1. CORPORATE DIRECTORY

BOARD OF DIRECTORS

Name	Address	Designation / Occupation	Nationality
Yap Yoon Sing	166, Jalan USJ 3/4 UEP Subang Jaya 47600 Selangor Darul Ehsan	Group Managing Director / Company Director	Malaysian
Fong Kok Leong	6E-02-02, Block E Kenanga Apartment Jalan Wawasan 2/3 Pusat Bandar Puchong 47100 Puchong Selangor Darul Ehsan	Non-Independent Executive Director / Company Director	Malaysian
Lim Tock Ooi	12, Jalan Terasek Dua Bangsar Baru 59100 Kuala Lumpur	Non-Independent Executive Director / Chartered Accountant	Malaysian
Gan Ping Shou @ Gan Ping Sieu	16, Jalan Dato Teoh Siew Khor 86000 Kluang Johor Darul Takzim	Independent Non-Executive Director / Advocate and Solicitor	Malaysian
Yap Kok Ching	10, Jalan Berkok Batu 2 3/4 Off Jalan Ipoh 51100 Kuala Lumpur	Independent Non-Executive Director / Chartered Accountant	Malaysian

AUDIT COMMITTEE

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

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COMPANY SECRETARIES	:	Chin Ooi Wee (LS006616) 31, Jalan 38/142 Taman Orkid Desa Cheras 56000 Kuala Lumpur Tel.: 03 – 2142 3584 Fax : 03 – 2142 0327 Choong Lee Lan (MIA 20842) C4-8-6 Block C4 Anggerik Villa 43300 Kajang Selangor Darul Ehsan Tel.: 03 – 2142 3584 Fax : 03 – 2142 0327
REGISTERED OFFICE	:	Suites 7.21 & 7.22 7th Floor, Imbi Plaza Jalan Imbi 55100 Kuala Lumpur Tel.: 03 – 2142 3584 Fax : 03 – 2142 0327
HEAD OFFICE	:	No. 11, Jalan Pasaran 23/5 Seksyen 23 40300 Shah Alam Selangor Darul Ehsan Tel.: 03 – 5548 5112 Fax: 03 – 5548 5113 E-mail: techfast@pd.jaring.my Website: www.techfast.com.my
REGISTRARS AND TRANSFER OFFICE	:	Epsilon Registration Services Sdn Bhd 312, 3rd Floor Block C, Kelana Square 17 Jalan SS 7/26 47301 Petaling Jaya Selangor Darul Ehsan Tel. : 03 – 7806 2116 Fax: 03 – 7806 1261
AUDITORS AND REPORTING ACCOUNTANTS	:	GEP Associates Wisma GEP Block F2 Dataran Prima 25 Jalan PJU 1/42A 47301 Petaling Jaya Selangor Darul Ehsan Tel.: 03 – 7803 3390 Fax : 03 – 7803 3502
SOLICITORS FOR THE LISTING EXERCISE	:	Jeff Leong, Poon & Wong A-11-3A Level 11 Megan Avenue II Jalan Yap Kwan Seng 50450 Kuala Lumpur Tel.: 03 – 2166 3225 Fax : 03 – 2166 3227

SOURCE OF INDUSTRY INFORMATION / MARKET RESEARCHER	:	Frost & Sullivan (M) Sdn. Bhd. Suite E-08-15, Block E Plaza Mont' Kiara 2 Jalan Kiara Mont' Kiara 50480 Kuala Lumpur Tel.: 03 – 6204 5800 Fax : 03 – 6201 7402
PRINCIPAL BANKERS	:	Hong Leong Bank Berhad 3 Jalan Takal 15/21 Seksyen 15 40000 Shah Alam Selangor Darul Ehsan Tel.: 03 – 5510 9021 Fax : 03 – 5510 5307 AmBank Berhad Level 18, Menara Dion Jalan Sultan Ismail 50250 Kuala Lumpur Tel.: 03 – 2026 3939 Fax : 03 – 2381 1780
ADVISER, SPONSOR, MANAGING UNDERWRITER AND SOLE PLACEMENT AGENT	:	AmMerchant Bank Berhad 22nd Floor, Bangunan AmBank Group 55 Jalan Raja Chulan 50200 Kuala Lumpur Tel.: 03 – 2078 2633 Fax : 03 –2070 2170
UNDERWRITERS	:	AmMerchant Bank Berhad 22nd Floor, Bangunan AmBank Group 55 Jalan Raja Chulan 50200 Kuala Lumpur Tel.: 03 – 2078 2633 Fax : 03 –2070 2170 AmSecurities Sdn Bhd 15th Floor, Bangunan AmBank Group 55 Jalan Raja Chulan 50200 Kuala Lumpur Tel.: 03 – 2078 2788 Fax : 03 – 2078 3162
ISSUING HOUSE	:	MIDF Consultancy And Corporate Services Sendirian Berhad Tingkat 12, Bangunan MIDF 195A, Jalan Tun Razak 50400 Kuala Lumpur Tel. : 03 – 2162 4237 Fax : 03 – 2164 7995
LISTING SOUGHT	:	MESDAQ Market of Bursa Securities

2. PROSPECTUS SUMMARY

THE FOLLOWING PROSPECTUS SUMMARY IS ONLY A SUMMARY OF THE SALIENT INFORMATION ABOUT THE TECHFAST HOLDINGS GROUP. INVESTORS SHOULD READ AND UNDERSTAND THE WHOLE PROSPECTUS PRIOR TO DECIDING WHETHER TO INVEST.

The following summary is qualified in its entirety by the more detailed information, including the Accountants' Report and Notes thereto, included elsewhere in this Prospectus. This Prospectus contains certain statements of a forward-looking nature relating to future events or the future financial performance of the Group. Prospective investors are cautioned that such statements are only predictions and that actual results or events when materialised may differ materially from those disclosed in this Prospectus. Therefore, in evaluating such statements, prospective investors should carefully consider the various factors identified in this Prospectus, including the matters set forth under the heading "Risk Factors".

2.1 History, Principal Activities and Group Structure

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 manufacturing and sales of SCFs and electronic hardware.

The details of the Company's subsidiary 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

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.

Operating from four (4) rented shoplots in Puchong Permai, Puchong, of approximately 4,800 square feet in 1999, the Group has grown steadily, expanding its workforce and manufacturing facilities throughout the years. Today, the Group's manufacturing plant, with total built-up area of approximately 29,000 square feet, is located in the industrial area of Shah Alam, and is equipped with advanced technology machinery such as the Davenport 5-spindle machines, single-spindle machines and computer numeric control **("CNC")** machines. From a workforce of 20 when Techfast Manufacturing first went into production, 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.

In March 2002, the Group achieved a significant milestone in its business when its subsidiary, Techfast Manufacturing, attained ISO9001:2000 accreditation from BM TRADA Certification Ltd, an established multi-sector certification body accredited by the United Kingdom Accreditation Service. This certification affirms the Group's commitment to provide high quality products under strict quality control.

The Group reached another corporate milestone in June 2003 when Techfast Manufacturing entered into a strategic partnership with one of the largest distributors of fastening and assembly products in the world.

In 2004, Techfast Manufacturing has been awarded the following awards in recognition of its achievements:-

Award	**Organiser**
Golden Bull Award 2004 – The 2nd Malaysia's 100 Outstanding SMEs	Nanyang Siang Pau
SMI Recognition Award Series 2004 – SMI Best Product Award	SMI Association of Malaysia
Enterprise 50 Award Programme	Small and Medium Industries Development Corporation and Deloitte KassimChan

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2.2 Ownership and Management

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

		Before Issue				After Issue				After Full Exercise of ESOS [b]			
		Direct		Indirect		Direct		Indirect		Direct		Indirect	
Shareholders	**Designation**	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**	**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	-	-
Directors													
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	-	-
Gan Ping Shou @ Gan Ping Sieu	Independent Non-Executive Director	-	-	-	-	[a] 200,000	0.13	-	-	200,000	0.12	-	-
Yap Kok Ching	Independent Non-Executive Director	-	-	-	-	[a] 200,000	0.13	-	-	200,000	0.12	-	-

		Before Issue				After Issue				After Full Exercise of ESOS [b]			
		Direct		Indirect		Direct		Indirect		Direct		Indirect	
Shareholders	Designation	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
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	-	-
Key Management and Technical Personnel													
Chan Chun Yi	Factory Manager	3,018,746	2.62	-	-	[a] 3,418,746	2.25	-	-	[c] 4,118,746	2.46	-	-
Bacho Bin Dahlan	Production Manager	-	-	-	-	[a] 5,000	0.003	-	-	[c] 305,000	0.18	-	-

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*
Chan Chun Yi	*700,000*
Bacho Bin Dahlan	*300,000*

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

A description of the Promoters, substantial shareholders, directors, and key management and technical personnel, and their direct and indirect shareholdings in the Company, is disclosed in Section 8 "Shareholders, Directors, Key Management and Technical Personnel" of this Prospectus.

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2.3 Products

The Techfast Holdings Group manufactures and distributes the following products:-

(a) SCFs

A fastener is a device used to join two (2) or more components together to assemble a product. Depending on the application, a fastener can be made from different materials. Generally, SCFs take less space and require fewer assembly operations than caged or anchor nuts. SCFs also provide for a neat appearance due to their compact design and low profile.

