in the US is expected to moderate to 3.5%-4% (2004: 4.5%-4.7%), other emerging markets and developing economies at 5.9% (2004: 6%), while Japan is also expected to grow by 2.4% (2004: 4.5%). In contrast, recovery in the euro area is anticipated to strengthen further to post a real GDP growth of 2.3% (2004: 2%) with a gradual pick-up in domestic demand aided by favourable financing conditions. Overall, global growth is projected at 4.4% in 2005 (2004: 4.6%).

(Source: Economic Report 2004/2005)

7.1.2 Overview of the Malaysian Economy

Malaysia's growth momentum continues into 2004 after recording a strong growth in 2003. Unlike 2003, when the global economy was affected by the war in Iraq and Severe Acute Respiratory Syndrome, the external environment in 2004 has improved markedly with upswing in the global electronics demand as well as favourable commodity prices. This enabled the Malaysian economy to expand steadily from 7.6% in the first quarter of 2004 to 8% in the second quarter, the highest since the third quarter of 2000.

The robust domestic economic activities, which supported growth in 2002 through to 2004, are further augmented by favourable external environment. Of significance, the domestic sector is buoyed by the expansion in private consumption and investment activities. The manufacturing sector registered a solid growth of 12.3% during the first half of 2004, while the services sector expanded strongly by 6.8% in the same period. With the Leading Index pointing towards further expansion in the second half of the year, both sectors are envisaged to contribute significantly to the economic growth. The build-up in international reserves arising from larger current account surplus and inflows of foreign capital continues to strengthen Malaysia's macroeconomic fundamentals. Given this favourable scenario, the Malaysian economy is set to surpass its earlier estimate of 6.0 - 6.5% and post a stronger growth of 7% in 2004 (2003: 5.3%).

Entrenched domestic economic activities, coupled with a fairly favourable external environment, are expected to drive growth into 2005. Strong output growth is expected to emanate from all sectors, led by manufacturing and services with an increasingly higher contribution from private sector expenditure. Consequently, Malaysia is set to achieve another year of healthy growth of 6% in 2005.

(Source: Economic Report 2004/2005)

7.1.3 Overview of the Manufacturing Sector and the Electronics Industry

Output of all sectors is envisaged to increase with the manufacturing and services sectors leading the economy. After expanding higher by 12.3% in the first half of 2004, the manufacturing sector is estimated to grow by a sturdy 10.5% for the year (2003: 8.3%). The sector is expected to provide a strong impetus to the economy, given the overall better world economic outlook and continued global electronics demand. The services sector, with the largest Gross Domestic Product (GDP) share of 57.1%, is envisaged to expand at a faster rate of 6% (2003: 4.4%), with all sub-sectors recording positive growth.

Growth of the manufacturing sector accelerated since September 2003, underpinned by double digit and broad-based growth in both export and domestic-oriented industries. Favourable external environment with continued strong growth in China, coupled with the firm recovery in the US and sustained recovery in Japan, fuelled the higher demand for manufactured goods, particularly for electronic products. Meanwhile, growth in domestic-oriented industries strengthened on the back of the improved economic performance. With these positive developments driving the manufacturing sector, its contribution to GDP growth is expected to increase.

Overall capacity utilisation of the manufacturing sector was sustained at a high level with 42% of the manufacturers producing at near-maximum capacity (81%-100%) during the second quarter of 2004 compared with 35% in the first quarter of the year. The percentage of manufacturers with capacity utilisation in the range of 61%-80% has edged up to 40% from 37%, following stronger demand. The expansion in output is reflected in the 18.6% increase in manufacturing sales for the first half of 2004 to reach RM192,559 million (January-June 2003: RM162,331 million).

Output of export-oriented industries recorded a robust growth of 21.5% for the first half of 2004 (January-June 2003: 4.6%). Electrical, electronics and machinery as a group registered the highest growth in tandem with the cyclical upturn in global electronics demand.

The uptrend in global demand for semiconductors pushed the output of electrical and electronics (E&E) sharply by 24.4% during the first six months of 2004 (January-June 2003: 4.3%). In addition, greater outsourcing activities as well as software development helped to enhance the sector's growth.

Export earnings of E&E increased sharply by 17.4% during the first seven months of 2004 (January-July 2003: 1.9%). Higher export earnings were attributed to positive increases in all major sub-sectors such as semiconductors, electronic equipment and parts as well as electrical products. The moderation in export growth of semiconductors by 7.1% (January-July 2003: 26.1%) was partly due to base year effect. The semiconductor sub-sector, which gained from higher spending on ICT industry, has moved along the technology value chain and is now producing the latest generation of integrated circuits using advanced technologies in its packaging. Demand for Malaysia's semiconductors is expected to increase further as the book-to-bill (BTB) ratio of North America's electronics equipment industry has continued to stay above one point since October last year. The US remains the largest market, importing more than one-quarter of Malaysian-made semiconductors.

As for electronic equipment and parts, a significant turnaround of 21.4% (January-July 2003: -11.1%), was achieved mainly due to higher exports of automatic data processing machines and parts as well as printed circuit boards. Similarly, value of electrical products recorded a substantial increase of 27.9% (January-July 2003: -6%), contributed by strong export earnings in industrial and commercial electrical products, machinery and equipment as well as consumer electrical products.

Output growth in 2005 is expected to be broad based with the manufacturing and services sectors remaining the growth drivers. The manufacturing sector is envisaged to expand strongly, propelled by strengthened domestic demand and sustained performance of the external sector. Overall production is expected to grow more than 10%, while exports at 11.3%. Buoyed by the upswing in the electronics market, E&E will continue to grow at a steady rate despite the overstated fears of an electronics slowdown. Domestic oriented industries are also expected to expand further, particularly in food and transport equipment.

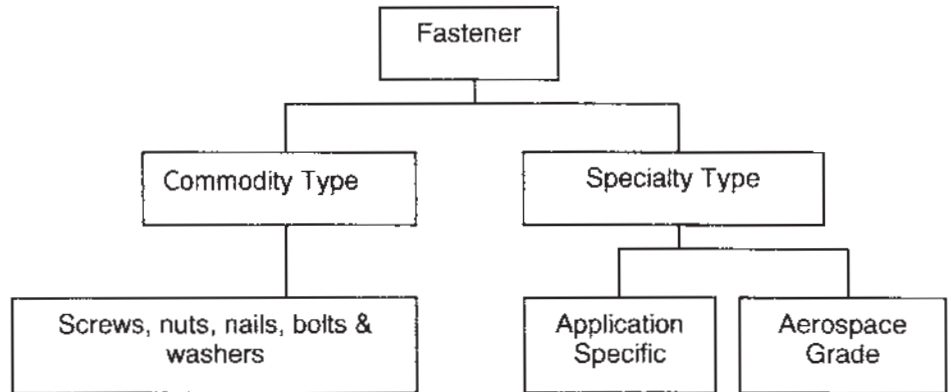
(Source: Economic Report 2004/2005)

7.1.4 Fastener Industry

The fastener industry is a complex one especially from a distribution point of view. Fasteners are typically sold and re-sold several times before it reaches the end-user (final consumer). Alternatively, it can also be sold directly to electrical goods manufacturers or assemblers, construction companies, automotive manufacturers, aviation equipment manufacturers, etc.

