2. INFORMATION SUMMARY

THIS SUMMARY HIGHLIGHTS SOME SALIENT INFORMATION ABOUT US. YOU SHOULD READ AND UNDERSTAND THE ENTIRE PROSPECTUS CAREFULLY BEFORE YOU DECIDE TO INVEST IN THIS PUBLIC ISSUE OF SHARES.

2.1 History and Business

2.1.1 Introduction

We were incorporated in Malaysia under the Act as a private limited company on 3 September 1997 under the name of Genetax Technology Sdn Bhd. We commenced business in February 1998 and on 9 July 1998, we changed our name to Genetec Technology Sdn Bhd. Upon the conversion to a public limited company on 13 February 2004, we changed our name to Genetec Technology Berhad.

Our present authorised share capital is RM25,000,000 comprising 250,000,000 ordinary shares of RM0.10 each. Our present total issued and paid-up share capital is RM9,000,000 comprising 90,000,000 ordinary shares of RM0.10 each.

We are a machine design house that offers integrated engineering solution for automation of manufacturing processes. We are principally involved in the designing and building of customised factory automation equipment and integrated vision inspection system, from conceptual design, development of prototype to mass replication of equipment. We have the engineering and technical expertise in automating manufacturing processes of various industries but have chosen to focus on high technology related industries such as HDD, semiconductor and electronics. We also have the capabilities to design and manufacture high precision jigs, fixtures and machines parts used as spare parts in these machines.

The main challenge in the manufacturing industry, specifically the high technology sector such as the HDD and semiconductor is to improve productivity and efficiency in an increasingly competitive business environment. Whilst the component parts are becoming increasingly smaller, complex and precise, to such extent that it is difficult to assemble manually, the manufacturers are still required to maintain the required quality standard. These factors, coupled with the constant pressure to stay ahead of its competitors to improve profitability, are paving the way for higher level of automation of manufacturing processes.

As a machine design house, we have met the standards set by global manufacturers such as Seagate Group, WD Group, Maxtor Group, Cypress, Texas Instrument, Infineon Group, Nidec Group, Ya-Hsin Group and Finisar Group. This success stems from our strength in engineering and machine design as well as the software programming capabilities. Over the years, we have invested in a team of R&D engineers from various engineering disciplines, namely mechanical, electrical, electronics, robotics and software engineering. This team has experience and exposure to high technology related industries such as HDD and semiconductor industries and possesses extensive knowledge and technical know how of the manufacturing processes of these industries.

Todate, we have designed a total of thirty six (36) machine innovations used by customers in the HDD, semiconductor, electronics and pharmaceutical industries. These innovations combine the creative use of technology with practical, proven engineering concepts and knowledge of manufacturing processes. Various technologies are used from fields such as mechanical, software and image processing. Each of these innovations has been customised to meet customers' specifications and requirements.

2. INFORMATION SUMMARY

MITI recognised our core activity of designing and manufacturing of automated and semi-automated machines for the HDD and semiconductor industries. On 1 February 1998, we were granted pioneer status for a period of five (5) years under the Promotion of Investments Act, 1986 and Income Tax Act, 1967. The pioneer status expired on 1 February 2003. We had on 11 May 2005 applied to MIDA for 100% pioneer status tax exemption for our existing and new products for a further five (5) years. On 7 September 2005, we obtained the approval from MIDA for the following:

- a further five (5) years pioneer status effective from 1 January 2005 with 100% tax exemption on statutory income under the Income Tax Act, 1967, for the production of automated machines and equipment for 3.5" and 2.5" HDD and parts thereof; and

- a ten (10) years new pioneer status effective from 1 January 2005 for machines and equipment under selected industries with 100% tax exemption on statutory income under the Promotion of Investments Act, 1986, for the production of automated machines and equipment for 1" HDD and part thereof.

On 4 September 2002, we incorporated TGT, a 49%-associated company in Thailand to undertake R&D for its customers in Thailand. In addition, TGT also provides technical support to factories located in Thailand such as the Seagate Group, WD Group and the Nidec Group which have commissioned us to design their machines.

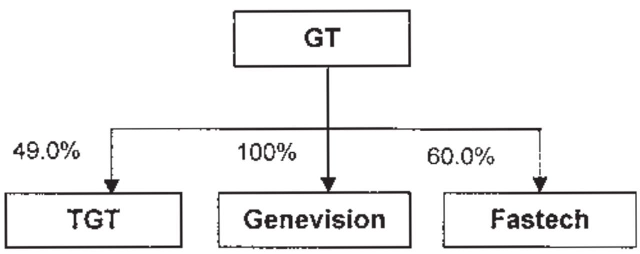
On 25 June 2004, we acquired Genevision for a cash consideration of RM1.00. Genevision has obtained approval from MIDA for pioneer status activity in development and production of vision inspection system. Its pioneer status will commence for a period of ten (10) years from its application for a pioneer certificate. Genevision is required to apply for its pioneer certificate within six (6) months from 19 August 2005. Genevision will endeavour to apply for the pioneer certificate within the stipulated period.

We set out further information on Genevision in Section 6.5.1 of this Prospectus.

On 22 October 2004, we incorporated a 60%-owned subsidiary, Fastech in Malaysia under the Act. The principal activities of Fastech are design and development of automated industrial equipment. We set out further information on Fastech in Section 6.5.2 of this Prospectus.

On 25 April 2005, we obtained the certification on ISO 9001:2000 from Global Certification Limited for the provision of design, fabrication, replication and contract manufacturing of automation machines.

Our group structure is shown below:



We set out further information on our history and business in Section 6.1 of this Prospectus.

2.1.2 Our Business Overview

The players in the automation industry are segregated into three (3) categories:

- Design house with replication capabilities;
- Design houses; and
- Machine replicators.

A typical design house only focuses on design and has no or limited manufacturing facilities. As such, these design houses have strategic partnerships with contract manufacturers to build the machines designed by them. On the other hand, machine replicators only manufacture machines based on the design and specifications provided by the customers.

We fall into the category of design house with replication capabilities as we offer design services and are fully equipped with machine building capabilities. We are mainly involved in:

- designing and developing customised and standard industrial automated and semi-automated equipment for manufacturing companies, specifically, the HDD and semiconductor industries with a view of increasing the efficiency of the manufacturing process and decreasing the headcount requirement for its customers; and

- providing integrated engineering solutions from the conceptual stage to design, development of prototypes and machine replications. Our engineering solutions incorporate complex integration of mechanical, electrical and software functions. The underlying success of each solution rests on a sound mechanical design and the interfacing of the software program with these mechanical parts.

Over the last seven (7) years, we have designed thirty six (36) machine innovations which are capable of performing a combination of three (3) types of generic functions being:

- automatic robotic arm handler and process;
- vision inspection; and
- measurement.

We set out further information on our business overview in Section 6.6 of this Prospectus.

2.1.3 Technology Edge

We use four (4) key technological areas in the development of prototypes, namely mechanical, software, vision system and manufacturing processes. Our ability in applying these technologies to meet the specific manufacturing needs of our customers has resulted in the development of thirty six (36) machine innovations.

We set out further information on our technology used in Section 6.6.4 of this Prospectus.

2.1.4 Design and R&D Capabilities

Our technology edge lies with our strong design and engineering base. The engineering department is headed by Ooi Eng Sun, an experienced R&D engineer who is one of our pioneer staff. Ooi Eng Sun together with Sow Ewe Lee (Head of R&D) and Goh Yik Yong (Head of Software Development) form the core engineering team. We set out further information on our engineering team in Section 8.4.2 of this Prospectus.

This core engineering team is strongly supported by a team of fifteen (15) R&D engineers and fourteen (14) technicians who are trained in various engineering and technical disciplines. In addition, through our associated company, TGT, we have two (2) engineers and five (5) technicians to provide technical support and R&D services to our customers in Thailand.

We set out further information on our design and R&D capabilities in Section 6.6.8 of this Prospectus.

2. INFORMATION SUMMARY

2.2 Promoters, Directors, Substantial Shareholders, Key Management and Key Technical Personnel

2.2.1 Shareholdings of Promoters, Directors and Substantial Shareholders

As at the Latest Practicable Date, our Promoters, Directors and substantial shareholders' direct and indirect interests in us before and after the Public Issue, are as follows:

		Before Public Issue but after Rights Issue				After Public Issue				
		Direct		Indirect		Direct		Indirect		
Name	Designation	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	Nationality / Place of Incorporation
Substantial Shareholders										
ATIS	-	45,900,000	51.0	-	-	45,900,000	38.3	-	-	Malaysia
KW Chin	Managing Director	44,100,000	49.0	-	-	44,100,000	36.8	-	-	Malaysian
Chen Khai Voon	Non-Independent Non-Executive Director	-	-	45,900,000	51.0[1]	-	-	45,900,000	38.3[1]	Malaysian
EISB	-	-	-	45,900,000	51.0[2]	-	-	45,900,000	38.3[2]	Malaysia
Promoters										
ATIS	-	45,900,000	51.0	-	-	45,900,000	38.3	-	-	Malaysia
KW Chin	Managing Director	44,100,000	49.0	-	-	44,100,000	36.8	-	-	Malaysian
Directors										
Mej Jen (Rtd) Dato' Haji Fauzi Bin Hussain	Chairman and Independent Non-Executive Director	-	-	-	-	-	-	-	-	Malaysian
Tunku Ahmad Burhanuddin Bin Tunku Datuk Seri Adnan	Independent Non-Executive Director	-	-	-	-	-	-	-	-	Malaysian
Lim Yong Jin	Independent Non-Executive Director	-	-	-	-	-	-	-	-	Malaysian
Chen Khai Voon	Non-Independent Non-Executive Director	-	-	45,900,000	51.0[1]	-	-	45,900,000	38.3[1]	Malaysian
KW Chin	Managing Director	44,100,000	49.0	-	-	44,100,000	36.8	-	-	Malaysian
Tan Kok Ang	Executive Director	-	-	-	-	-	-	-	-	Malaysian
Ong Phoe Be	Non-Independent Non-Executive Director	-	-	-	-	-	-	-	-	Malaysian

Notes:
1 Deemed interested by virtue of his direct and indirect interests (via EISB) in ATIS pursuant to Section 6A of the Act.
2 Deemed interested by virtue of its substantial shareholding in ATIS pursuant to Section 6A of the Act.