The range of SCFs currently manufactured and distributed by the Group varies in size (e.g. miniature SCFs) and applications (e.g. self-clinching flush fasteners which are ideal for thin sheet metal assembly).

(b) Electronic Hardware

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

Further details on the Group's products are set out in Section 6.2 "Products" of this Prospectus.

2.4 Research and Development Capabilities

The Group's R & D initiatives are housed under Techfast Manufacturing. As at 18 April 2005, the Group employed four (4) personnel to conduct in-house R & D. The Group's R & D activities are focused on the following areas:-

(a) Design of products;

(b) Production process improvement; and

(c) Development and/or innovation in machine usage.

Please see Section 6.9 "Research and Development" of this Prospectus for further information.

2.5 Intellectual Property and Licences

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 6 under the 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.

Licences and/or permits required for the Group's operations are set out in Section 6.10 "Major Licences and Permits Obtained" of this Prospectus.

2.6 Pro-forma Historical Financial Record

The table below sets out a summary of the pro-forma consolidated financial results of the Group for the financial years ended 31 December 2000 to 2004. The pro-forma consolidated financial results are prepared for illustrative purposes only, assuming that the Group had existed throughout the years under review and should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report set out in Section 12 "Accountants' Report" of this Prospectus.

	<---------- Year Ended 31 December				---------->
	2000 **RM'000**	**2001** **RM'000**	**2002** **RM'000**	**2003** **RM'000**	**2004** **RM'000**
Turnover	3,790	4,823	5,459	8,296	14,361
Profit before interest, depreciation and taxation	1,162	1,587	1,837	3,299	6,127
Interest expense	(173)	(101)	(72)	(164)	(277)
Depreciation	(359)	(459)	(521)	(715)	(1,185)
Profit before taxation	630	1,027	1,244	2,420	4,665
Less: Taxation	(236)	(304)	(145)	(50)	(647)
Profit attributable to shareholders	394	723	1,099	2,370	4,018
No. of Shares assumed in issue ('000) [a]	115,000	115,000	115,000	115,000	115,000
Gross EPS (sen)	0.55	0.89	1.08	2.10	4.06
Net EPS (sen)	0.34	0.63	0.96	2.06	3.49

Notes:-

a *Based on the issued and paid-up share capital of 115 million Shares after the acquisition of Techfast Manufacturing but prior to the Issue. Further details of the acquisition of Techfast Manufacturing are set out in Section 9.5.2 "Acquisition of Techfast Manufacturing" of this Prospectus.*

b *There were no exceptional or extraordinary items and minority interest during the years under review.*

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2.7 Pro-forma Consolidated Balance Sheets

The table below shows an extract of the Pro-forma Consolidated Balance Sheets of the Group as at 31 December 2004, based on the assumption that the acquisition of Techfast Manufacturing, the Issue and full exercise of the ESOS had been effected as at 31 December 2004. The Pro-forma Consolidated Balance Sheets are based on the audited financial statements of the Company as at 31 December 2004 and the audited financial statements of Techfast Manufacturing made up to 31 December 2004 after making relevant adjustments considered necessary.

	The Company as at 31.12.2004 RM'000	Pro-forma I After Acquisition of Techfast Manufacturing [a] RM'000	Pro-forma II After Issue [b] RM'000	Pro-forma III After Full Exercise of ESOS [c] RM'000
Property, Plant and Equipment	-	10,124	10,124	10,124
Current Assets	540	11,464	24,394	30,322
Current Liabilities	(547)	(5,070)	(5,070)	(5,070)
Net Current (Liabilities) / Assets	(7)	6,394	19,324	25,252
	(7)	16,518	29,448	35,376
Share Capital	*	11,500	15,200	16,720
Share Premium	-	-	9,230	13,638
Retained Earnings	(7)	1,040	1,040	1,040
	(7)	12,540	25,470	31,398
Long Term and Deferred Liabilities	-	3,978	3,978	3,978
	(7)	16,518	29,448	35,376
No. of Shares ('000)	*	115,000	152,000	167,200
NTA per Share (RM)	(340.40)	0.11	0.17	0.19

Notes:-

a *Pro-forma I is after the acquisition of Techfast Manufacturing. The purchase consideration of Techfast Manufacturing of RM11,499,998 was satisfied by the issuance of 114,999,980 new Shares in Techfast Holdings at par. Negative goodwill arising on consolidation amounting to RM1.047 million is credited to Income Statement. Further details of the acquisition of Techfast Manufacturing are set out in Section 9.5.2 "Acquisition of Techfast Manufacturing" of this Prospectus.*

b *Pro-forma II incorporates the transactions in Pro-forma I and the issue of 37,000,000 new Shares at an issue price of RM0.39 per Share. The gross proceeds arising from the Issue will be utilised as follows:-*

	RM'000	
Acquisition of plant and machinery	*5,000*	*
*Research and Development **("R & D")***	*1,000*	*
Working capital	*6,930*	*
Estimated listing expenses	*1,500*	^
	14,430	

* *Included in cash and cash equivalents under current assets, pending utilisation.*

^ *The estimated listing expenses of RM1.5 million have been set off against the share premium account.*

c *Pro-forma III incorporates the transactions in Pro-forma II and assumed that the ESOS is fully exercised at an exercise price equivalent to the Issue Price of RM0.39 per Share.*

The ESOS is not expected to have any effect on the NTA per Share of the Group until such time as the Options granted under the ESOS are exercised. Any potential effect of the ESOS on the NTA of the Group in the future would depend on the number of Options granted and exercised at any point in time as well as the price payable upon the exercise of the Options.

The Board of Directors of Techfast Holdings proposes to grant up to 15,200,000 Options representing 10% of the issued and paid-up capital of the Company upon listing to the eligible directors and employees of the Group just prior to the listing of Techfast Holdings on the MESDAQ Market. The exercise price for such Options shall be the Issue Price.

* *RM2 / 20 Shares*

For details concerning the Pro-forma Consolidated Balance Sheets of the Group, please see Section 13 "Pro-forma Consolidated Balance Sheets of the Techfast Holdings Group as at 31 December 2004 together with the Bases and Assumptions, and the Auditors' Letter thereon" of this Prospectus.

There were no audit qualifications in the years under review.

2.8 Risk Factors

Prospective investors, prior to making an investment in the Company, should carefully consider the risk factors inherent in and affecting the business of the Company and its subsidiary companies and this offering. In addition, the discussion in this Prospectus contains forward-looking statements that involve risks and uncertainties. The Company's and the Group's actual results when materialised could differ materially from those discussed herein. Factors that could cause or contribute to such differences include, but are not limited to those discussed in Section 4 "Risk Factors" of this Prospectus, and also include those discussed throughout this Prospectus.

The key risk factors that may affect the Group's future profitability are not limited to financial risks, market risks and industry risks. Risk factors also include the following:-

(a) Business and operating risks;
(b) Absence of long-term contractual agreements with customers and/or suppliers
(c) Competition;
(d) Management of growth;
(e) Technological change and market acceptance of products;
(f) Continuing demand for the Group's products;
(g) Dependence on directors and key personnel, and the need to recruit and retain professional employees;
(h) Dependence on foreign workers
(i) Continued control by existing shareholders;
(j) Acquisitions and joint ventures;
(k) Future capital injections;
(l) Trade facilities;
(m) Protection of intellectual property rights;
(n) Disruption in operations;
(o) Breakout of fire, energy crisis and other emergency crisis;
(p) Insurance coverage on assets;
(q) Expansion into overseas markets;
(r) Foreign exchange risk;
(s) No prior market for Techfast Holdings Shares and possible volatility of Share price;
(t) Forward-looking statements;
(u) Political, economic and regulatory conditions; and
(v) Failure or delay in the listing.

Details of the aforementioned risks are provided in Section 4 "Risk Factors" of this Prospectus.

If you are unsure about any of the information contained in Section 4 "Risk Factors" of this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser.

2.9 Prospects and Outlook

Despite the risks associated with the Group as summarised above, the prospects and outlook of the Group are encouraging in view of various factors.

The Group is principally engaged in the manufacture and sales 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 and data / telecommunications. Its wide range of application is able to capture a customer base spanning both traditional and high technology products around the world.

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 equipment.

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 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 will be able to meet new challenges in the fastening industry.

2.10 Future Financial Information

No future financial information is included in this Prospectus as it is difficult to forecast due to the uncertain nature and inherent risks of the business of the Techfast Holdings Group. Please refer to Section 3.9 "Future Financial Information" of this Prospectus for further information.

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2.11 Principal Statistics Relating to the Issue

The following statistics relating to the Issue are derived from the full text of this Prospectus and should be read in conjunction with that text.

Share Capital

Authorised share capital	**RM**
500,000,000 ordinary shares of RM0.10 each	50,000,000
Issued and fully paid-up share capital	
115,000,000 ordinary shares of RM0.10 each	11,500,000
To be issued pursuant to the Issue	
37,000,000 ordinary shares of RM0.10 each	3,700,000
Enlarged capital upon listing	
152,000,000 ordinary shares of RM0.10 each	15,200,000
To be issued pursuant to full exercise of ESOS Options [a]	
15,200,000 ordinary shares of RM0.10 each	1,520,000
Enlarged capital upon full exercise of ESOS Options	
167,200,000 ordinary shares of RM0.10 each	16,720,000
Issue Price per ordinary share of RM0.10 each	***RM0.39***
Market capitalisation upon listing based on the Issue Price of RM0.39 per ordinary share of RM0.10 each	***RM59,280,000***

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 Issue shall be by way of private placement to domestic and foreign investors, and public offering to members of the public.