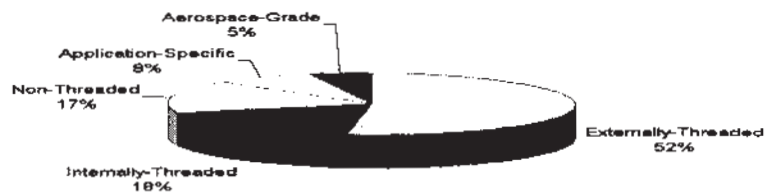
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In addition, fasteners can be broadly categorised as commodity type and specialty type. For the commodity type, it is commonly found in the form of screws, nuts, bolts and washers. These type of fasteners are sold in bulk and its main application is in the construction industry. The specialty types are those that does not come in standard size or forms, rather it is designed specifically for the application on a type of apparatus. SCFs falls under the specialty type category. The specialty type category can be further categorized as application-specific and aerospace grade. The chart below shows the categories of fasteners:-



The SCFs are categorised as the application specific fastener under the heading of specialty type. The chart below shows the percentage of the market share for all the different types of fasteners in the market:-

Global Fastener Market Segments In 2001



The world market for application specific fastener is estimated at 8% of the fastener market, which amounts to USD\$3.36 billion as outlined in the chart above. These fasteners consist of the self-clinched fastener (also known as captive fastener in Europe) and other specific-designed fasteners. The largest applications of these fasteners are on the E&E industry.

The bulk of SCF application is in the assembly of personal computers (“PCs”), servers, flat panel displays (“FPDs”) and uninterrupted power supply units (“UPS”), which are within the sub sectors of the E&E industry. The global SCF market for 2003 is estimated at USD605 million and is expected to grow at 12% per annum in tandem with the specific application of SCFs on PCs, servers, FPDs and UPS.

The SCF market in Malaysia is at the growing stage, with a market size of RM5.94 million in 2003 and reach RM11.71 million in revenues in 2008. The SCF market in Malaysia is characterised by relatively low price sensitivity, stable price range, low degrees of competition and technical change, high barriers to entry and stable customer loyalty.

The drivers of growth in the SCF market in Malaysia are:-

(a) Growth Momentum for the E&E Industry

In the third quarter of 2003, the investments for the E&E industry amounted to RM634.7 million. The E&E industry accounts for nearly 40% of Malaysia's manufacturing activities and the highest export earner, recording 65.6% of Malaysia's total export for the first six (6) months of 2003. The turnaround for the E&E industry in April 2002 has spurred the E&E sector to grow at the rate of 4% in 2003. In turn, the manufacturing industry recorded a high growth rate of 8.2% in 2003. Considering the strong economic fundamentals, it is expected that the E&E industry will continue to grow at rates which will be considerably higher than in 2003, as the demand for E&E globally is expected to grow at 10% to 12% in 2004.

(b) Demand for Information and Communication Technology ("ICT") Peripherals

The demand for ICT peripherals, including PCs, servers, routers and other telecommunication products, is expected to grow at the rate of 15% to 20% throughout the period from 2003 to 2008. The growth is expected to come from emerging economies as well as technology.

(c) Demand from Overseas for Lower-Priced SCFs

There are demands from overseas for lower price SCFs, as manufacturers compete to lower production cost to capture a larger market share globally.

(d) Changing Lifestyle

Changing lifestyle, such as the use of the Internet and the increasing trend towards usage of high-end consumer electronics equipment such as plasma television sets as part of home entertainment, will spur the demand for high technology products that uses SCF. As lifestyle products become less costly, the impact of this factor is expected to increase.

The market size of SCFs in Malaysia is expected to grow at 15% per annum. In view of the improving economy, living standards and lifestyle, it is expected that conventional television sets and cathode ray tube (CRT) monitors will be obsolete in the future. Bearing in mind that there are millions of television sets and PC displays that can be replaced in the local market, the demand for SCFs is expected to grow further post-2008.

The manufacture of SCFs is considered to be a sound and highly focused business model, and coupled with a strong international platform, the Group is set to benefit from rising demand for outsourcing from large customers abroad.

Malaysia's strong competitive position is likely to attract more foreign investors in the E&E industry, providing the necessary impetus for local contract manufacturers and metal stamping companies to grow. It is foreseeable that more foreign companies will outsource to Malaysia, especially in light of the local E&E industry's move towards high value and high technology. Henceforth, it is expected that the demand for local SCFs have the potential to grow above the forecasted average growth rate of 15% per annum.

(Source: Frost & Sullivan - Strategic Insight of the Malaysia Self-Clinching Fastener Market, 19 April 2004)

7.2 Market Outlook and Prospects

The Group is principally engaged in the manufacture of SCFs and electronic hardware. The SCFs serves as an easy and cost-effective production fastening method. Through the advent of technology as well as R & D efforts, SCFs are now utilised in a wide range of industries, including electronics, computer, data / telecommunications, medical, automotive, marine, aircraft and general manufacturing. SCFs' wide range of application is able to capture a wide customer base spanning both traditional and high technology economies around the world.

The application or usage of SCFs is very wide – they are found in most electrical appliances, from computer hardware to lottery ticket terminals, from mobile telephones and other wireless telecommunication devices to cellular base transmitters, from digital paint scales to bicycles, from automated teller machines to medical imaging devices. One of the core users of SCFs is the electronics and computing industry.

At the turn of the millennium, there was a fast emerging trend of major OEMs in the IT and telecommunications industry relocating their production base to low cost manufacturing centres in Asia. This was mainly a result of the devaluation of regional currencies in 1997 which enhanced the competitive advantage of manufacturers operating from Asia. The OEMs were also capitalising on the rapid growth in this region due to the rise in computer literacy and urbanisation.