2.2.2 Shareholdings of Key Management and Key Technical Personnel

None of our key management or key technical personnel holds any of our Shares prior to the Public Issue. Pursuant to the Pink Form Allocation Scheme in conjunction with the Public Issue, the shareholdings of our key management and key technical personnel, on the assumption that they subscribe for their respective entitlement to our Shares under the Pink Form Allocation Scheme, will be as follows:

Key Management and Key Technical Personnel	Designation	Before Public Issue				After Public Issue				Nationality
		Direct		Indirect		Direct		Indirect		
		No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	
Ooi Eng Sun	General Manager	-	-	-	-	700,000	0.58	-	-	Malaysian
Sow Ewe Lee	Head of R&D	-	-	-	-	466,000	0.39	-	-	Malaysian
Goh Yik Yong	Head of Software Development	-	-	-	-	155,000	0.13	-	-	Malaysian
Yeo Teik Hock	Project Manager	-	-	-	-	375,000	0.31	-	-	Malaysian
Tan Kon Hoan	Finance Manager	-	-	-	-	120,000	0.10	-	-	Malaysian
Goh Lai Wan	Head of Procurement	-	-	-	-	65,000	0.05	-	-	Malaysian

We set out further information on our Promoters, Directors, substantial shareholders, key management and key technical personnel in Section 8 of this Prospectus.

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2. INFORMATION SUMMARY

2.3 Proforma Historical Financial Information

You should read the summary of our proforma consolidated income statements for the five (5) financial years/period ended 31 March 2005 in conjunction with the notes and assumptions extracted from the Accountants' Report in Section 13 of this Prospectus.

	< Audited				>
	< FYE 31 December		>	15-month period ended 31 March 2004	31 March 2005
	2000 RM'000	2001 RM'000	2002 RM'000	RM'000	RM'000
Revenue	14,310	15,112	22,531	28,420	28,259
EBITDA	2,209	2,120	3,295	3,187	2,604
Depreciation	(319)	(563)	(577)	(751)	(611)
Interest expense	(17)	(69)	(141)	(223)	(166)
Interest income	1	2	-	7	13
Amortisation	-	-	-	-	(58)
	1,874	1,490	2,577	2,220	1,782
Impairment loss on investment in a subsidiary	-	-	-	(51)	-
Share of loss of associate	-	-	(49)	-	-
PBT	1,874	1,490	2,528	2,169	1,782
Taxation	(365)	(217)	(338)	(703)	(575)
PAT but before extraordinary items and MI	1,509	1,273	2,190	1,466	1,207
Extraordinary items	-	-	-	-	-
MI	-	-	-	-	-
PAT after extraordinary items and MI	1,509	1,273	2,190	1,466	1,207
Number of ordinary shares of RM1.00 each in issue ('000)	1,000	1,000	1,000	1,000	1,000
Weighted average number of ordinary shares of RM1.00 each in issue ('000)	1,000	1,000	1,000	1,000	1,000
EPS (RM)					
Gross	1.87	1.49	2.53	1.74**	1.78
Net	1.51	1.27	2.19	1.17**	1.21

Notes:

** Annualised.

(i) The 32% increase in revenue for 2000 was due to orders for prototype machines as well as mass replication orders for ACB machines, vision inspection systems and provision of high precision tooling parts for the Read-Rite Group, WDM and ITM.

(ii) Although the revenue in 2001 was marginally higher than 2000, the PAT decreased by 16% mainly due to the increase in operating expenses resulting from an increase in headcount from the expansion of setting up of the production department and overseas representative offices in Thailand and the Philippines.

(iii) The revenue in 2002 grew by 49% mainly due to increase in replication of prototypes that we designed and developed for Seagate. There were also mass replication orders for two (2) types of automated machines used in the HDA lines of WDM and a high precision tooling project from Ya Hsin Group which is in the semiconductor industry.

2. INFORMATION SUMMARY

(iv) There was a marginal increase in revenue for 2004 (on an annualised figure) compared to 2002. This was mainly due to increase in sales of automation machines. However, there was a decrease of 46% in PAT (on an annualised basis) which was mainly attributable to the drop in gross profit resulted from the change in sales mix.

(v) There was an increase of 24% in revenue for 2005 compared to that of 2004 (on an annualised figure) which was mainly due to the increase in sales of automation machines which were derived from customers' replication orders. However, PAT only improved marginally as compared to 2004, which was attributable to higher R&D expenses incurred in respect of prototypes developed during the year.

(vi) There were no extraordinary and exceptional items during the years/period under review.

(vii) The effective tax rate for 2000 to 2002 was lower than the statutory tax rate due to the availability of pioneer status tax incentives, which expired on 31 January 2003. The effective tax rate for the 15-month financial period ended 31 March 2004 and financial year ended 31 March 2005 was higher than the statutory tax rate mainly due to non-deductible expenses for tax purposes.

We set out further information on our proforma historical financial information in Section 12.1 of this Prospectus.

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2.4 Proforma Consolidated Balance Sheets as at 31 March 2005

We have prepared our proforma consolidated balance sheets for illustrative purposes only to show the effects on our financial statements as at 31 March 2005 after taking into consideration the Bonus Issue, Par Value Reduction, Rights Issue, Public Issue, ESOS and estimated listing expenses, as if these transactions had been effected on that date.

We advise you to read the summary of our proforma consolidated balance sheets together with the accompanying notes and assumptions included in the full set of our proforma consolidated balance sheets as at 31 March 2005 set out in Section 12.8 of this Prospectus.

	Audited as at 31 March 2005 RM'000	(I) After Bonus Issue, Par Value Reduction and Rights Issue RM'000	(II) After Proforma I and Public Issue RM'000	(III) After Proforma II and the ESOS RM'000
Property, plant and equipment	3,515	3,515	3,515	3,515
Investment in an associate	-	-	-	-
Goodwill	329	329	329	329
CURRENT ASSETS				
Inventories	4,815	4,815	4,815	4,815
Trade and other receivables	12,253	12,253	11,259	11,259
Tax recoverable	295	295	295	295
Amount due from an associate	1,093	1,093	1,093	1,093
Cash and cash equivalents	2,745	4,803	13,597	17,197
	21,201	23,259	31,059	34,659
CURRENT LIABILITIES				
Trade and other payables	5,990	5,990	5,990	5,990
Amount due to holding company	4,456	2,314	2,314	2,314
Amount due to related companies	1,870	1,870	1,870	1,870
Bank borrowings (secured)	3,937	3,937	3,937	3,937
Hire purchase liabilities	149	149	149	149
	16,402	14,260	14,260	14,260
NET CURRENT ASSETS	4,799	8,999	16,799	20,399
	8,643	12,843	20,643	24,243

2. INFORMATION SUMMARY

2.4 Proforma Consolidated Balance Sheets as at 31 March 2005 (Cont'd)

	Audited as at 31 March 2005 RM'000	(I) After Bonus Issue, Par Value Reduction and Rights Issue RM'000	(II) After Proforma I and the Public Issue RM'000	(III) After Proforma II and the ESOS RM'000
FINANCED BY:				
Share capital	1,000	9,000	12,000	13,200
Share premium	-	-	4,800	7,200
Retained profits	6,900	3,100	3,100	3,100
	7,900	12,100	19,900	23,500
LONG TERM AND DEFERRED LIABILITIES				
Deferred tax liabilities	542	542	542	542
Hire purchase liabilities	201	201	201	201
	8,643	12,843	20,643	24,243
Number of shares in issue ('000)	1,000	90,000	120,000	132,000
NTA per share (RM)	7.57	0.13	0.16	0.18

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2. INFORMATION SUMMARY

2.5 Audit Qualification in the Financial Statements for the Past Five (5) Financial Years/Period Ended 31 March 2005

Save as disclosed below, our audited financial statements for the past five (5) financial years/period ended 31 March 2005 have not been subject to any auditors' qualification:

The audited financial statements of Genevision for the financial years ended 31 December 2000 to 2003 were reported on by our auditors without any qualification and did not include any comment under subsection 3 of Section 174 of the Act, except for an emphasis of matter on the going concern basis of preparing the financial statements of Genevision in view of the net current liabilities and deficit in shareholders' funds position for the financial years ended 31 December 2000 to 2003. However, the audited financial statements of Genevision for the financial period ended 31 March 2005 were not subject to any qualification.

The first audited financial statements of Fastech for the period from 22 October 2004 (date of incorporation) to 31 March 2005 were not subject to any qualification.