There is only one (1) class of shares in the Company, namely ordinary shares of RM0.10 each. The Issue Shares 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.

Pro-forma NAV based on the Pro-forma Consolidated Balance Sheet as at 31 December 2004:-	
Pro-forma NAV upon listing (RM'000)	25,470
Pro-forma NAV per Share upon listing (Sen)	16.76
Pro-forma NTA based on the Pro-forma Consolidated Balance Sheet as at 31 December 2004:-	
Pro-forma NTA upon listing (RM'000)	25,470
Pro-forma NTA per Share upon listing (Sen)	16.76

2.12 Proceeds of Issue and Proposed Utilisation

Based on an Issue Price of RM0.39 per Share, the Company expects the gross proceeds of the Issue of RM14.43 million to accrue to the Company. This amount is expected to be utilised in the following manner:-

Purpose	RM'000
Acquisition of plant and machinery	5,000
Research and Development (**"R & D"**)	1,000
Working capital	6,930
Estimated listing expenses	1,500
TOTAL	**14,430**

Note: *Details of the utilisation of proceeds are further disclosed in Section 3.7 "Utilisation of Proceeds" of this Prospectus.*

2.13 Working Capital, Material Litigation, Material Capital Commitments, Contingent Liabilities and Borrowings

(a) Working Capital

The directors of the Company are of the opinion that after taking into consideration the cash flow position of the Group including the proceeds of the Issue, the Group will have adequate working capital to meet its requirements for a period of twelve (12) months from the date of issue of this Prospectus.

(b) Material Litigation, Material Capital Commitments and Contingent Liabilities

As at 18 April 2005 (being the latest practicable date prior to the printing of this Prospectus), there does not exist any material litigation, material capital commitment or contingent liabilities which may have a material impact on the financial position or business of the Group.

(c) Borrowings

As at 18 April 2005 (being the latest practicable date prior to the printing of this Prospectus), the Company does not have any borrowings. However, the borrowings of Techfast Manufacturing amounted to RM6.55 million, comprising the following:-

Interest-Bearing Borrowings	Repayable within 12 Months RM'000	Repayable after 12 Months RM'000
Bankers' acceptance	1,957	-
Trust receipts	191	-
Hire purchase creditors	384	298
Term loan	1,112	2,603
	3,644	2,901

The directors of the Company confirm that the Group has not defaulted on payments of either interest and/or principal sums in respect of any borrowings throughout the financial year ended 31 December 2004 and as at 18 April 2005, being the latest practicable date prior to the printing of this Prospectus.

As at 18 April 2005 (being the latest practicable date prior to the printing of this Prospectus), the Group has the following charges:-

(a) A fixed charge over a letter of set-off for fixed deposits/cash deposits by Hong Leong Bank Berhad **("HLBB");**

(b) A fixed charge by Malaysian Industrial Development Finance Berhad **("MIDF")** over a piece of land held under H.S.(D) 113071 No. P.T. 43, Seksyen 23, Bandar Shah Alam, District of Petaling, State of Selangor and including any buildings and fixtures now or hereafter or from time to time erected thereon or affixed thereto including any part or portion thereof;

(c) A second fixed charge by MIDF over the land held under H.S.(D) 113071, No. P.T. 43, Seksyen 23, Bandar Shah Alam, District of Petaling, State of Selangor and including any buildings and fixtures now or hereafter or from time to time erected thereon or affixed thereto including any part or portion thereof;

(d) A fixed first party first legal charge by HLBB over a 2½-storey link house identified as No. 15, Jalan 25/57, Seksyen 25, 40400 Shah Alam, Selangor Darul Ehsan, held under individual title H.S.(D) 37672, Lot P.T. No. 5184, District of Klang, State of Selangor;

(e) A fixed first party first legal charge by HLBB over a 2½-storey link house identified as No. 23, Jalan 25/47, Jalan Nikmat, Seksyen 25, 40400 Shah Alam, Selangor Darul Ehsan, held under individual title H.S.(D) 37363, Lot P.T. No. 4875, District of Klang, State of Selangor;

(f) A first fixed charge by MIDF on the machinery or equipment as well as all accessories and parts pertaining thereto, more particularly described in the Schedule of Debentures;

(g) A first party Deed of Assignment by HLBB over a property held under Master Title Geran 43023, Lot No. 33686, Mukim and District of Klang, State of Selangor and bearing postal address known as No. 8C, Block K, Jalan Tokoh 25/28, Taman Sri Muda, 40400 Shah Alam, Selangor Darul Ehsan;

(h) A first party Deed of Assignment by HLBB over a property held under Master Title Geran 43023, Lot No. 33686, Mukim and District of Klang, State of Selangor and bearing postal address known as No. 3C, Block D, Jalan Tokoh 25/28, Taman Sri Muda, 40400 Shah Alam, Selangor Darul Ehsan; and

(i) A first party Deed of Assignment by HLBB over a property held under Master Title Geran 43023, Lot No. 33686, Mukim and District of Klang, State of Selangor and bearing postal address known as No. 4A, Block H, Jalan Tokoh 25/28, Taman Sri Muda, 40400 Shah Alam, Selangor Darul Ehsan.

(j) A memorandum of deposit and letter of set-off over fixed deposit with AmFinance Berhad.

Save as disclosed above, the Group does not have any other capital outstanding or loan capital created but unissued or mortgages outstanding on 18 April 2005.

3. INTRODUCTION AND DETAILS OF THE ISSUE

3.1 Introduction

This Prospectus is dated 17 May 2005.

Approvals have been obtained from the MITI on 18 May 2004 and 17 March 2005 and the SC on 18 February 2005 for the Issue, and Bursa Securities on 21 February 2005 for admission to the Official List of the MESDAQ Market, and for the listing of and quotation for the entire issued and paid-up share capital of Techfast Holdings including the Issue Shares which are the subject of this Prospectus.

The Shares of Techfast Holdings will be admitted to the Official List of the MESDAQ Market and official quotation will commence upon receipt of confirmation from Bursa Depository that all the CDS accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all the successful applicants. Bursa Securities and the SC assume no responsibility for the correctness of any statements made or opinions or reports expressed in this Prospectus. Admission to the MESDAQ Market is not to be taken as an indication of the merits of the Company and its subsidiary company or of its Shares.

Under Bursa Securities's trading rules, effective from the date of listing, trading in all Bursa Securities listed securities can only be executed through an ADA who is also a Bursa Securities member.

A copy of this Prospectus has been registered with the SC. A copy of this Prospectus has also been lodged with the Registrar of Companies who takes no responsibility for its contents.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, Bursa Securities has prescribed the Shares of the Company as a prescribed security. In consequence thereof, the Issue Shares offered through this Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the aforesaid Act and the Rules of Bursa Depository.

An applicant for the Issue Shares must have a CDS account. In the case of an application by way of Application Form, an applicant should state his/her CDS account number in the space provided in the Application Form. In the case of an application by way of Electronic Share Application, only an applicant who is an individual and has a CDS account can make an Electronic Share Application and the applicant shall furnish his/her CDS account number to the Participating Financial Institution by way of keying his/her CDS account number if the instructions on the ATM screen at which he/she enters his/her Electronic Share Application requires him/her to do so. A corporation or institution cannot apply for the Issue Shares by way of Electronic Share Application.

The written consents of the Adviser, Sponsor, Managing Underwriter and Sole Placement Agent, Underwriters, Solicitors, Principal Bankers, Issuing House, Registrars, the Company Secretaries and Frost & Sullivan to the inclusion in this Prospectus of their names in the form and context in which their names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn.

The written consent of the Auditors and Reporting Accountants to the inclusion in this Prospectus of their name, Accountants' Report, and letter relating to the Pro-forma Consolidated Balance Sheets in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

No person is authorised to give any information or to make any representation not contained herein in connection with the Issue and if given or made, such information or representation must not be relied upon as having been authorised by Techfast Holdings. Neither the delivery of this Prospectus nor any offer made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Group since the date hereof.

The distribution of this Prospectus and the sale of the Issue Shares in certain other jurisdictions may be restricted by law. Persons who may come into possession of this Prospectus are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an invitation to subscribe for the Issue in any jurisdiction in which such invitation is not authorised or lawful, or to any person to whom it is unlawful to make such an invitation.

Investors should rely on their own evaluation to assess the merits and risks of the investment. In considering the investment, investors who are in any doubt as to the action to be taken should consult their stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

3.2 Purpose of the Issue

The purposes of the Issue are as follows:-

(a) To raise funds for the Group's continued operation and expansion, details of which are elaborated in Section 3.7 "Utilisation of Proceeds" below;

(b) To obtain the listing of and quotation for the entire issued and paid-up capital of Techfast Holdings on the MESDAQ Market, which is expected to enhance the business, profile and future prospects of the Group;

(c) To enable the Group to have access to the capital market for its future expansion and growth; and

(d) To provide an opportunity for the directors and employees of the Group, and the general public to participate in the equity and the continuing growth of the Group.