The directors of Techfast Holdings believe that the ongoing economic expansion within the developing nations in Asia, particularly China, will be the major factor fueling global growth in the fastener industry. The demand for fasteners is expected to rise in line with continuing industrialisation efforts in these countries, and electrical and electronic equipment manufacturing, and construction activities will be amongst the fastest growing end user markets for fasteners, with demand benefiting from gains in production of items such as mobile telephones and personal digital assistants. The directors of Techfast Holdings are of the belief that the global fastener industry will continue to grow in view of the growing demand for electronic and electrical products and information technology products.

The directors of the Company are of the view that the demand for application specific standard fasteners will grow at a faster pace than other standard fasteners as more OEMs replace commodity items with specialised designs, such as panel fasteners, which the Group has recently introduced into its range of products. The directors of Techfast Holdings believe that advances in industrial fastener technology will be able to stave off functional competition from alternative joining technologies such as adhesives, clinching and welding. Innovations in fastener design include new generations of self-locking and self-sealing fasteners, units which can be installed without the use of tools, and fasteners fabricated from advanced alloys, composites and plastic materials.

In view of the above, Techfast Holdings is poised for further growth and is expected to be able to meet new challenges in the fastening industry.

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7.3 Summary of the Five-Year Business Development Plan

The following is a summary of the Five-Year Business Development Plan dated 15 April 2004 prepared by Techfast Holdings for the purpose of inclusion in this Prospectus.

7.3.1 Plans and Strategies

Since incorporation, the Group has been focused on moving up the SCF industry value chain to becoming a manufacturer with an established brand name which is readily recognised by customers and offering a wide range of products known for its consistency in product quality. To achieve its objectives, the Group will adopt the following strategies:-

- (a) Increase its sales volume; and
- (b) Establish its brand name.

Sales volume growth will be achieved through geographical market expansion, technology upgrades, increase in manufacturing capacity, competitive pricing, introduction of new higher value-added products and establishment of alternative channels.

The branding exercise will also involve the establishment of the TFM™ brand as one which is synonymous with product quality and supply reliability.

7.3.2 Research and Development Policy

The Techfast Holdings Group aims to create a niche position in providing revolutionary solutions in specific areas of sheet metal assembly through design innovation, engineering process innovations and development of higher value-added products with optimal cost efficiency.

The Group's R & D initiatives are focused on the following areas:-

- (a) Production process improvement;
- (b) Design process; and
- (c) Machine usage and technological upgrades.

7.3.3 Human Resource Policy

In line with the Group's expansion plan, the Group will continue to employ additional staff to support the level of business and operations. The Group recognises the importance of its employees and regularly updates them on the latest developments in the industry as well as increases their know-how by sending them to various courses throughout the year. The Group has ambitious plans for growth and with the higher profile achieved through the listing exercise, the ability of the Group to attract qualified consultants and knowledge workers in the future to cater for the anticipated growth will be enhanced. In recognition of the employees' contribution to the Group's success, the ESOS will be implemented in conjunction with the Company's listing on the MESDAQ Market.

8. SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND TECHNICAL PERSONNEL**8.1 Substantial Shareholders and Promoters****8.1.1 Shareholdings in Techfast Holdings**

Based on the Register of Members of Techfast Holdings as at 18 April 2005, being the latest practicable date prior to the printing of this Prospectus, the direct and indirect interests of the substantial shareholders and Promoters in the issued share capital of the Company are as follows:-

Shareholders	Designation	Before Issue			After Issue			After Full Exercise of ESOS ^b			
		Direct No. of Shares	Indirect No. of Shares	%	Direct No. of Shares	Indirect No. of Shares	%	Direct No. of Shares	Indirect No. of Shares	%	
Substantial Shareholders											
Yap Yoon Sing	Group Managing Director	34,715,582	-	30.20	^a 35,515,582	-	23.37	^c 37,015,582	-	22.14	-
Fong Kok Leong	Non-Independent Executive Director	22,640,597	-	19.69	^a 23,240,597	-	15.29	^c 24,740,597	-	14.80	-
Lim Tock Ooi	Non-Independent Executive Director	17,753,164	-	15.44	^a 18,353,164	-	12.07	^c 20,353,164	-	12.17	-
Chin Chee Heun	-	14,679,394	-	12.76	14,679,394	-	9.66	14,679,394	-	8.78	-
Tan Gek Eng	-	14,679,394	-	12.76	14,679,394	-	9.66	14,679,394	-	8.78	-
Yeo Cheo Tee ^d	-	7,513,103	-	6.53	7,513,103	-	4.94	7,513,103	-	4.49	-
Promoters											
Yap Yoon Sing	Group Managing Director	34,715,582	-	30.20	^a 35,515,582	-	23.37	^c 37,015,582	-	22.14	-
Fong Kok Leong	Non-Independent Executive Director	22,640,597	-	19.69	^a 23,240,597	-	15.29	^c 24,740,597	-	14.80	-
Lim Tock Ooi	Non-Independent Executive Director	17,753,164	-	15.44	^a 18,353,164	-	12.07	^c 20,353,164	-	12.17	-
Chin Chee Heun	-	14,679,394	-	12.76	14,679,394	-	9.66	14,679,394	-	8.78	-
Tan Gek Eng	-	14,679,394	-	12.76	14,679,394	-	9.66	14,679,394	-	8.78	-

Notes:-

- a Based on their respective allocations in respect of the 5,000,000 Issue Shares made available for application by the eligible directors and employees of the Group, and other persons who have contributed to the success of the Group.
- b The ESOS will be implemented i.e. the Options under the ESOS will be offered to the eligible directors and employees of the Group, in conjunction with the Company's listing on the MESDAQ Market.
- c Assuming full subscription of their respective indicative ESOS allocations as follows:-

Indicative No. of ESOS Options

Yap Yoon Sing	1,500,000
Fong Kok Leong	1,500,000
Lim Tock Ooi	2,000,000

- d Yeo Cheo Tee will cease to become a substantial shareholder of Techfast Holdings after the Issue and full exercise of the ESOS.

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8.1.2 Background on Substantial Shareholders and Promoters

The Promoters of Techfast Holdings are Yap Yoon Sing, Fong Kok Leong, Lim Tock Ooi Tan Gek Eng and Chin Chee Heun. Yap Yoon Sing, Fong Kok Leong and Lim Tock Ooi are directors of Techfast Holdings and their profiles are set out in Section 8.3 "Board of Directors" of this Prospectus.

A brief background of the promoters and substantial shareholders of Techfast Holdings, apart from those who are also directors of the Company, is set out below.

Tan Gek Eng, a Singaporean aged 49, holds a Bachelor of Business Administration degree from the University of West Sydney, Australia. Her background is in accountancy and is currently involved in the food and hospitality business.