2.6 Summary of Material Risk Factors

An investment in our Public Issue Shares inevitably involves risks specifically related to our core business which is the design and manufacture of industrial automation for the HDD and semiconductor industries. You should rely on your own evaluation and carefully consider the risk factors together with other information contained in this Prospectus that may affect us and the industry in which we operate, prior to subscribing to any of our Public Issue Shares which are the subject of this Prospectus. This Prospectus contains forward-looking statements that involve risks and uncertainties. Some of the risk factors that should be considered include, but not limited to the following:

(i) No Prior Market for Our Shares
(ii) Dependence on the Electrical and Electronics Industries
(iii) Reliance on Small Number of Customers
(iv) Business Risks
(v) Competition
(vi) Size of Operations
(vii) Dependence on Key Personnel
(viii) Absence of Long-term Contractual Agreement with Customers
(ix) Project Risks
(x) Revenue Flow Risks
(xi) Software Risks
(xii) Achievability of Our Five (5)-year Business Plan
(xiii) Intellectual Property
(xiv) Impact of AFTA
(xv) Exchange Rate Risks
(xvi) Insurance Coverage on Assets
(xvii) Delay in or Abortion of the Flotation
(xviii) Political, Economic and Regulatory Considerations
(xix) Controlling Shareholders
(xx) Underwriting Risks
(xxi) Disclosure Regarding Forward-Looking Statements

We set out further information on the above risk factors in Section 4 of this Prospectus.

2. INFORMATION SUMMARY

2.7 Future Financial Information

We have not included future financial information in this Prospectus as it is difficult to forecast due to the uncertain nature and inherent risks of our business, which include amongst others, dependence on the performance of the HDD and semiconductor industries, project risks and absence of long term contracts with customers. Please refer to Section 4 "Risk Factors" of this Prospectus for further details.

2.8 Principal Statistics Relating to Our Public Issue

2.8.1 Share Capital

	RM
Authorised	
250,000,000 Shares	**25,000,000**
Issued and fully paid-up	
90,000,000 Shares	9,000,000
To be issued pursuant to the Public Issue	
30,000,000 Shares	3,000,000
Enlarged issued and paid-up share capital after the Public Issue	
120,000,000 Shares	**12,000,000**
Assuming full exercise of ESOS Options*	
12,000,000 Shares	1,200,000
Enlarged issued and paid-up share capital assuming full exercise of ESOS Options	**13,200,000**

Note:

* We will offer the Options under the ESOS to our ESOS Selected Employees in conjunction with our listing on the MESDAQ Market.

The Public Issue Price is payable in full upon application.

We only have one class of shares, being ordinary shares of RM0.10 each, all of which shall rank pari passu with one another. The Public Issue Shares, upon allotment and issue, will rank pari passu in all respects with our existing issued and paid-up Shares, including voting rights and rights to all dividends and other distributions that may be declared subsequent to the date of allotment of our Public Issue Shares.

We set out further information on our share capital and Public Issue Price in Section 3 of this Prospectus.

2.8.2 Private Placement / Public Issue Price Per Share — RM0.30

2.8.3 Proforma NTA as at 31 March 2005

	NTA RM million	NTA per share (Sen)
After taking into account the Public Issue and net of estimated listing expenses of RM1.20 million	19.57	0.16
After taking into account the Public Issue, ESOS and net of estimated listing expenses of RM1.20 million	23.17	0.18

2.9 Use of Proceeds

The total gross proceeds of RM13.20 million raised from our Rights Issue of RM4.20 million and Public Issue of RM9.00 million shall accrue entirely to us and are intended to be used as follows:

Purpose	Cash proceeds raised RM'000	Time frame for use of proceeds
Working capital	9,858[1]	Within twelve (12) months from listing date
Estimated listing expenses	1,200	Within three (3) months from listing date
Total	11,058[2]	

Notes:

1 Out of the total amount of RM9.86 million, we have estimated that we would spend approximately RM2.0 million towards the designing and building of R&D equipment/systems as demonstration sets for marketing purposes.

2 Net of RM2.14 million owed by us to ATIS from the gross proceeds raised from our Rights Issue of RM4.20 million.

We set out further explanation on the use of proceeds from our Public Issue in Section 3.9 of this Prospectus.

2.10 Material Litigations, Commitments, Borrowings and Contingent Liabilities

2.10.1 Material Litigations

As at the Latest Practicable Date, our Directors do not know of any pending or threatened proceeding that is likely to have material adverse effect on our financial condition, results of operations, business or prospects. Our Management is also not aware of any fact likely to give rise to such proceedings.

2.10.2 Material Commitments

As at the Latest Practicable Date, our Directors are not aware of any material commitment contracted or known to be contracted by us, which upon becoming enforceable, may have a material impact on our financial performance, position and operations.

2.10.3 Borrowings

As at the Latest Practicable Date, our total borrowings are approximately RM12.48 million. These interest-bearing/non-interest bearing local borrowings comprise the following:

	Amount outstanding as at the Latest Practicable Date		
	Repayable within twelve (12) months RM '000	**Repayable after twelve (12) months RM'000**	**Total RM'000**
Financial Institutions			
Interest bearing			
Bumiputra-Commerce Bank Berhad	3,853	-	3,853
Southern Bank Berhad	4,174	-	4,174
Total borrowings from financial institutions	8,027	-	8,027
Non-Interest bearing Related Party Loan			
ATIS*	4,456	-	4,456
Total	**12,483**	-	**12,483**

Note:
* The loan provided by ATIS is for our working capital requirements.

As at the Latest Practicable Date, we have not defaulted on payments, either interest and/or principal, on bank borrowings for the past one (1) financial year and the subsequent financial period thereof, if any, preceding the date of this Prospectus.

2.10.4 Contingent Liabilities

As at the Latest Practicable Date, we do not have any material contingent liabilities, which upon materialisation, would have a material impact on our financial performance, position and operations.

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3. DETAILS OF OUR PUBLIC ISSUE

3.1 Introduction

This Prospectus is dated 29 September 2005. We have registered a copy of this Prospectus with the SC. We have also lodged a copy of this Prospectus, together with the Application Forms with the ROC. Neither the SC nor the ROC takes any responsibility for the contents.

We have on 9 June 2005 and 24 August 2005, obtained the approval from the SC for our Listing and ESOS respectively. We have on 16 September 2005 obtained the approval of the shareholders of ATIS for our Flotation and ESOS. We have also obtained the approval from Bursa Securities on 4 April 2005 and 16 September 2005 for the admission to the Official List of the MESDAQ Market and for permission to deal in and for the listing of and quotation for our entire issued and paid-up share capital, including our Public Issue Shares which are the subject of this Prospectus. Our Shares will be admitted to the Official List on the MESDAQ Market and official quotation will commence upon receipt of confirmation from Bursa Depository that all CDS accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all 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. Our admission to the MESDAQ Market is not to be taken as an indication of our merits or the merits of our securities.

Pursuant to the MMLR, we need to have at least 25% but not more than 49% of our issued and paid-up share capital in the hands of public shareholders and a minimum number of two hundred (200) public shareholders (including employees), upon admission to the MESDAQ Market. We expect to achieve this at the point of our Listing. However, if the above requirement is not met pursuant to our Public Issue, we may not be allowed to proceed with the Listing. In this event, your monies paid will be returned to you without interest.

Pursuant to Section 14(1) of the Central Depositories Act, Bursa Securities has prescribed our Shares as a prescribed security. In consequence thereof, our Public 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 Central Depositories Act and the Rules of Bursa Depository. Under Bursa Securities' 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 Participating Organisation.

Only Applicants who have a CDS account can make an Application by way of an Application Form. The Applicant shall furnish his/her CDS account number in the space provided in the Application Form and he/she shall be deemed to have authorised Bursa Depository to disclose information pertaining to the CDS account to our Issuing House or us. Where an Applicant does not presently have a CDS account, he/she should open a CDS account at an ADA prior to making an application for our Shares. Failure to comply with these specific instructions as the Application Form requires or inaccuracy in the CDS account number may result in the Application being rejected. If a successful Applicant fails to state his/her CDS account number, we will instruct our Issuing House to reject the Application. In the case of an Application by way of Electronic Share Application, only an Applicant who is individual and has a CDS account can make an Electronic Share Application. The Applicant shall furnish his/her CDS account to the participating financial institution by way of keying his/her CDS account if the instructions on the Electronic screen at which he/she enters his/her Electronic Share Application requires him/her to do so.

A corporation or institution cannot apply for our Shares by way of Electronic Share Application.

Our Adviser, Sponsor, Underwriter, Placement Agent, Solicitors, Principal Bankers, Issuing House, Registrar and Company Secretaries have, before the issue of this Prospectus, given and have not withdrawn their written consents to the inclusion in this Prospectus of their names in the form and context in which their names appear.

3. DETAILS OF OUR PUBLIC ISSUE

SIA and IDC have, before the issue of this Prospectus, given and have not withdrawn their written consents to the inclusion in this Prospectus of their names and extraction of information from their reports in the form and context in which such names and information appear.

Our Auditors and Reporting Accountants have, before the issue of this Prospectus, given and have not withdrawn their written consents to the inclusion in this Prospectus of their name, Accountants' Report and letter relating to our proforma consolidated balance sheets in the form and context in which they are contained in this Prospectus.

We have not authorised any person to give any information or represent us in relation to our Public Issue. Please bear in mind that this Prospectus shall not represent or imply that there have been no change in our affairs since the issuance of this Prospectus.

The distribution of this Prospectus and the sale of our Public 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 our Public 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.