3.3 Particulars of the Issue

	RM
Issued and fully paid-up share capital	
115,000,000 ordinary shares of RM0.10 each	11,500,000
To be issued pursuant to the Issue	
37,000,000 ordinary shares of RM0.10 each	3,700,000
Enlarged capital upon listing	
152,000,000 ordinary shares of RM0.10 each	15,200,000

There is only one (1) class of shares in the Company, namely ordinary shares of RM0.10 each. The Issue Shares 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.

Subject to any special rights attaching to any shares which may be issued by the Company in the future, the holders of Shares shall, in proportion to the amount paid-up on the Shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends and other distributions and the whole of any surplus in the event of the liquidation of the Company, such surplus to be distributed amongst the members in proportion to the capital paid-up at the commencement of the liquidation, in accordance with the Company's Articles of Association and the provisions of the Companies Act, 1965.

Each shareholder shall be entitled to vote at any general meeting of the Company in person or by proxy or by attorney, and, on a show of hands, every person present who is a shareholder or representative or proxy or attorney of a shareholder shall have one (1) vote, and on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one (1) vote for each Share held. A proxy may but need not be a member of the Company.

The Issue of a total of 37,000,000 Shares at an Issue Price of RM0.39 per Share shall be subject to the terms and conditions of this Prospectus and, upon acceptance, will be allocated in the following manner:-

(a) 30,000,000 Issue Shares will be made available for application by selected investors under the private placement;

(b) 2,000,000 Issue Shares will be made available for application under the public offer; and

(c) 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 (b) and (c) above 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 (a) 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 (c) 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. 42 eligible directors and employees of the Group and 58 other persons who have contributed to the success of the Group will be offered the opportunity to participate in the preferred allocation of the Issue Shares.

Details of the Directors' pink form allocation are as follows:-

Name of Directors	Designation	Pink Form Allocation
Yap Yoon Sing	Group Managing Director	800,000
Lim Tock Ooi	Non-Independent Executive Director	600,000
Fong Kok Leong	Non-Independent Executive Director	600,000
Gan Ping Shou @ Gan Ping Sieu	Independent Non-Executive Director	200,000
Yap Kok Ching	Independent Non-Executive Director	200,000
		2,400,000

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.

3.4 Critical Dates of the Issue

The tentative timetable in relation to the Issue is set out below:-

Events	Tentative Dates
Issue of Prospectus/Opening date of the Issue Shares	17 May 2005
Closing Date of the Issue Shares	25 May 2005
Tentative balloting date	27 May 2005
Tentative despatch of Notices of Allotment	3 June 2005
Tentative listing date	6 June 2005

The Issue will close at the date stated above or such later date as the directors of Techfast Holdings together with the Underwriters may decide.

Where the closing of application list for the Issue Shares is extended from the original date, a notice of such extension(s) will be advertised in a widely circulated English and Bahasa Malaysia newspaper not less than one (1) Market Day before the original closing date.

3.5 Pricing of the Issue

Prior to the offering, there has been no public market for the Shares. The Issue Price of RM0.39 per Share was agreed between the Company and the Underwriters. Among the factors considered in determining the Issue Price, in addition to prevailing market conditions, were the Group's expertise, estimates of business growth potential and revenue prospects for the Group, and an assessment of the Group's management.

3.6 Underwriting

The Underwriters mentioned herein have agreed to underwrite:-

(a) 2,000,000 Issue Shares which will be made available for application under the public offer; and

(b) 5,000,000 Issue Shares which 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 following are some of the salient clauses contained in the Underwriting Agreement dated 18 April 2005:-

"8. **TERMINATION / LAPSE OF AGREEMENT**

8.1 Notwithstanding anything herein contained, the Managing Underwriter and/or the Underwriter, acting through the Managing Underwriter may by notice in writing to the Company given at any time before the Closing Date, terminate and cancel and withdraw its commitment to underwrite the Underwritten Shares if:-

8.1.1 there is any breach by the Company of any of the representations, warranties or undertakings contained in Clause 3, which is not capable of remedy or, if capable of remedy, is not remedied within such number of days as stipulated within the notice after notice of such breach shall be given to the Company to the satisfaction of the Underwriters, or by the Closing Date, whichever is earlier; or

8.1.2 there is withholding of information of a material nature from the Underwriters, which is required to be disclosed pursuant to this Agreement, and if capable of remedy, is not remedied within such number of days as stipulated within the notice after notice of such breach shall be given to the Company, which, in the opinion of the Managing Underwriter and/or Underwriter, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Group, the success of the Public Issue, or the distribution or sale of the Issue Shares; or

8.1.3 there shall have occurred, happened or come into effect any material and adverse change to the business or financial condition of the Company or the Group; or

8.1.4 there shall have occurred, happened or come into effect any of the following circumstances:-

(a) any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or the occurrence of any combination of any of the foregoing; or

(b) any change in law, regulation, directive, policy or ruling in any jurisdiction or any event or series of events beyond the reasonable control of the Managing Underwriter and/or the Underwriters (including without limitation, acts of God, acts of terrorism, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of war or accidents);

which, (in the reasonable opinion of the Managing Underwriter and/or the Underwriter), would have or can reasonably be expected to have, a material adverse effect on and/or materially prejudice the business or the operations of the Company or the Group, the success of the Public Issue, or the distribution or sale of the Issue Shares, or which has or is likely to have the effect of making any material part of this Agreement incapable of performance in accordance with its terms; or

8.1.5 there is failure on the part of the Company to perform any of its obligations herein contained.

8.2 Upon such notice(s) being given under Clause 8.1, the Managing Underwriter and/or the Underwriter shall be released and discharged of its obligations without prejudice to its rights whereby this Agreement shall be of no further force or effect and no Party shall be under any liability to any other in respect of this Agreement, except that the Company shall remain liable in respect of its obligations and liabilities under Clause 3 and under Clause 12 for the payment of the costs and expenses already incurred prior to or in connection with such termination and under Clause 12 for the payment of any taxes, duties or levies and for any antecedent breach."

3.7 Utilisation of Proceeds

The Company expects the gross proceeds of the Issue to amount to RM14.43 million. The proceeds shall accrue to the Company and the Company shall bear all expenses relating to the listing of and quotation for its entire issued and paid-up share capital on the MESDAQ Market.

The proceeds from the Issue of RM14.43 million are expected to be utilised for the following purposes:-

Purpose	Note	RM'000
Acquisition of plant and machinery	a	5,000
R & D	b	1,000
Working capital	c	6,930
Estimated listing expenses		1,500
		14,430

Notes:-

a *As part of the Group's expansion plan to increase sales, the Group plans to purchase additional plant and machinery to increase the capacity of its production.*

b *The Group has allocated part of the proceeds to conduct research and development on its products and manufacturing processes. The R & D expenses include but are not limited to salaries for R & D workers, R & D equipment and other expenses related to the Group's R & D initiatives.*

c *As the Group expands its operations, additional working capital is required to fund its purchases of raw materials, debtors, and other operational expenses.*

Save for the estimated listing expenses which will be fully utilised upon the completion of the Issue, the timeframe for utilisation of the remaining proceeds is expected to be up to two (2) years from the listing date of Techfast Holdings.

3.8 Brokerage, Underwriting and Listing Expenses

In respect of Issue Shares which are underwritten as stated in Section 3.6 "Underwriting" above, the Company will pay an underwriting commission of 2.0% for the Issue Shares therein to the Underwriters.

Listing expenses are estimated at approximately RM1.5 million, with the following estimated breakdown:-

	RM
Professional fees	700,000
Fees of the authorities	40,500
Underwriting, placement and brokerage fees	495,000
Printing and advertising fees	150,000
Miscellaneous	114,500
Total	**1,500,000**

3.9 Future Financial Information

No future financial information is included in this Prospectus as it is difficult to forecast due to the uncertain nature and inherent risks of the business of the Techfast Holdings Group, which include, amongst others, changes to the Group's operating expenses and the ability of the Group to control costs. Please refer to Section 4 "Risk Factors" of this Prospectus for further details.

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4. RISK FACTORS

If you are unsure about any of the information contained in this section on "Risk Factors", you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser.

In addition to the other information in this Prospectus, the following factors should be considered carefully in evaluating an investment in the Issue Shares offered by this Prospectus. The discussion in this Prospectus contains certain forward-looking statements that involve risks and uncertainties. Prospective investors are cautioned that such statements are only predictions and that actual results or events may differ materially from those disclosed in this Prospectus.

Factors that could cause or contribute to such differences include, but are not limited to, those discussed in this section on "Risk Factors", Section 5 "Management's Discussions and Analysis of Financial Condition and Results of Operations", Section 6 "Business and Operational Overview" and Section 7 "Prospects and Future Plans" of this Prospectus as well as those discussed elsewhere in this Prospectus.

4.1 Business and Operating Risks

The Group is not insulated from general business risks as well as risk inherent and specific in the manufacturing industry. These may include constraints in labour supply; increase in cost of labour and operating costs; adverse changes in general economic, business and credit conditions and changes in Government's policies.

Although the Group seeks to limit these risks through, inter-alia, increasing automation to reduce dependency on labour; efficient cost control; increasing product range; and diversifying customers and supplier base, no assurance can be given that a change in any of these factors will not have a material effect on the Group's business.