Chin Chee Heun, a Singaporean aged 44, holds a Chartered Diploma in Marketing. He has many years of experience in industrial marketing. He is currently the Marketing Manager of Siac Pte Ltd.

Yeo Cheo Tee, a Singaporean aged 44, has 20 years of experience in finance and administration.

8.1.3 Directorships in Other Public Corporations

None of the substantial shareholders or Promoters of Techfast Holdings has held directorships in any other public corporations for the past two (2) years ended 18 April 2005.

8.1.4 Substantial Shareholdings in Other Public Corporations

None of the substantial shareholders or Promoters of Techfast Holdings has had substantial shareholdings, whether directly or indirectly, in any other public corporations for the past two (2) years ended 18 April 2005.

8.2 Changes in Substantial Shareholders

The changes in the registered substantial shareholders of Techfast Holdings and their shareholdings since incorporation up to 18 April 2005, being the latest practicable date prior to the printing of this Prospectus, are as follows:-

Name	As at 05.04.2004		As at 30.03.2005	
	No. of Shares	%	No. of Shares	%
Wong Mei Ling	10	50	10	*
Chong Lee Yan	10	50	10	*
Yap Yoon Sing	-	-	34,715,582	30.20
Fong Kok Leong	-	-	22,640,597	19.69
Lim Tock Ooi	-	-	17,753,164	15.44
Tan Gek Eng	-	-	14,679,394	12.76
Chin Chee Heun	-	-	14,679,394	12.76
Yeo Cheo Tee	-	-	7,513,103	6.53

Note:-

* *Negligible*

8.3 Board of Directors

Yap Yoon Sing, a Malaysian aged 39, is the Group Managing Director of Techfast Holdings. He graduated from National Chengchi University, Taiwan in 1989 with a Bachelor of Commerce degree majoring in Business Administration. He has more than ten (10) years of experience in the SCF industry.

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. His one (1)-year stint at the CMA has provided him with the opportunity to learn from the Taiwanese entrepreneurs especially in formulating marketing strategies.

Upon his return to Malaysia in 1991, Mr. Yap 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 takes a hands-on approach in managing the Group’s operations. He is also recognised by his peers in the worldwide SCF manufacturing industry through his direct marketing efforts. He is also very focused in the long-term strategy planning for the Techfast Holdings Group.

Mr. Yap is also a director of Techfast Manufacturing.

Fong Kok Leong, a Malaysian aged 34, is a Non-Independent Executive Director of Techfast Holdings. He has 16 years of working experience in the machining industry and has vast operational experience which is crucial to the management of the Group’s manufacturing plant.

Prior to joining Techfast Manufacturing in 1999, Mr. Fong was attached with Progress Precision Pte Ltd (“PP”), Singapore from 1989 to 1994 as a precision turn parts technician, where he honed his technical and management skills.

Mr. Fong currently spearheads the R & D team in the design of tools and die, and developing higher value-added products with the aim of expanding the Group’s product range. Additionally, he also aids Mr. Yap Yoon Sing, the Group Managing Director, in business development initiatives and process improvements. He is also a director of Techfast Manufacturing.

Lim Tock Ooi, a Malaysian aged 58, is a Non-Independent Executive Director of Techfast Holdings. He graduated from the University of New England, Australia in 1971 with a Bachelor degree in Economics. He is responsible for the formulation of corporate strategies and plans for the Techfast Holdings Group.

Mr. Lim 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 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.

Apart from his practice and in addition to his directorship at Techfast Manufacturing, Mr. Lim also holds directorships in other private limited companies in a non-executive capacity.

Gan Ping Shou @ Gan Ping Sieu, a Malaysian aged 39, is an Independent Non-Executive Director of Techfast Holdings. Mr. Gan 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 currently practising as an Advocate and Solicitor in Messrs. Gan and Zul. He is a member of the State Legislative Assembly of Johor.

Yap Kok Ching, a Malaysian aged 48, is an Independent Non-Executive Director of Techfast Holdings. He graduated from University of Melbourne, Australia with a Bachelor of Commerce majoring in Accounting and Economics. He is a member of the Malaysian Institute of Accountants and a fellow member of the Association of Certified Practising Accountants in Australia.

He was employed as an Accountant in 1982 with Messrs. Clipper Express Co. in Melbourne, Australia where he served until 1985 before leaving for the position of a Regional Accountant with ANL Shipping Agencies in Melbourne, Australia. In 1988, he left ANL to join Steeves Lumley Limited in Melbourne, Australia as a Group Accountant until December 1995 before he returned to Malaysia. In July 1996, he was the Financial Controller of Tamadam Bonded Warehouse Berhad in which he served until November 2001 after which he joined Otto Industrial Pte. Ltd. in Singapore as a Financial Controller. In June 2002, he was transferred back to Malaysia to serve in a related company, Perdana Park City Sdn. Bhd., where he was employed until March 2003.

Currently, Mr. Yap is the Chief Financial Officer of the Tan Cheong Leong Group of companies and an Independent Non-Executive Director of Nikko Electronics Bhd.

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Shareholdings in Techfast Holdings

Based on the Register of Directors' Shareholdings of Techfast Holdings as at 18 April 2005, being the latest practicable date prior to the printing of this Prospectus, the direct and indirect interests of the directors in the issued and paid-up capital of the Company are as follows:-

Name of Director	Before Issue		After Issue		After Full Exercise of ESOS ^b	
	Direct No. of Shares	Indirect No. of Shares	Direct No. of Shares	Indirect No. of Shares	Direct No. of Shares	Indirect No. of Shares
Yap Yoon Sing	34,715,582	30.20	^a 35,515,582	23.37	^c 37,015,582	22.14
Fong Kok Leong	22,640,597	19.69	^b 23,240,597	15.29	^d 24,740,597	14.80
Lim Tock Ooi	17,753,164	15.44	^a 18,353,164	12.07	^c 20,353,164	12.17
Gan Ping Shou @ Gan Ping Sieu	-	-	^a 200,000	0.13	200,000	0.12
Yap Kok Ching	-	-	^a 200,000	0.13	200,000	0.12

Notes:-

- a** Based on their respective allocations in respect of the 5,000,000 Issue Shares made available for application by the eligible directors and employees of the Group, and other persons who have contributed to the success of the Group.
- b** The ESOS will be implemented i.e. the Options under the ESOS will be offered to the eligible directors and employees of the Group, in conjunction with the Company's listing on the MESDAQ Market. The shareholdings shown here are based on the assumption that the number of Options to be granted under the ESOS is 10% of the Company's enlarged issued and paid up capital on the date of listing. Under the terms of the Bye-Laws of the ESOS, the quantum of the ESOS is up to 10% of the Company's issued and paid-up capital at any time during the existence of the ESOS.
- c** Assuming full subscription of their indicative ESOS allocations as follows:-

	Indicative No. of ESOS Options
Yap Yoon Sing	1,500,000
Fong Kok Leong	1,500,000
Lim Tock Ooi	2,000,000

Directorships of Directors in Other Public Corporations

None of the directors of Techfast Holdings has held directorships in other public corporations during the last two (2) years, save for the following:-

Name of Director	Name of Company	Date of Appointment
Yap Kok Ching	Nikko Electronics Bhd.	22.03.2002

Substantial Shareholdings of Directors in Other Public Corporations

None of the directors of Techfast Holdings has had substantial shareholdings (5% or more), whether direct or indirect, in other public corporations during the last two (2) years.