Acceptance of Applications will be conditional upon permission being granted to deal in, the listing of and quotation for all our Public Issue Shares. We will return your monies paid without interest in respect of your application accepted if the said permission is not granted.

If you are unsure of any information contained in this Prospectus, you should consult your stock broker, bank manager, solicitor, accountant or any other professional adviser immediately.

3.2 Opening and Closing Dates of the Application

Applications for our Public Issue Shares will be accepted from 10.00 a.m. on 29 September 2005 and will remain open until 5.00 p.m. on 13 October 2005 or for such later date or dates as our Directors and/or Promoters may mutually decide, at their absolute discretion, after consultation with our Adviser and/or Underwriter. We will not accept late applications.

3.3 Tentative Timetable

Events	Date
Opening of Application for our IPO	29 September 2005
Closing Date of Application for our IPO	13 October 2005
Tentative Balloting Date	17 October 2005
Tentative Date for the despatch of Notices of Allotment of the Public Issue Shares to successful applicants	26 October 2005
Tentative Listing Date	7 November 2005

3. DETAILS OF OUR PUBLIC ISSUE

3.4 Share Capital

	RM
Authorised	
250,000,000 Shares	**25,000,000**
Issued and fully paid-up	
90,000,000 Shares	9,000,000
To be issued pursuant to the Public Issue	
30,000,000 Shares	3,000,000
Enlarged issued and paid-up share capital after the Public Issue	
120,000,000 Shares	**12,000,000**
Assuming full exercise of ESOS Options*	
12,000,000 Shares	1,200,000
Enlarged issued and paid-up share capital assuming full exercise of ESOS Options	**13,200,000**

Note:

* We will offer the Options under the ESOS to our ESOS Selected Employees in conjunction with our listing on the MESDAQ Market.

The Public Issue Price is payable in full upon application.

We only have one (1) class of shares, being ordinary shares of RM0.10 each, all of which shall rank pari passu with one another. The Public Issue Shares, upon allotment and issue, will rank pari passu in all respects with our existing issued and paid-up Shares, including voting rights and rights to all dividends and other distributions that may be declared subsequent to the date of allotment of our Public Issue Shares.

Subject to any special rights attaching to any shares which may be issued by us in the future, our shareholders shall, in proportion to the amount paid-up on our Shares held by them, be entitled to share in the whole of the profits paid out by us as dividends and other distributions and the whole of any surplus. In the event of our liquidation, such surplus shall be distributed amongst the members in proportion to the capital paid-up at the commencement of the liquidation, in accordance with our Articles.

Each ordinary shareholder shall be entitled to vote at our general meeting, in person or by proxy. On a show of hands, every person present who is a shareholder or proxy shall have one (1) vote. On a poll every shareholder who is present in person or by proxy shall have one (1) vote for every share held by such shareholder. A proxy may but need not be a member of our company.

3.5 Details of Our Public Issue

Our Public Issue of 30,000,000 Shares shall be subject to the terms and conditions of this Prospectus and, upon acceptance, our Public Issue Shares will be allocated and allotted in the following manner:

(i) Public Offer

(a) Pink Form Allocation Scheme

6,000,000 new Shares representing 5.00% of our enlarged issued and paid-up share capital will be reserved for our eligible employees and persons who have contributed to our success.

Generally, our Board shall allocate our Shares to our eligible employees after taking into consideration, amongst others, the designation, duration of period worked with us and the individual performance targets. Our Board shall also allocate our Shares to persons who have contributed to our success. The criteria for the allocation of our Shares to persons who have contributed to our success is based on the amount of past contribution or support given by them to us. As at the Latest Practicable Date, there are 85 employees who are eligible for the Pink Form Allocation Scheme and 20 persons who have contributed to our success.

(b) Public Investors

2,000,000 new Shares representing approximately 1.67% of our enlarged issued and paid-up share capital will be made available for application by the public investors.

(ii) Private Placement

22,000,000 new Shares representing approximately 18.33% of our enlarged issued and paid-up share capital will be made available under our Private Placement to identified Placees whose irrevocable undertakings to subscribe have been obtained. Our Placement Agent will allocate not more than 5.0% of our enlarged issued and paid-up share capital to each of the identified Placees and that the identified Placees shall fall under the "Public" definition under the SC's Policies and Guidelines on Issue/ Offer of Securities in order to form part of the minimum 25.0% public shareholding spread required under the MMLR.

Any Public Issue Shares not subscribed for under the Pink Form Allocation Scheme (Section 3.5(i)(a)) above will be made available for subscription by the public investors under Section 3.5(i)(b), if the application by the public investors is over-subscribed. Any Public Issue Shares not subscribed for under the Private Placement (Section 3.5(ii)) above will be made available for subscription by the public investors under Section 3.5(i)(b), if the application by the public investors is over-subscribed. Similarly, any of our Shares not subscribed for by the public investors under Section 3.5(i)(b) above will be made available for subscription by the Placees under the Private Placement (Section 3.5(ii)), if the application by the Placees is over-subscribed.

Our Underwriter has underwritten our Public Issue Shares under the Public Offer (Section 3.5(i)(b)) based on the terms and conditions as specified in the Underwriting Agreement which is in compliance with the MMLR.

3. DETAILS OF OUR PUBLIC ISSUE

The basis of allocation shall take into account the desirability of distributing our Public Issue Shares to a reasonable number of applicants with a view of broadening our shareholding base to meet the public spread requirements and to establish a liquid and adequate market for our Shares.

If an under-subscription occurs pursuant to our Public Offer under Section 3.5(i)(b) above, our Underwriter will subscribe for all our Shares not applied for, as specified in the Underwriting Agreement.

3.6 Purposes of Our Public Issue

The purposes of our Public Issue are as follows:

(i) To raise funds for our continued operation and expansion (see Section 3.9 below);

(ii) To obtain the listing of and quotation for our entire enlarged issued and paid-up share capital on the MESDAQ Market. This will enhance our reputation and result in greater recognition both domestically and internationally;

(iii) To provide us with access to the capital market to raise funds for our future expansion and growth; and

(iv) To provide an opportunity to our eligible employees and persons who have contributed to our success and also the public investors to participate in our equity and continuing growth.

3.7 Pricing of Our Public Issue Shares

Prior to our Public Issue, there has been no public market for our Shares. We and SIBB as our Adviser and Underwriter, have determined and agreed on our Public Issue Price based on various factors after taking into account of the following factors:

(i) The prevailing market conditions;

(ii) Our financial and operating history and conditions as outlined in Section 6 and Section 12 of this Prospectus; and

(iii) Our future prospects as outlined in Section 7 of this Prospectus.

However, you should note that the market price of our Shares upon Listing will be subject to vagaries of market forces and other uncertainties, which may affect the price of our Shares being traded. You should form your own views on the valuation of our Public Issue Shares before deciding to invest in the Public Issue Shares.

3.8 Minimum Level of Subscription

There is no minimum level of subscription for our Public Issue.

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3.9 Use of Proceeds

The total gross proceeds of RM13.20 million raised from our Rights Issue and Public Issue of RM4.20 million and RM9.00 million respectively shall accrue entirely to us and intended to be used as follows:

Purpose	Cash proceeds raised RM'000	Time frame for utilisation of proceeds
Working capital	9,858	Within twelve (12) months from listing date
Estimated listing expenses	1,200	Within three (3) months from listing date
Total	11,058*	

Notes:

* Net of RM2.14 million owed by us to ATIS from the gross proceeds raised from our Rights Issue of RM4.20 million.

(i) Working capital

We will set aside approximately RM9.86 million for our working capital requirements. We will use this amount for our working capital requirements which will improve our operational efficiency. The additional cash resources will strengthen our liquidity position and allow the flexibility for future expansion without having to resort to costly means of obtaining funds.

Out of the total amount of RM9.86 million, we have estimated that we would spend approximately RM2.0 million towards the designing and building of the following R&D equipment/systems as demonstration sets for marketing purposes.

Industry segment	RM'000
HDD	500
Semiconductor	1,500
	2,000

(ii) Estimated listing expenses

The estimated listing expenses of RM1.20 million consist of the following:

	RM
Professional fees	400,000
Authorities fees	60,500
Issuing house fee	80,000
Printing and advertising fees	270,000
Brokerage, underwriting commission and placement fees	120,000
Miscellaneous / Contingencies	269,500
Total	**1,200,000**

3.10 Brokerage, Underwriting Commission and Placement Fees

(i) Brokerage and Underwriting Commission

We will pay brokerage in respect of our Public Issue Shares allocated via Public Offer at the rate of 1% of the Public Issue Price in respect of successful applications bearing the stamp of SIBB, member companies of the MESDAQ Market, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIH.

Our Underwriter has agreed to underwrite our Public Issue Shares to be offered to the public investors via the Public Offer. We will pay the underwriting commission of 2.50% of the Public Issue Price to our Underwriter.

The Underwriting Agreement provided a force majeure clause to allow our Underwriter to withdraw from its underwriting commitment in the event of adverse circumstances. We have set out the extract of the salient terms and conditions of the Underwriting Agreement, stating the events that may affect the underwriting of our Public Issue Shares in Section 3.11 of this Prospectus.

(ii) Placement Fees

SIBB will arrange for the placement of our 22,000,000 new Shares to be allocated via our Private Placement. We will pay a placement fee to our Placement Agent in respect of our Shares placed by our Placement Agent pursuant to the Private Placement at the rate of up to 2% of the value of our Shares placed out.