There is no also assurance that the Group will be profitable in the future, or that it will achieve increasing or consistent levels of profitability. The Group's revenue and operating results are difficult to forecast and could be adversely affected by many factors. These include, amongst others, changes in the Group's operating expenses, the ability of the Group to develop and market new and existing products and services and to control costs, to maintain and increase its distribution channels, market acceptance of new products and services, and other business risks common to going concerns.

The directors of Techfast Holdings believe that the Group should be able to remain profitable in the foreseeable future. The Group's cash flow management includes regular monitoring of its debtors position, having long term relationships with its customers and business partners, close monitoring of operating expenditure, and careful consideration of any proposed capital expenditure or borrowing and its effects on the Group.

4.2 Absence of Long-Term Contractual Agreements with Customers and/or Suppliers

The Group does not have any long-term agreements with its customers and/or suppliers due to the price competitiveness in the electronics and computing industries. The failure to secure future orders due to the absence of long-term contracts would inevitably have a material adverse effect on the Group's future financial performance.

Despite the absence of long-term agreements with its customers, the Group has earned the confidence and recognition of its international customers due to its track record of delivering products at competitive prices. The Group has satisfied the stringent demands imposed by its customers, thus enabling long-standing business relationships to continue. In addition, the Group employs various strategies to broaden its customer base, amongst others, by marketing and venturing into new markets through participation in trade exhibitions, locally and abroad, as well as entering into strategic alliances with companies that already have a presence in the markets to which the Group intends to expand.

The Group uses steel, aluminium and brass rods in the manufacture of SCFs and hardware components, which are generally available and thus, it is not necessary for the Group to enter into long-term contracts with its suppliers. The Group usually places orders for raw materials which can last up to four (4) to five (5) months of production. In addition, the good working relationships established with the Group's suppliers has ensured their co-operation in terms of supply frequencies, schedule changes and technical advances. However, such co-operation cannot overcome any commercial pressures on the prices of raw materials.

4.3 Competition

The Group is principally involved in the manufacture of SCFs, which are used mainly in electronics equipment, electrical appliances and computing devices.

The market for the Group's products is highly competitive and characterised by rapid product and technological innovation in the electronics and computing industries. The Group has experienced and expects to continue to experience intense competition from current and future competitors. The Group believes that its ability to compete depends upon many factors both within and outside its control, including the timing and market acceptance of new products and enhancements developed by the Group and its competitors, product functionality, ease of use, performance, price, value for money, reliability, customer service and support, sales and marketing efforts, and product distribution channels.

The Group's competitors vary in size and in the scope and breadth of the products offered. Some of these competitors may have substantially greater financial, technical and marketing resources and name recognition than the Group. The Group's competitors may be able to respond more quickly to new or emerging technologies and changes in customer preference or to devote greater resources to the development, promotion, sale and service of their products.

The Group also expects to face additional competition from emerging companies that could enter the market and introduce new products. There can be no assurance that the Group will be able to compete successfully with existing or new competitors. Increased competition could result in price reductions, reduced revenue and margins, and loss of market share, any one of which could materially and adversely affect the Group's business, operating results and financial condition. However, the capital intensiveness of the industry in which the Group operates and the existence of other barriers to entry as described in Section 6.7.2 "Barriers to Entry" of this Prospectus may deter emerging companies from entering the market. Additionally, the Group, a manufacturer of quality SCFs, focuses on technology that is highly reliable and also invests in product innovation to ensure its competitiveness in capturing market share and garnering market acceptance.

4.4 Management of Growth

The Group's rapid growth has placed significant demands on the Group's management, administrative, operating and financial resources. In addition, in order to achieve the Group's growth targets as set out in its Five-Year Business Development Plan, there may be significant strain on the Group's management, financial, customer support, operational and other resources. The Group's ability to manage future growth will require the Group to continue to enhance its operating, financial and management information systems and to expand, develop, motivate and manage effectively its professional and administrative work force. If the Group is unable to manage its growth effectively, the quality of the Group's products, its ability to retain key personnel and its operating results are likely to be materially adversely affected. There can be no assurance that the Group will be successful in managing its growth.

The Group's proposed future plan and prospects will be dependent upon, among other things, the Group's ability to enter into strategic marketing or other arrangements on a timely basis and on favourable terms, hire and retain skilled management as well as financial, technical, marketing and other personnel, successfully manage growth (including monitoring operations, controlling costs and maintaining effective quality controls), and obtain adequate financing as and when needed. There can be no assurance that the Group will be able to successfully implement its business plan or that unanticipated expenses or problems or technical difficulties will not occur which would result in material delays in its implementation or even deviation from its original plans. In addition, the actual results may deviate from the business plan due to rapid technological changes, and market as well as competitive pressures.

4.5 Technological Change and Market Acceptance of Products

The markets for the Group's products are characterised by rapid product innovation and technological developments, evolving industry standards, swift changes in customer requirements, and frequent new product introductions and enhancements. The introduction of competing products incorporating new technologies could render some or all of the Group's products obsolete or unmarketable. The Group's future success depends substantially upon its ability to address the increasingly sophisticated needs of its customers by gaining expertise in technological advances and to respond quickly to evolving industry trends. There can be no assurance that the Group will be successful in adapting to these advances in technology or in addressing changing client needs on a timely basis. In addition, there can be no assurance that the products or technologies developed by others will not significantly reduce the demand for the Group's products or render the Group's products obsolete. Nevertheless, the Group has expended substantial resources for the enhancement of its products, and for product developments, and will continue to do so.

The timely development of new or enhanced products is a complex and uncertain process, which can be subject to changing market requirements as well as unforeseen costs and delays, resulting in substantial expenditures and capital costs. Although the Group believes that it will have the funding to implement its business plan, there can be no assurance that the Group will continue to have sufficient resources to successfully and accurately anticipate technological and market trends, or to successfully manage long development cycles. The Group may also experience design, marketing and other difficulties that could delay or prevent the development, introduction or marketing of its products. The Group may also be required to collaborate with third parties to develop products and may not be able to do so on a timely and cost-effective basis, if at all.

If the Group is not able to develop new products or enhancement to its existing products on a timely and cost-effective basis, or if the Group's new products or enhancements fail to achieve market acceptance, or if one (1) or more of the Group's competitors introduce products that better address customer needs or for any reason gain market share, the Group's business, operating results and financial condition would be adversely affected.

4.6 Continuing Demand for the Group's Products

The Group's future results will depend on the overall demand for the Group's products. Any economic slowdown may cause the Group's customers to defer or terminate their purchases of the Group's products or otherwise alter their usage patterns. The Group may experience hesitancy on the part of existing and potential customers to commit to continuing or new products from the Group. However, to date, the Group's products have been well-received by its customers and the Group expects that enhancements and improvements of features, quick time to market and good technical service should ensure continuing acceptance of its products.

4.7 Dependence on Directors and Key Personnel, and the Need to Recruit and Retain Professional Employees

The Group's future performance depends to a significant extent upon the continued efforts and abilities as well as the networking efforts of its directors, key technical, sales and marketing, and senior management personnel, in particular, Techfast Holdings' Group Managing Director, Yap Yoon Sing, and its Executive Director Fong Kok Leong who heads production and all R & D efforts. The loss of the services of any of these individuals may have a material adverse effect on the Group. The Group's future success also depends on its ability to attract, hire, train, retain and motivate sufficient skilled employees for its corresponding level of business operations.

There can be no assurance that the Group will be able to recruit, develop and retain a sufficient number of highly skilled, motivated professionals for its forecasted growth in business operations to compete successfully. In addition, competition for qualified personnel may also lead to increased costs for such personnel which the Group may not be able to offset by increases in the prices of its products.

As a mitigating factor, the Group currently enjoys a cordial relationship with its employees and they do not belong to any trade union. The employees are also frequently sent to various courses to upgrade their knowledge.

4.8 Dependence on Foreign Workers

The Group employs foreign labour for its production operations. As at 18 April 2005 the Group has 146 foreign workers from various countries. The Group's continued use of these foreign workers is dependent on the ability for the Group to obtain the necessary regulatory approvals for the employment of such workers and that there is no adverse change in the regulatory policies relating to the use of foreign workers in Malaysia. At this moment, there is an adequate supply of foreign labour from neighbouring countries and the Group does not employ all of its foreign labour from a particular country.

4.9 Continued Control by Existing Shareholders

Upon the completion of this Issue, the substantial shareholders of the Company, the directors of the Group and their associates will, in aggregate, beneficially own approximately 72.56% of the issued and paid-up share capital of the Company. As a result, these shareholders, acting together, will possess voting control over the Company, giving them the ability, amongst others, to elect at least a majority of the Company's Board of Directors and to control the vote on significant corporate transactions, unless they are required to abstain from voting by law and/or by the relevant authorities. Please see Section 2.2 "Ownership and Management" and paragraphs 4 and 5 of Section 14.3 "Directors and Substantial Shareholders" of the Prospectus for further information on the directors' and substantial shareholders' interests in the Company.

Nevertheless, the Company has appointed two (2) independent directors as a step towards good corporate governance to ensure that any future transactions involving related parties are entered into on arms-length terms.