Directors' Remuneration

There was no remuneration paid to the directors of Techfast Holdings for the period from 5 April 2004 (date of incorporation) to 31 December 2004. For the financial year ending 31 December 2005, a total sum of RM450,000 is proposed to be paid to the directors of Techfast Holdings as remuneration for their services in all capacities to the Group. The directors fall within the following remuneration bands:-

Remuneration Band (RM)	Number of Directors
	Financial Year Ending 31 December 2005
0 – 50,000	2
50,001 – 100,000	1
100,001 – 200,000	2

8.4 Audit Committee

Techfast Holdings has set up an Audit Committee which comprises the following Board members:-

Name	Designation	Directorship
Yap Kok Ching	Chairman	Independent Non-Executive Director
Gan Ping Shou @ Gan Ping Sieu	Member	Independent Non-Executive Director
Lim Tock Ooi	Member	Non-Independent Executive Director

The main functions of the Audit Committee include the review of audit plans and audit reports with the Group's auditors, review of the auditors' evaluation of internal accounting controls and management information systems, review of the scope of internal audit procedures, review of the balance sheet and profit and loss accounts, and nomination of the auditors.

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8.5 Key Management and Technical Personnel

The key management and technical personnel of the Group include the Group Managing Director and the two (2) Non-Independent Executive Directors of the Company, and the following persons. The profiles of the directors are set out in Section 8.3 "Board of Directors" of this Prospectus.

Chan Chun Yi, a Malaysian aged 28, is the Factory Manager. He has more than eight (8) years of experience in mechanical engineering, and has a lot of exposure in the planning and managing of machinery operation. He specialises in change management and reengineering of factory processes. Mr. Chan has been sent overseas to undergo training on using the Davenport machines under the technology transfer arrangement with one of the largest distributors of fastening and assembly products in the world.

Bacho Bin Dahlan, a Malaysian aged 32, is the Production Manager of Techfast Manufacturing. He is responsible for supervising daily operations at the production cycle. One of his key contributions is his ability to improve the productivity levels of Techfast Manufacturing. Encik Bacho has hands-on experience in the areas of mould design and tool development. He currently maintains the mould setting for the single-spindle machines and CNC machines.

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Directorships in Other Public Corporations

None of the key management and technical personnel of the Group has held directorships in other public corporations during the last two (2) years.

Substantial Shareholdings in Other Public Corporations

None of the key management and technical personnel of the Group has had substantial shareholdings (5% or more), whether direct or indirect, in other public corporations during the last two (2) years.

8.6 Involvement of Directors, and Key Management and Technical Personnel in Other Companies

The Executive Directors and key management and technical personnel of the Techfast Holdings Group are presently full time employees of the Group, save for Lim Tock Ooi who spends three (3) days a week attending to the affairs of the Group and the remaining days with his other business interests.

8.7 Relationships and Associates

There are no family or business relationships amongst the substantial shareholders, Promoters, directors, key management and technical personnel of the Group.

See Section 9.8 "Related-Party Transactions and Conflict of Interest" for details of related-party transactions.

8.8 Service Agreements

The Group Managing Director, Executive Directors and key management and technical personnel are employed under ordinary letters of appointment with no special terms. All employees of the Group have standard employment contracts.

As at 18 April 2005, none of the directors and key management and technical personnel of the Techfast Holdings Group has any existing or proposed service agreement with the Company or its subsidiary.

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9. INFORMATION ON THE COMPANY AND THE GROUP

9.1 History of the Group

The history of the Group can be traced back to 1999, when Techfast Manufacturing was incorporated and commenced operations immediately. In its first year of operations, one of the customers of Techfast Manufacturing, commissioned Techfast Manufacturing for the manufacture of a specific type of fastener, a SCF, which was to be used in the assembly of computer components. This alerted Yap Yoon Sing and Fong Kok Leong, to the market potential of SCFs. Their findings revealed a demand market for such a niche product and a lack of local SCF manufacturers. This was the turning point for the Group in its business development and growth.

In December 1999, the Group secured its first (1st) export order and from then on, its customer base has widened and now spans across five (5) continents. From a workforce of 20 when Techfast Manufacturing first went into production in 1999, the Group now has 185 employees as at 18 April 2005. Over the years, the Group has increased its annual production capacity from approximately 36 million pieces to approximately 200 million pieces currently. It is now operating two (2) 12-hour shifts a day, seven days a week.

Techfast Holdings was incorporated in Malaysia on 5 April 2004 under the Companies Act, 1965 under its present name. Techfast Holdings is the investment holding company of the Group. Its wholly owned subsidiary, Techfast Manufacturing, is principally involved in the manufacture and sales of SCFs and electronic hardware.

9.2 Incorporation

Techfast Holdings was incorporated in Malaysia on 5 April 2004 under the Companies Act, 1965 as a public limited company.

9.3 Share Capital and Changes in Share Capital

As at the date of this Prospectus, Techfast Holdings has an authorised capital of RM50,000,000 comprising 500,000,000 Shares and an issued and paid-up capital of RM11,500,000 comprising 115,000,000 Shares. Upon completion of the Issue, the enlarged issued and paid-up capital of Techfast Holdings will be RM15,200,000 comprising 152,000,000 Shares.

The details of the changes in the Company's issued and paid-up share capital since its date of incorporation are set out below:-

Date of Allotment	No. of Shares	Par Value (RM)	Consideration	Total (RM)
05.04.2004	20	0.10	Cash	2
30.03.2005	114,999,980	0.10	Acquisition of Techfast Manufacturing	11,500,000

9.4 Share Options

As at the date of this Prospectus, apart from the ESOS, no person has an option or is entitled to be given an option to subscribe for any Shares of the Company or its subsidiary.