3.11 Salient terms of the Underwriting Agreement

We set out below the extracts of the salient terms of the Underwrting Agreement dated 19 September 2005, including force majeure clauses which may allow our Underwriter to withdraw from its obligations under the agreement after the opening of Application for our Public Issue:

- In consideration of our Underwriter's underwriting commission, and relying upon each of our representations, warranties and undertakings, our Underwriter agrees to act as the underwriter and underwrite up to such number of the underwritten shares upon the terms and subject to the conditions of the Underwriting Agreement.

- The obligations of our Underwriter under the Underwriting Agreement are in all respects conditional upon:

  (a) the registration of the Prospectus with the SC and lodgement of the Prospectus with the ROC before the date of issue of the Prospectus in accordance with the requirements of the Securities Commission Act 1993 and the Act, respectively;

  (b) the issuance of the Prospectus (including advertisement of the Prospectus and all other procedures, requirements, letters and documents required under Chapter 2 of the MMLR) within two (2) months from the date of the Underwriting Agreement or such other period as may be agreed by the parties in writing;

(c) there having been, on or prior to the closing date, no adverse and material change or any development reasonably likely to involve a prospective adverse, material and sustained change in our condition (financial or otherwise) from that set forth in the Prospectus which is material in the context of the Public Issue, nor the occurrence of any event rendering untrue or incorrect to an extent which is material as aforesaid any representations or warranties contained in the Underwriting Agreement as though they had been given or made on such date;

(d) the issue, offering and subscription of our Shares in accordance with the provisions of the Underwriting Agreement are not prohibited by any statute, order, rule, regulation, directive or guideline (whether or not having the force of law) promulgated or issued by any legislative, executive or regulatory body or authority of Malaysia, including the SC and Bursa Securities;

(e) all necessary approvals and consents required in relation to the Public Issue including but not limited to governmental approvals having been obtained and are in full force and effect until the closing date;

(f) the Underwriter being reasonably satisfied that we will be able to meet the public spread requirements as stipulated in the MMLR; and

(g) the Underwriter being reasonably satisfied that the listing of and quotation for our entire enlarged issued and paid-up share capital will be granted by Bursa Securities within two (2) clear market days after the receipt of the relevant documents by Bursa Securities.

- We represent, warrant and undertake with our Underwriter that:

(a) the Prospectus will be in a form and substance satisfactory and acceptable to and approved by the SC and will not contain any untrue statement or omit to state any material fact required or necessary to be stated therein so as to make the statements therein misleading;

(b) we will advertise the Prospectus in accordance with the requirements of the SC;

(c) we will comply with all requirements and provisions of the Act, Securities Commission Act 1993 and the MMLR in respect of the Public Issue, unless exempted therefrom by the relevant authorities, and will comply with all conditions, if any, imposed by the relevant authorities;

(d) the implementation of the Public Issue do not and will not conflict with, or will not result in any default in, or breach of, any of the covenants, terms, conditions, or provisions of our Articles or any trust deed or any agreement or other instrument or obligations to which we are a party or by which we are bound;

(e) the issuance of the Prospectus will not result in a default in or breach of any of the covenants, terms, conditions or provisions of our Memorandum and Articles or any trust deed or material agreement or other instrument or obligations to which we are a party or by which we are bound;

(f) except as disclosed in the Prospectus, we are not a party to any litigation, arbitration or any other legal proceedings of a material nature pending, threatened or otherwise in Malaysia or elsewhere which is likely to materially and adversely affect the application for the underwritten shares and is aware of any evidence, information or facts likely to give rise to any proceedings which might materially and adversely affect our position or business;

(g) we do not have any contingent liabilities or capital commitments save as disclosed in the Prospectus or in the audited consolidated financial statements for the financial year ended 31 March 2005 or in writing by us to our Underwriter prior to the date of the Underwriting Agreement;

(h) to the best of our knowledge, no circumstances or situations have arisen in connection with our financial condition or business which is or are likely to materially and adversely affect the success of the Public Issue or which renders any statement in the Prospectus inaccurate or untrue and that no material information has been withheld from our Underwriter which may in any way affect their decision to underwrite the underwritten shares;

(i) we will promptly and without any delay whatsoever notify our Underwriter of any facts, information, situations or circumstances affecting our financial condition or business which we believe may materially and adversely affect the success of the Public Issue and we will, at any time prior to the closing date, take such steps as may be reasonably requested by our Underwriter to remedy and publicise the same;

(j) we will, at any time prior to the closing date, promptly give to our Underwriter any or all information which our Underwriter may reasonably require affecting the accounts or affairs of us;

(k) we will fix a date which will not exceed a period of three (3) months from the date of registration of the Prospectus with the SC, or such later date as our Underwriter and we may agree, as the closing date;

(l) all consents, approvals, authorisations or other orders required by us under the laws of Malaysia for or in connection with the Public Issue will (if not already obtained as at the date thereof) be obtained and be in force and all other actions will be taken by us to comply with all legal and other requirements necessary to ensure that the Public Issue will not infringe any existing laws or the terms of any such consent, approvals or authorisations;

(m) the execution and issue or delivery by us of the Underwriting Agreement and performance of the obligations to be assumed thereunder and in respect of the Public Issue have been duly authorised by us insofar as such authorisation is necessary so that upon due execution of the same will constitute valid and legally binding obligations on us;

(n) the Prospectus has been approved in principle by our Board of Directors;

(o) that our business has been carried on in the ordinary course and in accordance with our Memorandum and Articles;

(p) we will apply and obtain the approval-in-principle of Bursa Securities for our admission to the Official List of Bursa Securities and for the listing of and quotation for our entire enlarged issued and paid-up share capital on the MESDAQ Market;

(q) save as disclosed in the Prospectus or as has been disclosed to our Underwriter prior to the date of the Underwriting Agreement, we have not entered into any contract and/or commitment of an unusual or onerous nature, which, in the context of the Public Issue, might be material for disclosure;

(r) all our taxes (whether income tax, property tax or otherwise), in particular but not limited to, all taxes which are material in the context of the Public Issue, for which we are liable or which ought to have been paid, have been duly paid or adequately provided for in the accounts, all the returns, notices or information which we are required to make or given by us for taxation, have been so made, are up to date, correct and on a proper basis, and are not subject to any dispute with any relevant or appropriate authorities and there are no present circumstances (of which we are or ought reasonably to be aware) which are likely to give rise to any such dispute;

(s) we will pay all and any stamp and other documentary taxes or duties, payable on, or in connection with, the creation, issue and distribution of our Shares and the execution of the Underwriting Agreement including any interest and penalties resulting from delay or omission on ourpart;

- If at any time prior to the closing date our Underwriter has notice of

  (a) any material breach of the undertakings or obligations in the Underwriting Agreement by us; or

  (b) any change rendering any of the warranties or representations inaccurate in a material respect,

  our Underwriter will be entitled to terminate the Underwriting Agreement by notice to us.

  In the event that at any time after the closing date we fail to meet the public spread requirements as stipulated in the MMLR, our Underwriter will be entitled to terminate the Underwriting Agreement by notice to us.

- It will be an event of force majeure if in the reasonable opinion of our Underwriter:

  (a) the success of the Public Issue is seriously jeopardised by the coming into force of any laws or Governmental regulations or directives which seriously affect or will seriously affect our business;

  (b) there is a change in national or international monetary, financial, political or economic conditions or exchange control or currency exchange rates that would prejudice materially the success of the offering of the underwritten shares and their distribution or sale (whether in the primary market or in respect of dealings in the secondary market); or

  (c) the success of the Public Issue is seriously jeopardised by the Kuala Lumpur Composite Index falling below 750 points and remaining below 750 points for three (3) consecutive market days at any time between the effective date of the Underwriting Agreement and the closing date.

3. DETAILS OF OUR PUBLIC ISSUE

- In the event of a force majeure, our Underwriter may, subject to prior consultation with us, at any time prior to the closing date:

    (a) terminate the Underwriting Agreement by notice to us; or

    (b) request that the closing date be extended to such reasonable date as our Underwriter may decide.

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4. RISK FACTORS

You should carefully consider the following risk factors (which may not be exhaustive) in addition to the other information contained elsewhere in this Prospectus, before you apply for our Public Issue Shares.

4.1 No Prior Market for Our Shares

There has been no public market for our Shares prior to our Public Issue. Our Directors and Underwriter agreed upon the Public Issue Price after taking into consideration of several factors in Section 3.7 of this Prospectus. Nevertheless, you should not take the Public Issue Price as an indication of the market price of our Shares after the Public Issue. We cannot assure that there will be an active market for our Shares in the MESDAQ Market or that the market price of our Shares will not decline below our Public Issue Price.

The performance of Bursa Securities is very much dependent on external factors such as the performance of the regional and global economy and the performances of other bourses around the world. The performance of these bourses, to a certain extent, is driven by the sentiment in the local and global markets. On the local front, the sentiments are very much driven by the political and economic situation of the country. Hence, these sentiments will contribute towards the volatility of the trading volumes of our Shares once they are listed on Bursa Securities, and accordingly, may increase the market risk of our Shares. Nonetheless, we would like to highlight that our profitability is not at all dependent on the performance of our Shares on the MESDAQ Market of Bursa Securities.

4.2 Dependence on the Electrical and Electronics Industries

We sell products and services to customers from various sub-sectors of the electrical and electronics industries, namely HDD and semiconductor. As such, our performance will, to a certain extent, depend on the outlook and cyclical nature of these industries. As such, we cannot assure that any adverse development in these industries will not affect our business, operating results and financial conditions.