4.10 Acquisitions and Joint Ventures

If appropriate opportunities present themselves, the Group intends to acquire businesses, products or technologies or enter into synergistic joint ventures that the Group believes will be in the interest of its shareholders. There can be no assurance that the Group will be able to successfully identify, negotiate or finance such acquisitions and joint ventures, or to consummate or integrate such acquisitions and joint ventures with its current business. Acquisitions and joint ventures may cause the Group to seek additional capital, which may or may not be available on satisfactory terms.

Acquisitions involve significant risks, including the diversion of management's time and attention to the negotiation of the acquisition and the assimilation of the businesses acquired to the Group's existing operating structure; the need to modify financial and other systems, and recruit additional management resources; potential liabilities of the acquired business; unforeseen difficulties in the acquired operations and the possible adverse short-term effects on the Group's operating results. There can be no assurance that the anticipated benefits of any acquisition will be realised, or that the Group will be able to generate sufficient revenues from any such acquisition to offset associated acquisition costs, or that the Group will be able to maintain uniform standards of quality and service, controls, procedures and policies. Acquisitions may also result in potentially dilutive issuances of equity, the incurrence of debt and contingent liabilities, and amortisation expenses related to goodwill and other intangible assets. Any joint venture investments would involve many of the same risks posed by acquisitions.

4.11 Future Capital Injections

The Board of Directors of the Company is of the opinion that the net proceeds of the Issue, together with cash flow from operations and other existing sources of liquidity, will be sufficient to meet the Group's projected capital commitments, working capital and other cash requirements. However, there is no assurance that future events may not cause the Group to seek additional capital sooner. If additional capital is required, there can be no assurance that it will be available or, if available, that it will be on terms satisfactory to the Group. The sale of additional equity or other convertible securities to non-shareholders will result in further dilution of the shareholdings of the Company's shareholders.

4.12 Trade Facilities

The Group's borrowing facilities agreements with local financial institutions contain certain covenants, representations, warranties, undertakings and/or conditions which limit the Group's operating and financial flexibilities. A breach in such covenants, representations, warranties, undertakings and/or conditions may allow the financial institutions to terminate the trade facilities and/or enforce any securities pledged to obtain these trade facilities. The Group is aware of such covenants, representations, warranties, undertakings and/or conditions, and endeavours to take the necessary precautions to prevent any such breach.

4.13 Protection of 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 6 under the 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.

Existing copyright, trademark and trade secret laws afford only limited protection. Accordingly, there can be no assurance that the Group will be able to protect its proprietary rights against unauthorised third party copying, use or exploitation, any of which could have a material adverse effect on the Group's business, operating results and financial condition.

Third parties may challenge or dispute the Group's intellectual property rights in terms of, amongst others, title and third party intellectual property rights infringement and the Group could incur substantial costs in defending or prosecuting any claims relating to its intellectual property rights. Issues relating to intellectual property rights can be complicated and there can be no assurance that disputes will not arise or that any disputes in relation to the Group's intellectual property will be resolved in the Group's favour. Moreover, any such disputes could be time consuming, cause delays in introducing new or improved products and could have a material adverse effect on the Group's reputation, business, operating results and financial condition.

4.14 Disruption in Operations

Interruption of the Group's operating capabilities through breakdown or malfunctioning of machinery, and failure or damage caused by fire, storms, lightning, electrical power outage or other disruption could have an adverse material effect on the Group's business, operating results or financial condition. To avoid major breakdowns and disruption to the Group's operations, the machinery is constantly monitored and maintained.

4.15 Breakout of Fire, Energy Crisis and Other Emergency Crisis

The Group believes that it has adequate safety and fire-fighting equipment installed at its office premises and factory building to ensure that the risk of fire is contained. The Group has in place a system of educating its employees in fire safety. Besides that, the Group's manufacturing plant is insured against losses arising from fire. However, notwithstanding the measures taken, there is no assurance that any of the above-mentioned crises may not cause interruptions in the Group's operations in the future.

4.16 Insurance Coverage on Assets

The Group believes that it has adequate insurance coverage on its assets. Although the Group reviews its insurance policies on a regular basis to ensure that there is adequate coverage on its assets, there can be no assurance that the coverage would be adequate for the replacement cost of its assets or any consequential loss arising therefrom. The Group does not have any consequential loss insurance.

4.17 Expansion into Overseas Markets

As part of its growth and marketing strategy, the Group intends to increase its sales and marketing efforts in other regional markets such as China. The Group anticipates that its overseas expansion may require significant investment by the Group in advance of anticipated future revenue.

There can be no assurance that the Group's expansion efforts will be successful or will generate significant revenue. There are a number of risks inherent in regional business activities, including unexpected changes in regulatory requirements, difficulties in managing regional operations, potentially adverse taxation consequences, currency fluctuations, uncertainties in general economic or industry conditions, difficulties in the repatriation of earnings and the burdens of complying with a wide variety of foreign laws. There can be no assurance that such factors will not have a material adverse effect on the Group's business, operating results or financial condition.

However, the Group will adopt a prudent approach in expanding into the target regional markets, especially China. The Group intends to form strategic alliances with the foreign manufacturers of SCFs in these countries, working with these partners to meet the demand for SCFs in the overseas markets.

4.18 Foreign Exchange Risk

The Group is exposed to foreign exchange risk on sales to foreign customers, which are billed mainly in the USD and to a lesser extent, the SGD, Thai Baht and Euro. The Group's raw materials are mainly billed in RM.

Currently the RM is pegged to the USD at an exchange rate of RM3.80 for every USD1, thus eliminating currency fluctuations. However, there is no assurance that the currency peg will continue indefinitely. Any future significant fluctuations in exchange rates may have a significant impact on the revenue and earnings of the Group.

4.19 No Prior Market for Techfast Holdings Shares and Possible Volatility of Share Price

There has been no prior public market for the Company's Shares. The Issue Price was determined by agreement between the Company and the Underwriters based upon several factors and may not be an indication of the market price of the Shares upon or subsequent to listing and quotation on the MESDAQ Market of Bursa Securities. See Section 3.5 "Pricing of the Issue" for a discussion of the factors considered in determining the Issue Price.

There can be no assurance that an active public market in the Shares will be developed or be sustained after listing and quotation on the MESDAQ Market of Bursa Securities or that the market price of the Shares will not decline below the Issue Price. The Group believes that a variety of factors could cause the price of the Shares to fluctuate, including sales of substantial amounts of the Shares in the public market, announcements of developments relating to the Group's business, fluctuations in the Group's operating results and revenue levels, general industry conditions or economic conditions, and announcements of new products or product enhancements by the Group or its competitors.

4.20 Forward-Looking Statements

All statements contained in this Prospectus, statements made in press releases and oral statements that may be made by Techfast Holdings, Directors or employees acting on the Group's behalf, that are not statements of historical fact, constitute "forward-looking statement". Some of these statements can be identified by forward-looking terms such as "expect", "believe", "plan", "intend", "estimate", "anticipate", "may", "will", "would", and "could" or similar words. These words are not the exclusive means of identifying forward-looking statements as all statements regarding the Group's expected financial position, business strategy, plans and prospects are also forward-looking statements. These forward-looking statements, including statements as to the Group's revenue and profitability, cost measures, planned strategy and any other matters discussed in this Prospectus regarding matters that are not historical facts are only predictions. Statements such as these involve known and unknown risks, uncertainties and other factors that may cause the Group's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

4.21 Political, Economic and Regulatory Conditions

Like all other business entities, changes in political, economic and regulatory conditions in Malaysia and elsewhere could materially and adversely affect the financial and business prospects or the overall profitability of the Group. These political, economic and regulatory uncertainties include but are not limited to changes in political leadership, the introduction of new regulations, war, economic downturn, financial crises, and changes in rates of interest, methods of taxation and foreign exchange regulations.

The Group had adopted a proactive approach in keeping abreast of political, economic and regulatory developments of the countries to which it markets or intends to market its products.

4.22 Failure or Delay in the Listing

The success of the listing of Techfast Holdings on the MESDAQ Market is also exposed to the risk that it may fail or be delayed due to any of the following reasons, amongst others:-

(a) The placees under the private placement tranche of the Issue fail to acquire the Issue Shares allocated to them;

(b) The Underwriting Agreement is terminated; and

(c) Techfast Holdings is unable to meet the public shareholding spread requirements i.e. at least 25% but not more than 49% of the issued and paid-up share capital of the Company must be held by a minimum of 200 public shareholders at the time of the Company's admission to the Official List of the MESDAQ Market.

In the event of the failure of the proposed listing of Techfast Holdings on the MESDAQ Market, investors shall be reimbursed their application money without interest.

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5. MANAGEMENT'S DISCUSSIONS AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

5.1 Profit Record

The table below sets out a summary of the pro-forma consolidated financial results of the Group for the financial years ended 31 December 2000 to 2004. The pro-forma consolidated financial results are prepared for illustrative purposes only, assuming that the Group had existed throughout the years under review and should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report set out in Section 12 "Accountants' Report" of this Prospectus.