9.5 Restructuring and Listing Scheme

In conjunction with, and as an integral part of the proposed listing of and quotation for the entire enlarged issued and paid-up share capital of Techfast Holdings on the MESDAQ Market, the Company will undertake a restructuring and listing scheme comprising the following which has been approved by the MITI on 18 May 2004 and 17 March 2005, the SC on 18 February 2005 and Bursa Securities on 21 February 2005:-

9.5.1 Increase in Authorised Share Capital

On 17 March 2005, the Company increased its authorised share capital from RM100,000 comprising 1,000,000 Shares to RM50,000,000 comprising 500,000,000 Shares.

Following the acquisition of Techfast Manufacturing (as explained below), the issued and paid-up capital of Techfast Holdings was increased from RM2 comprising twenty (20) Shares to RM11,500,000 comprising 115,000,000 Shares.

9.5.2 Acquisition of Techfast Manufacturing

On 19 April 2004, the Company entered into Sale and Purchase Agreement with all the shareholders of Techfast Manufacturing to acquire the entire issued and paid-up capital of Techfast Manufacturing for RM9,499,998 to be satisfied by the issuance of 94,999,980 new Shares in Techfast Holdings at par or such other sum/Shares as may be approved by the SC.

However, the purchase consideration was increased to RM11,499,998 by the issuance of 114,999,980 new Shares in Techfast Holdings at par as approved by the SC on 18 February 2005. The revised purchase consideration was based on the NTA of Techfast Manufacturing as at 30 September 2004. The conditions precedent to the acquisition of Techfast Manufacturing has been fulfilled on 30 March 2005.

The new Techfast Holdings Shares issued pursuant to the said acquisition above shall rank pari passu in all respects with the then existing shares of Techfast Holdings, except that they will not be entitled to any rights, dividends and/or distributions, the entitlement date of which is prior to the date of allotment of such new Shares.

9.5.3 Listing Scheme

(a) Public Issue

The initial public offering by Techfast Holdings will involve the Issue of 37,000,000 new Shares at an Issue Price of RM0.39 per Share. Upon completion of the Issue, the issued and paid-up share capital of Techfast Holdings will be increased from RM11,500,000 comprising 115,000,000 Shares to RM15,200,000 comprising 152,000,000 Shares. The Issue of a total of 37,000,000 Shares representing 24.34% of the enlarged issued and paid-up share capital of 152,000,000 Shares, is to be allocated in the following manner:-

- (i) 30,000,000 Issue Shares will be made available for application by selected investors under the private placement;
- (ii) 2,000,000 Issue Shares will be made available for application under the public offer; and
- (iii) 5,000,000 Issue Shares will be made available for application by the eligible directors and employees of the Group, and other persons who have contributed to the success of the Group.

The Issue Shares under paragraphs (ii) and (iii) above which are made available for application by investors identified pursuant to the issuance of this Prospectus, have been underwritten by the Underwriters in compliance with the Listing Requirements. The Sole Placement Agent has received irrevocable undertakings from exempt investors as defined in Schedules 2 and 3 of the Securities Commission Act 1993 to subscribe for the Issue Shares under paragraph (i) above.

In the event of an under-subscription of the public offer, the unsubscribed public offer Shares may be made available for application under the private placement, and vice-versa. Any Shares, which are made available for application by the eligible directors and employees of the Group, and other persons who have contributed to the success of the Group, which are not subscribed for, will be made available for application under the public offer and / or the private placement. Any further Shares not subscribed for will be made available for subscription by the Underwriters in the proportions specified in the Underwriting Agreement dated 18 April 2005.

As approved by the Board of Directors of Techfast Holdings, the basis of allocation for the 5,000,000 Issue Shares that will be made available for application by the eligible directors and employees of the Group, and other persons who have contributed to the success of the Group under paragraph (iii) above, shall take into account various factors including, but not limited to, the seniority and service term of the respective directors and employees in the Group, and the contribution of the other persons to the success of the Group.

All the Issue Shares to be issued pursuant to the Issue shall rank pari passu in all respects with the existing issued Shares of the Company including voting rights and rights to all dividends and distributions that may be declared, paid or made subsequent to the date of allotment thereof.

The Issue is for a total of 37,000,000 Shares at RM0.39 per Share. There is no minimum level of subscription in respect of the Issue.

(b) ESOS

In conjunction with its proposed listing, the Company proposes to implement an ESOS involving up to 10% of its issued and paid-up capital at any time during the existence of the ESOS, to be issued pursuant to the exercise of the Options to be granted under the ESOS to the executive directors and eligible employees of the Group.

Just prior to the listing of the Company on the MESDAQ Market, the directors of the Company may grant up to 15,200,000 Options representing 10% of the issued and paid-up capital of the Company upon listing to the executive directors and eligible employees of the Group ("**Initial Grant**"). The exercise price of the Options which are the subject matter of the Initial Grant is the Issue Price of the Shares.

In addition to the Initial Grant and subject to the stipulated 10% threshold, the Board of Directors of the Company may, within the duration of the ESOS, make offers to grant Options to the executive directors and eligible employees of the Group in accordance with the ESOS Bye-Laws adopted by the shareholders of the Company. Each such Option which is not part of the Initial Grant shall be exercisable at a price which is the weighted average market price of the Company's Shares for the five (5) Market Days immediately preceding the date on which the Option is granted less, if the directors of the Company shall decide at their discretion from time to time, a discount of not more than 10%.

The ESOS shall be in force for a duration of five (5) years. However, the ESOS may be extended for up to five (5) years at the discretion of the Board upon the recommendation of the Option Committee. The new Shares to be issued upon the exercise of the Options will, upon allotment and issue, rank pari passu in all respects with the existing issued and paid-up Shares of the Company, except that the new Shares will not be entitled to any dividends, rights, allotments or other distributions, the entitlement date of which is prior to the date of allotment of the said Shares. The new Shares will be subject to all the provisions of the Articles of Association of the Company.

The categories of directors and employees who are eligible to participate in the ESOS and their respective grading and maximum allowable allocation are as follows:-

Category	Position			Maximum Entitlement (No. of Options)
	Administration	Technical	Marketing	
1	Group Managing Director	-	-	2,500,000
2	Group Financial Director	Group Production Director	-	2,000,000
3	General Manager	Factory Manager	General Manager	1,000,000
4	Manager	Manager	Sales Manager	700,000
5	Assistant Manager	Assistant Manager	Assistant Manager	500,000
6	Executive	Senior Technician	Sales Executive	300,000
7	Coordinator	Junior Technician	Sales Coordinator	200,000
8	Clerical staff	General worker	Clerical Staff	100,000

9.6 Information on the Company and its Subsidiary

Statutory information on Techfast Holdings and its subsidiary is set out below.