To mitigate this risk, we continuously explore new products in different industries, customers and geographical markets to whom or which our solutions can be sold, as set out below:

HDD Industry

For the fifteen (15)-month period ended 31 March 2004 and the FYE 31 March 2005 respectively, customers in the HDD industry contributed approximately 88.04% and 81.10% of our revenue respectively. This indicates that we rely to a substantial extent on our customers in the HDD industry.

Since our commencement of operations, we have focused our technical expertise to develop our strength in the HDD industry. We have since established a strong network within the HDD industry. In view of this natural progression, our prospects are very much dependent on the performance of the HDD industry. However, we believe that the prospects of the HDD industry is promising, in view of the increasing use of storage devices in consumer electronics such as gaming gadgets and personal video recorders. This would underpin the growth in the HDD industry, as well as increase the demand by HDD manufacturers for increased automation in their manufacturing processes.

We believe that our developed skills in the automation of the HDD industry can be easily applied to other industries. HDD automation requires high precision and skill in the mechanical functions of the automation line. With this expertise, our engineers have the ability to automate simpler manufacturing processes of other industries.

Other industries

Besides the HDD industry, we are also in the semiconductor and pharmaceutical industries. These industries contribute about 18.90% to our revenue for the FYE 31 March 2005. Hence, we believe there are ample opportunities for us to tap further in these industries. We also continuously seek to venture into other market segments such as bio-technology and automotive sectors as disclosed in Section 7.1.4 of this Prospectus.

4.3 Reliance on Small Number of Customers

Our main customers are the Seagate Group and the WD Group, which represent 84% and 79% of our revenue in the 15-month period ended 31 March 2004 and the FYE 31 March 2005 respectively. This limited customer base is however typical in the HDD industry as it has relatively few players.

The HDD industry is capital intensive and is concentrated among few players, mainly comprising USA corporations such as the Seagate Group, WD Group, Maxtor Group and Nidec Group, and the Japanese corporations such as Hitachi Data Systems (Hitachi), Toshiba Corporation and Fujitsu Ltd. (Fujitsu). The dynamics of the HDD industry is rapidly changing with the number of players in the market being reduced due to mergers and acquisitions. This has resulted in fewer players in the industry. The limited customer base may limit the market breadth for its customers. Hence, the loss of any one or more of these customers in this industry sector may have an adverse impact on our revenue.

However, we believe that our strong track record with the Seagate Group and the WD Group makes us resilient in the face of changes. Prior to the acquisition of Read-Rite Group by the WD Group in July 2003, we had already serviced both the Read-Rite Group and the WD Group. After the acquisition, the WD Group continued to give orders to us.

We seek to limit the above risks by consciously and continuously providing effective engineering solutions and prompt services to our customers. Further, our foray into other industries such as the semiconductor and pharmaceutical industries, coupled with our initiatives to expand our customer base within the said industries, will aid in mitigating our risk in relying on a small number of customers.

4.4 Business Risks

Similar to any other business operating in an open economy, we are subject to market forces both within Malaysia and globally. Some of the operating risks are obsolete technology, erosion of market share or downturn in the industry.

In order to mitigate the risks, we have implemented various strategies such as increasing the customer base, continuous R&D and increasing our products range. However, we cannot assure that any change in the market forces will not have a material adverse effect on us.

Our success will depend upon our ability to respond quickly to technological changes, enhance our technological capabilities, develop and design machines to keep in pace with the rapid technology change in the HDD and semiconductor industries in order to meet the changing customers' needs and respond to customers' requirements on a timely basis. Rapid technology change also means that the window period for replication jobs arising from existing prototypes may be shortened.

Our Directors believe that with the rapid change in technology, our customers would be required to make more rapid replacements and enhancements on their automation. Hence, this would provide more opportunity for us to increase our business base. To this end, we are currently emphasising on continuous improvement of our engineers' skills to keep abreast with the new technology, to maintain our agility in view of constant change in technology and to remain flexible to enter into industrial automation outside the HDD industry. However, we cannot assure that our development or replication process will be successful or that the emergence of new technology or customers' requirements will not render our technology, machines or processes obsolete or uncompetitive.

4.5 Competition

Competition within the industrial automation market is less intensive as there are a small number of competitors. The industrial automation market is segmented into three (3) types comprising, design houses with replication capabilities, design houses and replicators. We fall within the category of a design house with replication capabilities, as we have the capabilities to design, develop and build machines to meet our customers' specifications. On the other hand, a replicator merely builds the machinery based on the design provided by another party. Replicators are mainly system integrators which have the technical expertise to fabricate and, assemble machinery and equipment.

This requires us to have specific expertise and skills. As such, a typical design house should specialise in a specific industry or field. This inherent nature drives players to find and focus on developing their niche markets.

The barriers to entry are high as new entrants would need to fulfil standard requirements for the potential customers such as Seagate Group, WD Group, Maxtor Group, Hitachi and Fujitsu. The standards required of design houses are high. The barriers to entry are R&D capabilities, strong engineering skills, technical know-how in specific manufacturing processes and ability to meet stringent pre-requisites set by the customers. As such, it will be difficult for a new entrant to capture a share of the market as the target customers in the HDD and semiconductor industries tend to prefer only organisations with proven strong engineering base and technical know-how in the production processes. New vendors would only be selected as their suppliers if these companies have displayed good track record and are able to prove their capabilities in maintaining and supplying high quality equipment.

Accordingly, there are only a few competitors in Malaysia. Our Directors believe that there are no other competitors involved in the automation of the HDD lines in Malaysia. In the semiconductor industry, some of our competitors include LKT Industrial Berhad, a company listed on the Main Board of Bursa Securities and Pentamaster Berhad, a company listed on the Second Board of Bursa Securities. Our Directors believe that other competitors tend to be at a disadvantage in terms of competitive pricing as well as lacking in local presence, as they are mainly based in the USA, Singapore and Europe.

Our ability to expand our business segment is attributable mainly to our engineering and R&D capabilities and our established customer base which comprises leading manufacturers in the HDD industry such as the WD Group and the Seagate Group. We are confident that our consistent track record and good working relationship with these multinational companies since our incorporation will provide the edge over any potential new players. It is even more difficult to penetrate into high technology related industries such as the HDD industry due to its complicated specification and rapid advances in technology. However, we cannot guarantee that other companies would be able to meet the stringent requirements in the future.

4.6 Size of Operations

Although our size of operations has sufficient capacity to meet our operations, our capacity may be strained for higher volume orders. As a design house, the focus is our ability to design better yielding machines for our customers. With the design in place, we would be able to subcontract the replication of parts to replicators. To a certain extent, we have mitigated this risk by forming partnerships with a network of reliable precision tooling suppliers who are able to support us in meeting our volume requirements, as well as embarking on supply chain management to manage our subcontracting needs.

4.7 Dependence on Key Personnel

We believe that our continuous success will depend, to a large extent, upon the abilities and continuous efforts of our Directors and key management, including our team of R&D engineers. Key personnel with good experience and knowledge in the automation industry are pivotal to our success. The loss of any of our Executive Directors or the key management personnel may affect our performance.

KW Chin, our Managing Director, is also one of our Promoters and substantial shareholders. A minimum of 51% of our Promoters' direct shareholdings in us is subject to moratorium and it will be in their interest to increase our shareholders' value.

In addition, our future success will also depend on our ability to attract and retain skilled personnel, as well as to have in place a structured succession plan. It is our practice to retain our key management and skilled personnel through attractive remuneration packages. Efforts are also made to groom our existing staff members to further support our senior management and/or to shoulder further responsibilities in preparation for long term expansion. Pursuant to our Listing, all our eligible employees will be given the option to participate in our Public Issue Shares through the allocation of pink forms to them.

We will continuously formulate reward systems to attract and retain our key employees. We have also set in place, proper system documentation in order to ensure continuity, proper training and to minimise workflow disruption in the event of resignations.

However, we cannot assure that these individuals will retain their employment with us and that we will be able to retain additional or replacement personnel with the requisite experience and capabilities.

4.8 Absence of Long-term Contractual Agreements with Customers

It is the norm for our customers not to enter into long-term contractual agreement with us or our competitors as their automation needs are on project by project basis which is largely dependent on the rapid changes in their products and technologies. Hence, the failure to secure future orders due to the absence of long-term contractual agreements with customers would inevitably have a material adverse impact on our future financial performance.

Despite this factor, we have successfully grown in our business volume. This is achieved through our consistent track record in providing quality and innovative products coupled with a timely and efficient after-sales support services. As a result, we have received recurring orders from our customers for new R&D and replication projects.

4. RISK FACTORS

4.9 Project Risks

Our contracts with our clients are generally on project basis. In view of the complexity of the projects undertaken, these projects are subject to the following risk factors:

- Our clients may delay or cancel their projects due to unforeseen circumstances. Delays may arise from incomplete specifications from customers or unanticipated difficulties in developing the solutions. Project delays will affect profit margins as time spent to negotiate and resolve issues may delay the recognition of revenues. Additional costs may also be incurred as a result of these project delays. Further, any changes in the client's management may cause cancellation of planned projects; and

- The award of projects may be subject to approvals of head offices located overseas in the respective home countries. The geographical distance could lengthen the time taken in issuing formal orders.

To mitigate the project risks, it is provided for in our project proposals that cost incurred by us due to delay caused by customers and cancellation of orders is to be compensated by our customers.