	<------ Year Ended 31 December				------>
	2000 RM'000	**2001 RM'000**	**2002 RM'000**	**2003 RM'000**	**2004 RM'000**
Turnover	3,790	4,823	5,459	8,296	14,361
Profit before interest, depreciation and taxation	1,162	1,587	1,837	3,299	6,127
Interest expense	(173)	(101)	(72)	(164)	(277)
Depreciation	(359)	(459)	(521)	(715)	(1,185)
Profit before taxation	630	1,027	1,244	2,420	4,665
Less: Taxation	(236)	(304)	(145)	(50)	(647)
Profit attributable to shareholders	394	723	1,099	2,370	4,018
No. of Shares assumed in issue ('000) [a]	115,000	115,000	115,000	115,000	115,000
Gross EPS (sen)	0.55	0.89	1.08	2.10	4.06
Net EPS (sen)	0.34	0.63	0.96	2.06	3.49

Notes:-

a *Based on the issued and paid-up share capital of 115 million Shares after the acquisition of Techfast Manufacturing but prior to the Issue. Further details of the acquisition of Techfast Manufacturing are set out in Section 9.5.2 "Acquisition of Techfast Manufacturing" of this Prospectus.*

b *There were no exceptional or extraordinary items and minority interest during the years under review.*

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5.2 Pro-forma Consolidated Balance Sheets

The table below sets out the Pro-forma Consolidated Balance Sheets of Techfast Holdings as at 31 December 2004 and is provided for illustrative purposes to show the effects of the acquisition of Techfast Manufacturing, the Issue and full exercise of the ESOS. The Pro-forma Consolidated Balance Sheets are based on the audited financial statements of the Company as at 31 December 2004 and audited financial statements of Techfast Manufacturing made up to 31 December 2004.

		←Pro-forma Group		→
		I	II	III
	The Company as at 31.12.2004 RM'000	After Acquisition of Techfast Manufacturing RM'000	After Pro-forma I and the Issue RM'000	After Pro-forma II and Full Exercise of ESOS RM'000
Property, plant and equipment	-	10,124	10,124	10,124
Current assets				
Inventories	-	3,472	3,472	3,472
Trade receivables	-	4,065	4,065	4,065
Other receivables, deposits and prepayments	540	1,048	508	508
Fixed deposits with licensed banks	-	2,620	2,620	2,620
Cash and bank balances	*	259	13,729	19,657
	540	11,464	24,394	30,322
Current liabilities				
Trade payables	-	739	739	739
Other payables and accruals	547	1,737	1,737	1,737
Hire purchase creditors	-	388	388	388
Bank borrowings	-	2,206	2,206	2,206
	547	5,070	5,070	5,070
Net current (liabilities) / assets	(7)	6,394	19,324	25,252
	(7)	16,518	29,448	35,376
Financed by:				
Share capital	*	11,500	15,200	16,720
Share premium	-	-	9,230	13,638
Retained Earnings	(7)	1,040	1,040	1,040
Shareholders' (deficit) / equity	(7)	12,540	25,470	31,398
Long term and deferred liabilities				
Hire purchase creditors	-	324	324	324
Bank borrowings	-	2,971	2,971	2,971
Deferred taxation	-	683	683	683
	(7)	16,518	29,448	35,376
NTA Per Share (RM)	(340.40)	0.11	0.17	0.19

Notes:-

a *Pro-forma I is after the acquisition of Techfast Manufacturing. The purchase consideration of Techfast Manufacturing of RM11,499,998 was satisfied by the issuance of 114,999,980 new Shares in Techfast Holdings at par. Negative Goodwill arising on consolidation amounting to RM1.047 million is credited to Income Statement. Further details of the acquisition of Techfast Manufacturing are set out in Section 9.5.2 "Acquisition of Techfast Manufacturing" of this Prospectus.*

b *Pro-forma II incorporates the transactions in Pro-forma I and the issue of 37,000,000 new Shares at an issue price of RM0.39 per Share. The gross proceeds arising from the Issue will be utilised as follows:-*

	RM'000	
Acquisition of plant and machinery	*5,000*	*
*Research and Development **("R & D")***	*1,000*	*
Working capital	*6,930*	*
Estimated listing expenses	*1,500*	^
	14,430	

* *Included in cash and cash equivalents under current assets, pending utilisation.*
^ *The estimated listing expenses of RM1.5 million have been set off against the share premium account.*

c *Pro-forma III incorporates the transactions in Pro-forma II and assumed that the ESOS is fully exercised at an exercise price equivalent to the Issue Price of RM0.39 per Share.*

The ESOS is not expected to have any effect on the NTA per Share of the Group until such time as the Options granted under the ESOS are exercised. Any potential effect of the ESOS on the NTA of the Group in the future would depend on the number of Options granted and exercised at any point in time as well as the price payable upon the exercise of the Options.

The Board of Directors of Techfast Holdings proposes to grant up to 15,200,000 Options representing 10% of the issued and paid-up capital of the Company upon listing to the eligible directors and employees of the Group just prior to the listing of Techfast Holdings on the MESDAQ Market. The exercise price for such Options shall be the Issue Price.

* *RM2*

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5.3 Pro-forma Consolidated Cash Flow Statement

The table below sets out the pro-forma consolidated cash flow statement of Techfast Holdings for the period ended 31 December 2004 and is provided for illustrative purposes, assuming that the Group has been in existence and the Issue and full exercise of the ESOS had been effected. The pro-forma consolidated cash flow statement is prepared from the audited financial statements of the Company as at 31 December 2004 and the audited financial statements of Techfast Manufacturing made up to 31 December 2004.

	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before taxation	4,665
Adjustments for:-	
Depreciation	1,185
Unrealised gain on foreign exchange	(12)
Interest expense	277
Interest income	(55)
Operating profit before working capital changes	6,060
Increase in inventories	(1,650)
Increase in trade receivables	(1,571)
Increase in other receivables, deposits and prepayments	(568)
Increase in trade payables	339
Increase in other payables and accruals	1,176
Increase in bills payables	874
Cash generated from operations	4,660
Bankers' acceptance interest paid	(17)
Bank overdraft interest paid	(25)
Tax paid	(98)
Net cash generated from operating activities	4,520
CASH FLOWS FROM INVESTING ACTIVITIES	
Placement of fixed deposits	(1,500)
Purchase of property, plant and equipment	(3,608)
Fixed deposits interest received	18
Net cash used in investing activities	(5,090)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from issuance of subscriber shares	*
Proceeds from the Issue	14,430
Proceeds from full exercise of ESOS	5,928
Payment of listing expenses	(960)
Repayment of term loans	(495)
Payment of term loans interest	(157)
Repayment of hire purchase creditors	(426)
Payment of hire purchase interest	(78)
Drawdown of term loans	1,629
Net cash generated from financing activities	19,871
NET INCREASE IN CASH AND CASH EQUIVALENTS	19,301
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	955
CASH AND CASH EQUIVALENTS CARRIED FORWARD	20,256
Represented by:-	
Cash and bank balances	19,657
Fixed deposits with licensed banks	600
Bank overdraft	(1)
	20,256

Note:

* *RM2*

5.4 Key Financial / Operating Ratios

The table below sets out key financial ratios which are provided for illustrative purposes only, based on the audited financial statements of the Company and the audited financial statements of Techfast Manufacturing, assuming that the Group had existed throughout the years under review.

	<------------Year Ended 31 December				---------->
	2000	**2001**	**2002**	**2003**	**2004**
Pre-tax profit margin (%)	16.63	21.30	22.78	29.17	32.48
Effective tax rate (%)	37.40	29.57	11.62	12.48	13.87
Total bank borrowings (RM'000)	958	781	2,704	4,274	5,889
Interest expense (RM'000)	173	101	72	164	277
Interest cover (times)	4.64	11.13	18.19	15.78	17.84

5.5 Significant Accounting Policies

(a) Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention and are in accordance with applicable approved accounting standards in Malaysia unless otherwise indicated in the accounting policies below.

(b) Basis of Consolidation

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

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

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

(c) Goodwill/(Negative Goodwill) on Consolidation

Goodwill/(Negative goodwill) on consolidation represents the excess/(deficit) of the purchase consideration over the share of fair values of the identifiable net assets of a subsidiary company at the date of acquisition. Goodwill/(Negative goodwill) on consolidation is written off/(credited to) Income Statement in the year of acquisition.

(d) Property, Plant and Equipment and Depreciation

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

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

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

(e) Impairment of Assets

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

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

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

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

(f) Investment in Subsidiary Company

Investment in subsidiary company is stated at cost and provision for diminution in value is made when, in the opinion of the directors, there is a permanent diminution in the value of the investment.

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

(g) Inventories

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

(h) Trade and Other Receivables

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

(i) Trade and Other Payables

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

(j) Property, Plant and Equipment Acquired under Hire Purchase

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

(k) Interest-Bearing Borrowings

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

(l) Equity Instruments

Ordinary shares are classified as equity.

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

(m) Revenue Recognition

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

Interest income from fixed deposits are recognised on an accrual basis.

Government grant related to market development is recognised on a receipt basis.

(n) Employee Benefits

(i) Short term benefits

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

(ii) Defined contribution plans

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

(o) Income Tax

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

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

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

(p) Foreign Currency Transactions and Balances

Foreign currency transactions are converted into Ringgit Malaysia of the exchange rates ruling at transaction dates. Foreign currency monetary items at year end are translated at the rates ruling at the balance sheet date. Exchange differences are taken up in the Income Statement.