9.6.1 Information on Techfast Holdings

(a) History and Business

Techfast Holdings was incorporated in Malaysia on 5 April 2004 under the Companies Act, 1965 as a public limited company. The Company is principally an investment holding company.

(b) Share Capital

The authorised and issued and paid-up capital of Techfast Holdings are as follows:-

	No. of Shares	Par Value (RM)	Amount (RM)
Authorised	500,000,000	0.10	50,000,000
Issued and Paid-Up	115,000,000	0.10	11,500,000

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

Date of Allotment	No. of Shares	Par Value (RM)	Consideration	Total (RM)
05.04.2004	20	0.10	Cash	2
30.03.2005	114,999,980	0.10	Acquisition of Techfast Manufacturing	11,500,000

(c) Substantial Shareholders

The direct and indirect interests of the substantial shareholders of Techfast Holdings have been set out in Section 8.1 "Substantial Shareholders and Promoters" of this Prospectus.

(d) Subsidiary and Associated Companies

Details of the subsidiary company of Techfast Holdings are as follows:-

Name of Company	Date and Place of Incorporation	Issued and Paid-Up Capital	Effective Equity Interest (%)	Principal Activities
Techfast Manufacturing	24.04.1999 Malaysia	RM2,428,574	100.00	Manufacturing and sales of SCFs and electronic hardware

Techfast Holdings does not have any associated companies.

(e) Employees

The Company does not have any employees.

9.6.2 Information on Techfast Manufacturing

(a) History and Business

Techfast Manufacturing was incorporated in Malaysia on 24 April 1999 under the Companies Act, 1965 as a private limited company and commenced operations immediately. Techfast Manufacturing is principally involved in the manufacture and sale of SCFs and hardware component.

(b) Share Capital

The authorised and issued and paid-up capital of Techfast Manufacturing are as follows:-

	No. of Shares	Par Value (RM)	Amount (RM)
Authorised	5,000,000	1.00	5,000,000
Issued and Paid-Up	2,428,574	1.00	2,428,574

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

Date of Allotment	No. of Shares	Par Value (RM)	Consideration	Total (RM)
24.04.1999	3	1.00	Cash	3
27.04.1999	997	1.00	Cash	1,000
24.05.1999	499,000	1.00	Cash	500,000
02.06.2000	1,200,000	1.00	Bonus Issue ^a	1,700,000
17.07.2000	728,574	1.00	Cash	2,428,574

Note:-

a Bonus Issue of 2.4 new ordinary shares of RM1.00 each for every one (1) ordinary share of RM1.00 each held by way of capitalisation of the profit and loss account.

(c) Substantial Shareholders

Techfast Manufacturing is a wholly owned subsidiary of Techfast Holdings.

(d) Subsidiary and Associated Companies

Techfast Manufacturing does not have any subsidiary or associated companies.

(e) Employees

As at 18 April 2005, Techfast Manufacturing had 185 employees.

9.7 Related Companies with Similar Trade

Save as disclosed below, none of the directors or substantial shareholders of the Company has any interest, direct or indirect, in any business carrying on a similar trade as the Company or its subsidiary:-

- (a) Mr. Yap Yoon Sing, the Group Managing Director, and Mr. Fong Kok Leong, an Non-Independent Executive Director of Techfast Holdings, are substantial shareholders of CH Precision Sdn Bhd ("**CHP**"), which is a turnpart manufacturer. The shareholdings of Mr. Yap Yoon Sing and Mr. Fong Kok Leong in CHP is 15.2% and 9.0% respectively. They are not involved in the management of CHP. Turnparts products and SCFs are classified as application specific fastener. By virtue of this, turnpart products and SCFs are considered to be in the similar trade. However, the Techfast Holdings Group's SCFs are niche products and cater to a different market segment and as such Mr. Yap Yoon Sing and Mr. Fong Kok Leong confirms that CHP does not compete with the Techfast Holdings Group.

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9.8 Related-Party Transactions and Conflict of Interest

(a) Related-Party Transactions

Save for the acquisition of Techfast Manufacturing as set out in Section 9.5.2 "Acquisition of Techfast Manufacturing" of this Prospectus and the transaction disclosed below, there are no transactions which are unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which the Company or its subsidiary was a party in respect of the past two (2) financial year and the subsequent financial period thereto, immediately preceding the date of this Prospectus:-

- (i) Gan Ping Shou @ Gan Ping Sieu has been appointed as the Independent Non-Executive Director of Techfast Holdings on 31 March 2005. Prior to his appointment, Mr. Gan has provided some legal services to the Company via his legal firm Messrs. Gan & Zul. The services were in relation to the sale and purchase agreements and loan agreements for the purchase of three (3) apartments used as the Company's staff quarters in August 2003. The total amount of fees charged was RM6,839. The Company will appoint an independent legal adviser for future transactions related to legal matters.

There are no outstanding loans (including guarantees of any kind) made by the Company or its subsidiary to or for the benefit of any related parties in respect of the past one (1) financial year and the subsequent financial period thereto, immediately preceding the date of this Prospectus.

There are no current and/or subsisting related-party transactions or arrangements between the Group and its shareholders and/or directors and/or key management and technical personnel and/or persons connected with any of the aforementioned persons.

(b) Conflict of Interest

AmMerchant Bank, GEP Associates and Jeff Leong, Poon & Wong believe there is no issue of conflict of interest in respect of their respective roles in the proposed listing of the Group.