4.10 Revenue Flow Risks

The following factors can adversely affect revenue:

- Inability to complete and deliver a project to clients as scheduled. Timely completion of projects will allow project teams to commence work on other projects and thereby maximise the use of resources. Conversely, the inability to turnaround and complete a project as scheduled can materially affect revenue and profit;

- Inability to maintain pace with developments in the automation software or processes. The demand for our products by any particular client depends on our ability to innovate and implement creative solutions; and

- We generally secure orders on a contract basis. Hence, our revenue could fluctuate significantly depending on the value and size of each contract and the number of contracts that we secure.

We seek to mitigate the above risks by equipping ourselves with qualified and trained engineers, maintaining constant R&D and broadening of customer base and markets.

4.11 Software Risks

Security weakness in our systems and viral disruptions will adversely and materially affect our revenue and profit. We use computer systems and software which are vulnerable to computer viruses, physical or electronic break-ins and similar disruptions. The failure of our computer and software applications could lead to interruptions, delays, loss of data or the inability to complete client assignments. Unauthorised persons may improperly access data and damage or change systems or take confidential information. Damage caused by security breaches or computer viruses may be expensive to repair. This may undermine our client's confidence in our systems. Since software programs are important feature to our solutions, any problems with our software may result in bad publicity for our solutions.

We have installed security measures to limit the occurrence of unauthorised access and virus attacks. In addition, we have implemented management control such as appropriate training and regular review in the organisation policies and procedures and regular risk assessment exercises.

4.12 Achievability of Our Five (5)-Year Business Development Plan

The success of our 5-year business development plan will mainly be dependent upon our ability to convince our existing and targeted customers on our design and build capabilities through strategic business development plans. We would also need to maintain our R&D activities, hire and retain skilled management in the areas of engineering and business development. We cannot assure that we will be able to successfully implement our business plan or that unanticipated expenses or problems or technical difficulties will not occur which would result in material delays in our implementation or even deviation from our original plans.

4.13 Intellectual Property

Our success will depend upon our ability to maintain and enhance our technological capabilities, develop and design machines which meet changing customers' needs and respond to customers' requirements on a timely basis.

Currently, although the intellectual property relating to designs of our automation and source codes for the software applications belong to us, we do not patent our intellectual property. Hence, we cannot assure that we would be able to fully protect our intellectual proprietary rights from third party copying and exploitation. Our Management believes that this risk is relatively low due to the complexity of our products as the machinery and equipment produced involves detailed designs which are difficult and time-consuming to develop and integrate. Further, our designs are customised according to the respective customer's specifications. Although it may have an adverse impact on our operations and financial results, the existing laws pertaining to patent, copyright and trademark offer only limited protection.

To further mitigate the risk, we have an off-site storage of our designs and source codes. All our employees are also required to sign a non-disclosure agreement to protect our interest.

4.14 Impact of AFTA

The AFTA agreement was signed by member countries of ASEAN in 1992 to promote economic co-operation and increase competitiveness among the member countries. With the implementation of Common Effective Preferential Tariff scheme under AFTA, the tariff on goods traded (with minimum 40% ASEAN content requirement) within ASEAN, has been reduced to between 0% and 5% in year 2003. The AFTA is not expected to have any material effect on our business as the majority of our purchases is imported, either directly or indirectly from countries which are not within ASEAN. However, we expect any purchases from ASEAN countries to benefit us as this will reduce our cost of purchases.

Whilst we will try to maintain our competitiveness due to AFTA, we cannot assure that AFTA will not have any adverse impact on our business and financial conditions.

4.15 Exchange Rate Risks

For the FYE 31 March 2005, 71% of our total revenue was from export sales. Our export sales were denominated in USD whilst our imports which were denominated in USD, Singapore Dollar, Baht, Japanese Yen and Euro accounted for approximately 16% of our cost of sales.

Hence, fluctuations in foreign exchange will have a direct impact on our sales, cost of production and profit margins. However, sales and purchases transacted in USD will to a certain extent provide a natural hedge.

In the management of the exchange rate risk, we have entered into foreign currency forward contracts in the normal course of our business to manage its exposure against foreign currency fluctuations on sales and purchases transactions denominated in foreign currencies other than USD.

4.16 Insurance Coverage on Assets

We are aware of the adverse consequences arising from inadequate insurance coverage that could cripple our business operations. In ensuring that such risks are minimised, we review and ensure adequate coverage for our assets on a continuous basis.

Our major assets are our plant and machinery and work in progress. We have taken insurance policies on all our major assets. As at 31 March 2005, the net book values of our plant and machinery were approximately RM1.55 million and the estimated value of our stocks was RM4.82 million. Although we have taken the necessary steps to insure our assets, we cannot assure that the insurance coverage would be adequate for the replacement cost of other assets, including but not limited to raw materials, finished or completed equipment or any consequential cost arising therefrom.

4.17 Delay in or Abortion of Our Flotation

Our Listing is exposed to the risk that it may fail or be delayed should the following events occur:

(i) Our Underwriter exercising its rights pursuant to the Underwriting Agreement, discharging itself from its obligation to underwrite thereunder; and

(ii) We are unable to meet the public spread requirements, which is at least 25% but not more than 49% of our issued and paid-up share capital to be required held by a minimum number of 200 public shareholders (including employees) at the point of our Listing.

Although our Directors will endeavour to ensure our compliance of the listing requirements by the various authorities, we cannot assure that the above-mentioned factors will not cause a delay in or abortion of our Listing.

4.18 Political, Economic and Regulatory Considerations

In general, any adverse developments in the political, economic and regulatory conditions in Malaysia and countries such as Thailand, China, the USA, Philippines and countries within the European community, representing existing and targeted overseas market for our products, could materially and adversely affect our financial performance. Other political, economic and regulatory uncertainties include risks of war, expropriation, nationalisation, changes in interest rates and methods of taxation.

While we will continue to take effective measures such as prudent financial management and efficient operating procedures, we cannot guarantee that unfavourable political and economic factors will not significantly affect us.

4.19 Controlling Shareholders

Upon our admission to the MESDAQ Market of Bursa Securities, our substantial shareholders and Promoters, in aggregate, will beneficially own approximately 75% of our enlarged issued and paid-up share capital. They will collectively have a significant influence over matters that require the passing of ordinary and special resolutions from our shareholders resulting in resolutions being passed to the benefit of our substantial shareholders, unless they are required to abstain from voting by law and/or relevant authorities.

To mitigate this risk, we have appointed three (3) independent directors to our Board. We have also set up an audit committee to oversee our overall operations and corporate governance. This is to ensure that all decision made by our Board are to the benefit of our shareholders.

4.20 Underwriting Risks

The Underwriting Agreement provides our Underwriter the rights to terminate the Underwriting Agreement should our Underwriter be of the view that the success of our Public Issue may be adversely affected due to certain events, terms of which are set out in Section 3.11 of this Prospectus.

We cannot assure that our Underwriter will not terminate the Underwriting Agreement based on the condition as set out in Section 3.11 of this Prospectus. If, as a result of the termination, our Public Issue cannot be completed, we will return all your monies in respect of your application to you without interest.

4.21 Disclosure Regarding Forward-Looking Statements

This Prospectus contains several forward-looking statements, which are statements other than statements of historical facts. These statements are in relation to our expected future financial position, business strategy, plans, prospects and industry outlook. Although we believe that the expectations reflected in such statements are reasonable at the time this Prospectus is issued, we cannot assure that such predictions will prove to have been correct.

Our expectations are subject to known and unknown risks, uncertainties and contingencies. As such, we cannot assure that such expectations can be achieved and actual results may be materially different from those expected. Any differences in our expectations from our actual performance might adversely affect our result in the financial and business performance and plans. Hence, you should ensure that you read and understand the assumptions and uncertainties underlying the forward-looking statements that are contained herein.

5. INDUSTRY OVERVIEW AND OUTLOOK

5.1 Malaysian Economy

Overview

During the second quarter of 2005, the Malaysian economy expanded at a slower rate of 4.1% (1Q 2005: 5.8%). The private sector continued to be the main growth driver. The services sector provided the main impetus to growth, underpinned by strong consumer spending, travel and business activity. Meanwhile, the manufacturing sector expanded at a more moderate pace of 3.2% (1Q 2005: 5.7%). Output of export-oriented industries grew by 4.1% (1Q 2005: 5.4%) supported by selected resource-based industries such as chemical products and off-estate processing industries, and the electrical and electronics products industry. The domestic-oriented industries recorded a decline in production mainly due to contraction in the output of fabricated metal and construction-related industries. The construction sector declined by 2.0% during the quarter. The mining sector also recorded a decline following a contraction in crude oil production.

Going forward, while high oil prices and rising inflationary pressures are a concern, the momentum of global demand is expected to be sustained in the second half of the year following favourable indicators from the US and more recently from the Euro area and Japan. Prospects are also reinforced by an expected improvement in the global electronic sector in the latter part of the year.

The favourable external environment is expected to support the expansion of domestic demand. The six-month smoothed growth of Leading Index also suggests continued economic expansion. This is further supported by the MIER's Business Conditions and Consumer Sentiment Indices, which point to expansion in private sector activities in the near-term. The Malaysian economy is expected to grow by between 5-6% in 2005. On the supply side, growth would be supported by expansion in all sectors, except construction. The manufacturing sector is expected to grow at a moderate pace of 4.5% in 2005 (2004:9.8%), in tandem with the developments in the global semiconductor industry. The services sector would remain firm supported by consumption and tourism activities as well as strong expansion in the telecommunication, finance and business services activities. The primary commodity sector would continue to benefit from higher production of crude palm oil, rubber, natural gas and crude oil, as well as increasing contribution from other miscellaneous agriculture, mainly food-related activities.