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

	RM
USD	3.8000
SGD	2.3223

(q) Financial Instruments

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

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

(r) Cash Equivalents

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

5.6 Analysis and Commentary on Financial Information

Revenue and Profitability

The revenue from the pro-forma Group is derived from its subsidiary namely, Techfast Manufacturing. Techfast Manufacturing started its operations in April 1999 as a manufacturer and distributor of SCFs and electronic hardware. Since incorporation, the revenue of Techfast Manufacturing has been growing year-on-year. The growth of the business is mainly attributable to the growth of the electronics and computing industry coupled with the growth of Techfast Manufacturing's overseas sales.

Techfast Manufacturing's has achieved a profit before taxation of RM0.63 million over sales of RM3.79 million in financial year 2000. This is the first full financial year for Techfast Manufacturing's focus on distributing its products to overseas distributors and wholesalers.

The focus on the export market had started to pay off in 2001 as revenue and profit before taxation grew by approximately 27% and 63% respectively. Export sales grew by approximately three (3) fold in 2001. In 2002, Techfast Manufacturing achieved a profit before taxation of RM1.24 million over sales of RM5.46 million.

Techfast Manufacturing's business expanded further in 2003 with a growth in revenue of approximately 52%. The export sales attributed to approximately 58% of the total sales and the profit before taxation in 2003 amounted to RM2.42 million.

In financial year 2004, the Group's pro-forma profit before taxation grew by 93% to RM4.67 million. The increased direct overseas marketing activities and participation in international trade fairs have resulted in the realisation of additional export sales. The export sales grew by RM6.20 million as compared to the previous year.

Revenue Analysis

Techfast Manufacturing's revenue by product type for the financial years ended 31 December 2000 to 2004 is as follows:-

31 December	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
SCFs	3,600	4,717	4,640	7,093	13,304
Electronic Hardware	-	10	710	1,037	836
Others	190	96	109	166	221
	3,790	**4,823**	**5,459**	**8,296**	**14,361**

Majority of Techfast Manufacturing's sales are derived from the sale of SCFs. The products are commonly used in the assembly of computers, servers and other electrical appliances. Techfast Manufacturing has in 2004 started to supply its SCFs for the assembly of plasma television and liquid crystal display **("LCD")** in Japan and Korea. The plasma television and LCD market is currently in its initial phase of growth and is an emerging market in the electronics industry.

As mentioned above, Techfast Manufacturing has grown from a local supplier of SCFs and electronic hardware to an international distributor of SCFs and electronic hardware which spans over five (5) continents. The breakdown of Techfast Manufacturing's local and export sales is as follows:-

31 December	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
Local	2,835	2,257	2,065	3,455	3,318
Export	955	2,566	3,394	4,841	11,043
	3,790	**4,823**	**5,459**	**8,296**	**14,361**

Credit Terms

Techfast Manufacturing's normal credit policy is to grant its customers a credit term of one (1) month. Certain customers' credit terms are also assessed and approved on a case to case basis. The analysis of receivables' turnover is as follows:-

31 December	2000	2001	2002	2003	2004
Trade receivables' turnover (months)	3.7	4.3	4.3	3.6	3.4

The trade receivables' turnover of Techfast Manufacturing for the past five (5) years was on average three (3) to four (4) months. Prior to granting credit to its customers, Techfast Manufacturing performs credit checks to mitigate credit risks. Besides that, Techfast Manufacturing also develops good relationship with its customers. These actions have ensured that the default risks in Techfast Manufacturing remained low throughout the years.

The normal credit terms granted by suppliers is between one (1) to three (3) months. The analysis of the trade payables' turnover is as follows:-

31 December	2000	2001	2002	2003	2004
Trade payables' turnover (months)	1.5	2.0	3.4	2.2	2.0

Inventory Turnover

The inventory turnover for Techfast Manufacturing is as follows:-

31 December	2000	2001	2002	2003	2004
Inventory turnover (months)	2.0	2.3	3.8	5.1	5.4

The inventory turnover period has increased in 2000 and 2001 due to the additional production during the year-end in anticipation for higher sales. The inventory turnover period for the subsequent years further increased because Techfast Manufacturing changed its sales strategy from order based production to catalogue sales which require higher inventory holding to meet customers' immediate orders.

Taxation

Techfast Manufacturing's taxation charge for the financial year ended 31 December 2004 is mainly in relation to current taxation and deferred taxation of RM372,000 and RM275,200 respectively. Techfast Manufacturing has been granted reinvestment allowances on acquisition of plant and equipment. Reinvestment allowance provides Techfast Manufacturing with an additional allowance of 60% of the plant and equipment purchased as a deduction from statutory income.

5.7 Directors' Declaration on Financial Performance

Save as disclosed in Section 4 "Risk Factors" and Section 5 "Management's Discussions and Analysis of Financial Condition and Results of Operations" of this Prospectus, the directors of Techfast Holdings are of the view that the financial performance, position and operations of the Group are not affected by any of the following:-

(a) Known trends, demands, commitments, events or uncertainties that have had, or that Techfast Holdings reasonably expects to have, a material favourable or unfavourable impact on the financial performance, position and operations of the Group;

(b) Material capital expenditure commitments;

(c) Unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of the Group;

(d) Any substantial increase in revenue; and

(e) Known events, circumstances, trends, uncertainties and commitments that are reasonably likely to make the historical financial statements not indicative of future financial performance and position.

5.8 Working Capital, Material Litigation, Borrowings, Material Capital Commitments and Contingent Liabilities

(a) Working Capital

The directors of the Company are of the opinion that after taking into consideration the cash flow position of the Group including the proceeds of the Issue, the Group will have adequate working capital to meet its requirements for a period of twelve (12) months from the date of issue of this Prospectus.

(b) Material Litigation, Material Capital Commitments and Contingent Liabilities

As at 18 April 2005 (being the latest practicable date prior to the printing of this Prospectus), there does not exist any material litigation, material capital commitment or contingent liabilities which may have a material impact on the financial position or business of the Group.

(c) Borrowings

As at 18 April 2005 (being the latest practicable date prior to the printing of this Prospectus), the Company does not have any borrowings. However, its subsidiary's borrowings amounted to RM6.55 million, comprising the following:-

Interest-Bearing Borrowings	Repayable within 12 Months RM'000	Repayable after 12 Months RM'000
Bankers' acceptance	1,957	-
Trust receipts	191	-
Hire purchase creditors	384	298
Term loan	1,112	2,603
	3,644	2,901

The directors of the Company confirm that the Group has not defaulted on payments of either interest and/or principal sums in respect of any borrowings throughout the financial year ended 31 December 2004 and as at 18 April 2005, being the latest practicable date prior to the printing of this Prospectus.

As at 18 April 2005 (being the latest practicable date prior to the printing of this Prospectus), the Group has the following charges:-

(a) A fixed charge over a letter of set-off for fixed deposits/cash deposits by Hong Leong Bank Berhad **("HLBB")**;

(b) A fixed charge by Malaysian Industrial Development Finance Berhad **("MIDF")** over a piece of land held under H.S.(D) 113071 No. P.T. 43, Seksyen 23, Bandar Shah Alam, District of Petaling, State of Selangor and including any buildings and fixtures now or hereafter or from time to time erected thereon or affixed thereto including any part or portion thereof;

(c) A second fixed charge by MIDF over the land held under H.S.(D) 113071, No. P.T. 43, Seksyen 23, Bandar Shah Alam, District of Petaling, State of Selangor and including any buildings and fixtures now or hereafter or from time to time erected thereon or affixed thereto including any part or portion thereof

(d) A fixed first party first legal charge by HLBB over a 2½-storey link house identified as No. 15, Jalan 25/57, Seksyen 25, 40400 Shah Alam, Selangor Darul Ehsan, held under individual title H.S.(D) 37672, Lot P.T. No. 5184, District of Klang, State of Selangor;

(e) A fixed first party first legal charge by HLBB over a 2½-storey link house identified as No. 23, Jalan 25/47, Jalan Nikmat, Seksyen 25, 40400 Shah Alam, Selangor Darul Ehsan, held under individual title H.S.(D) 37363, Lot P.T. No. 4875, District of Klang, State of Selangor;

(f) A first fixed charge by MIDF on the machinery or equipment as well as all accessories and parts pertaining thereto, more particularly described in the Schedule of Debentures;

(g) A first party Deed of Assignment by HLBB over a property held under Master Title Geran 43023, Lot No. 33686, Mukim and District of Klang, State of Selangor and bearing postal address known as No. 8C, Block K, Jalan Tokoh 25/28, Taman Sri Muda, 40400 Shah Alam, Selangor Darul Ehsan;

(h) A first party Deed of Assignment by HLBB over a property held under Master Title Geran 43023, Lot No. 33686, Mukim and District of Klang, State of Selangor and bearing postal address known as No. 3C, Block D, Jalan Tokoh 25/28, Taman Sri Muda, 40400 Shah Alam, Selangor Darul Ehsan; and

(i) A first party Deed of Assignment by HLBB over a property held under Master Title Geran 43023, Lot No. 33686, Mukim and District of Klang, State of Selangor and bearing postal address known as No. 4A, Block H, Jalan Tokoh 25/28, Taman Sri Muda, 40400 Shah Alam, Selangor Darul Ehsan.

(j) A memorandum of deposit and letter of set-off over fixed deposit with AmFinance Berhad.

Save as disclosed above, the Group does not have any other capital outstanding or loan capital created but unissued or mortgages outstanding on 18 April 2005.

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