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10. APPROVALS AND CONDITIONS**10.1 Approvals and Conditions**

Techfast Holdings' proposed listing was approved by the SC (including approvals under the Guidelines on the Acquisition of Interests, Mergers and Take-Overs by Local and Foreign Interests) on 18 February 2005, Bursa Securities on 21 February 2005 and MITI on 18 May 2004 and 17 March 2005. The details of the conditions imposed by all the relevant authorities and status of compliance are set out below:-

Authority	Date of Approval	Conditions Imposed	Status of Compliance
SC	18 February 2005	Techfast Holdings shall disclose the status of utilisation of listing proceeds in its quarterly and annual reports until such proceeds have been fully utilised.	Will be complied
		The Company shall meet the 30% Bumiputera equity requirement within one (1) year after Techfast Holdings has achieved the profit track record requirement for companies applying for listing on the Second Board of Bursa Securities or five (5) years after being listed on the MESDAQ Market of Bursa Securities, whichever is earlier, in which the allocation of Shares to Bumiputera investors is to be approved by MITI.	Will be complied
		Techfast Holdings shall submit a preliminary proposal to the SC on how the Company intends to meet the Bumiputera equity condition, six (6) months before the expiry date of the compliance above.	Will be complied
		AmMerchant Bank and Techfast Holdings shall inform the SC upon the completion of the listing proposal.	Will be complied
Bursa Securities	21 February 2005	<p>Techfast Holdings shall inform Bursa Securities on the appointment of Independent Directors and to provide confirmation that they qualify as Independent Directors as defined in the Listing Requirements.</p> <p>Techfast Holdings shall include a negative statement in its Prospectus on the exclusion of the profit forecast and projections from the Prospectus and the reasons thereof.</p> <p>Techfast Holdings shall furnish the final copy of the Bye-Laws and confirmation letter from its Adviser pursuant to Rule 6.12 of Guidance Notes 6.</p>	<p>On 6 April 2005, AmMerchant Bank had on behalf of Techfast Holdings, informed Bursa Securities on the appointment of the Independent Directors and provided the confirmation that they qualify as Independent Directors as defined in the Listing Requirements.</p> <p>A negative statement on the exclusion of the profit forecast and projections from the Prospectus and the reasons thereof has been included in Section 3.9 "Future Financial Information" of this Prospectus.</p> <p>The final copy of the Bye-Laws and the confirmation letter from AmMerchant Bank will be furnished to Bursa Securities prior to the date of the Company's listing on the MESDAQ Market.</p>

Authority	Date of Approval	Conditions Imposed	Status of Compliance
MITI	18 May 2004 and 17 March 2005	The Company shall meet the 30% Bumiputera equity requirement within one (1) year after Techfast Holdings has achieved the profit track record requirement for companies applying for listing on the Second Board of Bursa Securities or five (5) years after being listed on the MESDAQ Market of Bursa Securities, whichever is earlier, in which the allocation of Shares to Bumiputera investors is to be approved by MITI.	Will be complied
		Techfast Holdings shall obtain the approval from the SC for the listing proposals and compliance with the Guidelines on the Acquisition of Interests, Mergers and Take-Overs.	Approval has been obtained from the SC on 18 February 2005
		Techfast Holdings shall obtain the approval of Bursa Securities.	Approval has been obtained from Bursa Securities on 21 February 2005

The SC had also noted the effects of the equity structure of Techfast Holdings arising from the acquisition of Techfast Manufacturing and the Issue, as follows:-

	Before Acquisition of Techfast Manufacturing and the Issue (%)	After Acquisition of Techfast Manufacturing and the Issue (%)
Bumiputera	-	-
Non-Bumiputera	100.00	75.74
Foreign	-	24.26
Total	100.00	100.00

10.2 Moratorium on Promoters' Shares

Pursuant to the Listing Requirements, Shares held by the Promoters amounting to 45% of the nominal issued and paid-up capital of the Company at the date of admission of the Company to the Official List of the MESDAQ Market, are to be placed under moratorium. The Promoters whose Shares are subject to moratorium are as follows:-

Promoters	Under Moratorium After Issue		Under Moratorium After Full Exercise of ESOS ^a	
	No. of Shares	%	No. of Shares	%
Yap Yoon Sing	25,002,844	16.44	25,002,844	14.96
Fong Kok Leong	16,306,203	10.73	16,306,203	9.75
Lim Tock Ooi	12,786,177	8.41	12,786,177	7.65
Tan Gek Eng	10,572,388	6.96	10,572,388	6.32
Chin Chee Heun	10,572,388	6.96	10,572,388	6.32
	75,240,000	49.50	75,240,000	45.00

Note:-

- a The ESOS will be implemented i.e. the Options under the ESOS will be offered to the eligible directors and employees of the Group in conjunction with the Company's listing on the MESDAQ Market.

The moratorium has been fully accepted by all the Promoters. The Promoters will not be allowed to sell, transfer or otherwise dispose of any part of their interests in the Shares under the moratorium within one (1) year from the date of admission of the Company to the Official List of the MESDAQ Market, and thereafter, the Promoters are permitted to sell,

transfer or otherwise dispose of up to a maximum of one third per annum of their shareholding under moratorium on a straight-line basis.

This restriction is specifically endorsed on the Share certificates of Techfast Holdings representing the shareholdings of the Promoters which are under moratorium to ensure that the Company's Registrars shall not register any transfer not in compliance with the moratorium restrictions.

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11. DIRECTORS' REPORT (PREPARED FOR INCLUSION IN THIS PROSPECTUS)

TECHFASST HOLDINGS BERHAD

(Co. No. 647820-D)

Registered Office: Suites 7.21 & 7.22, 7th Floor, Imbi Plaza, Jalan Imbi, 55100 Kuala Lumpur
Tel No. 03-2142 3584 Fax No. 03-2142 0327

Registered Office:
Suites 7.21 & 7.22
7th Floor, Imbi Plaza
Jalan Imbi
55100 Kuala Lumpur

11 May 2005

The Shareholders

Techfast Holdings Berhad ("Techfast Holdings" or "Company")

Dear Sir/Madam

On behalf of the Board of Directors of Techfast Holdings, I report that after making due enquiries in relation to the interval between 31 December 2004, being the date to which the last audited accounts of the Company and its subsidiary company have been made up, and 11 May 2005, being a date not earlier than fourteen (14) days before the issue of this Prospectus:-

- (a) The business of the Company and its subsidiary company has, in the opinion of the Directors, been satisfactorily maintained;
- (b) In the opinion of the Directors, no circumstances have arisen since the last audited accounts of the Company and its subsidiary company which have adversely affected the trading or the value of the assets of the Company or its subsidiary company;
- (c) The current assets of the Company and its subsidiary company appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) No contingent liabilities have arisen by reason of any guarantees or indemnities given by the Company or its subsidiary company;
- (e) There has been no default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings which the Directors are aware of, and
- (f) Save as disclosed in the Accountants' Report as set out in Section 12 of this Prospectus and the Reporting Accountants' Letter on the Pro-forma Consolidated Balance Sheets of the Techfast Holdings Group as set out in Section 13 of this Prospectus, there have been no material changes to the published reserves or any unusual factors affecting the profits of the Company and its subsidiary company since the last audited accounts of the Company and its subsidiary company.

Yours faithfully
For and on behalf of the Board of Directors of
Techfast Holdings Berhad


Yap Yoon Sing
Group Managing Director