In an environment where inflation has increased, the level of monetary accommodation will be balanced to ensure that the maximum sustainable growth is achieved in an environment of price stability. Given the uncertainties associated with both the inflation and economic outlook, particularly in relation to the impact of high oil prices, the balance of these risks will be closely monitored in setting the future course of monetary policy.

(Source: Press Release by Bank Negara Malaysia 24th August 2005 "Economic and Financial Developments in the Malaysian Economy in the Second Quarter of 2005" and Bank Negara Malaysia Annual Report 2004)

5. INDUSTRY OVERVIEW AND OUTLOOK

5.2 Manufacturing Industry

The manufacturing sector in Malaysia is the second largest sector in the country after the services sector, contributing about 31.6% to the country's GDP in 2004. The overall growth of the manufacturing sector during the review period (Mid-Term Review of the Eighth Malaysian Plan from 2001-2003) averaged 1.5% p.a. compared with the Plan target of 8.9%. The slower growth was due to the 5.8% contraction in 2001, which brought down the average growth rate despite the growth of 4.0% and 6.5% recorded in 2002 and 2003, respectively. Since the performance of the export-oriented industries was adversely affected by the economic slowdown in the major industrial countries, the domestic-oriented industries, which grew at 5.4% p.a., were the main contributor to growth for the sector. The manufacturing sector is expected to grow at an average rate of 7.8% p.a. during the remaining Eighth Malaysian Plan period. The export-oriented industries are projected to rebound to 9.6% p.a. while domestic-oriented industries are expected to sustain growth at 8.3% p.a.

(Sources: Mid-Term review of the Eighth Malaysian Plan 2001-2005)

The electronics sector (semiconductor and electronic equipment & parts) account for about 48.3% of the total manufactured exported goods in 2004. Exports of semiconductor and electronic equipment & parts amounted to RM188.6 billion in 2004. Semiconductor exports are significant, amounting to RM89.3 billion or 34.5% of the total electronics, electrical machinery and appliances exports in 2004. Growth emanated mainly from the expansion in the wireless and PC markets as well as consumer electronics products.

Unlike the previous semiconductor cycle (1999-2000), which was mainly driven by Y2K-related corporate spending, the latest cycle is differentiated by no significant over-investments in the technology sector. Secondly, the current downturn is caused by both supply and demand factors. Thirdly, inventory accumulation has not been excessive. The inventory-to-shipment ratio of electronic products in the US has remained low at 1.22 at end-December 2004. Lastly, the adjustment to inventories have been relatively quick, as large multinational companies begun to cut back on production and reduced their inventories since the fourth quarter of 2004. Given these factors, the view is that the current downcycle can be expected to be modest compared with the sharp downturn in 2001.

Since many multinational companies are located in Malaysia, domestic manufacturers are also undertaking the inventory adjustment as reflected in the slowdown in manufacturing production index in the closing months of 2004. During the year, semiconductor manufacturers in Malaysia have also continued to move up the value chain to produce higher valued added products and ventured into manufacturing-related activities, including locating their regional hubs.

(Source: Bank Negara Malaysia Annual Report 2004)

5.2.1 HDD Industry

Worldwide HDD Shipments by Drive Class, 2002-2005 (million)

	2002	2003	2004*f*	2005*f*
Mobile Class 1.x-in.	1.40	3.38	15.12	23.81
Mobile Class 2.5in.	34.6	47.3	56.3	66.7
Desktop Class	164.1	189.0	208.9	228.0
Enterprise Class	19.3	21.2	23.5	24.3
Total	219.4	261.0	303.7	342.8
Growth (%)	12.0	19.0	16.4	12.9

f - forecast

The HDD industry shipments, which increased by 16% unit growth to 342.8 million in 2004, were above IDC's expectations. Worldwide HDD revenue was around USD22.8 billion in 2004, representing just shy of 3% growth over the previous year. In terms of revenue, the largest contributor is the desktop class drives segment which makes up about 55% of the total HDD shipment in the past 3 years. Of late, the industry is seeing fast growing revenue potential for mobile class drives.

2004 started and ended strong with respect to enterprise-class shipments, with a 23.5 million drives shipped worldwide, surpassing the 22.1 million shipped during the Y2K time period. Server demand surpassed IDC's expectations in 2004 and this momentum is expected to carry into 2005 with a 3.4% increase to 24.3 million drives. However, the overall revenue contribution of this segment declined to 18% of all worldwide HDD revenues in 2004 (2003: 21%). IDC expects its share of contribution to decline further to near 15% in 2005.

Demand for desktop-class HDDs also remained strong during the year under review. Even after accounting for the strong consumer electronics demand, the tie ratio to PC shipments remained high, indicating that the white-box segment continues to grow. Based on the current PC forecast, IDC expects 2005 shipments of about 228 million desktop-class 3.5in. drives, representing 9% growth over 2004.

Mobile-class drives shipments continued to grow, reaching more than 56 million units in 2004. The continued growth of laptop sales is generating the high demand and is expected to continue as corporations transition to increased utilization of mobile PCs. Current year forecast is expected to be just as robust, with mobility and wireless technology surpassing any cost advantage the desktop PC may offer. However, with Seagate and Western Digital entering the segment in 2003 and 2004, respectively, IDC expects that supply may outpace demand, Revenue grew by more than 8% (over USD6 billion) in 2004, with similar growth expected in 2005, driven by double-digit unit growth in the midst of eroding average selling price (ASP).

IDC expects aggressive ASP erosion, especially in the 2.5in. segment as new vendors increase manufacturing capacity and compete for market share by lowering prices. However, demand for small form factor (1.8in., 1.0in. and 0.85in.) HDDs in 2005 will be very strong, indicating the potential for exponential growth. Demand will return to a more realistic linear trend in 2006 due to strong competition from flash-based storage. It is also expected that consumers will increasingly look for storage solutions within the home that will enable the sharing of data between multiple PCs and various other devices leveraging digital storage.

(Source: IDC - "Worldwide Hard Disk drive 2004 Vendor Analysis: Market Growth Continues Against a Backdrop of Shifting Dynamics", dated January 2005)

5.2.2 Semi-conductor and Electronics Industry

The Eighth Malaysian Plan expects growth prospects for the electrical and electronic products industry during the period to be favourable. The industry is targeted to grow at an average annual rate of 8.8%. The electrical and electronic products sub-sector in the country is shifting into higher value-added activities through skills upgrading, product design and R&D. In the semiconductor product group, several companies will be upgrading and producing integrated circuits that require high technology. Similarly, in the consumer electronics group, more advanced products will be manufactured such as thin film transistor-liquid crystal display for television, personal computer monitors and mobile phones.

(Source: Eighth Malaysian Plan 2001-2005)

5. INDUSTRY OVERVIEW AND OUTLOOK

The semiconductor industry has been cyclical. Cycles typically included two years of 20% growth, one year of slow growth, and one year of flat or declining growth. The growth rate of global semiconductor sales has slowed gradually starting in the mid-1980s, from a 16.1% compounded annual growth rate (CAGR) from 1975-2000, to about 15% in 1998. The long-term growth rate is now expected to be in the 8-10% range. The SIA has forecast a CAGR of 9.8% through 2008 (released on 8 June 2005). The robust long-term outlook for chip sales reflects the growing pervasiveness of semiconductors in a very broad range of products.

Forecasts of Global Semiconductor sales

Year	Sales (USD billion)	% YOY Change
2005	226	6.1
2006	246	8.8
2007	273	11.0
2008	309	13.2

(Source: Semiconductor Industry Association)

The SIA has revised upwards its worldwide sales for 2005 from flat growth to 6.1% recently. The revision is due to a stronger than expected worldwide sales during the first quarter of 2005, driven by better demand on a number of important end markets, including personal computers (PCs) and wireless handsets. Concerns of high energy prices and lingering excess inventories that may dampen sales in 2005 did not materialise and economic growth, especially in the USA, has remained strong. Key drivers of semiconductor growth in 2005 are forecasted to be the cellular phones (+13% yoy), PCs (+10% yoy), digital televisions (+65% yoy) and digital cameras (+15% yoy).

In the 1990s, consumers emerged as the primary force driving semiconductor sales. If consumer products are defined as products purchased by individual consumers with their own money, consumers now drive roughly half of all semiconductor sales. With the internet boom and declining PC prices, individuals now consume more than 30% of units sold in the PC marketplace. Consumers dominate the cell phone market, more than 10% of end semiconductor demand, by commanding more than 90% of sales. The automotive segment is similar. Just as the corporate IT sector once largely determined spending, the global consumer now dominates the technology spending of the early 21st century.

The Asia Pacific Region, which includes China and Taiwan, will continue to be the fastest-growing market and is projected to reach 46% of the worldwide market in 2008. Today, the region not only leads in electronic equipment production—from low-end to advanced products—but it is also a significant consumer of sophisticated electronics. China is now the largest market for cellular handsets, representing 20% of demand, and the second largest market for personal computers. South Korea has the most advanced nationwide cellular network in the world. The electronic equipment and semiconductor industries have evolved into a truly global market.

(Source: Semiconductor Industry Association 2005 Annual Report; Press Release by the Semiconductor Industry Association "SIA Projects 6% Growth for Global Semiconductor Sales, 6 June 2005; and Press Release by the Semiconductor Industry Association "Global Semiconductor Sales Hit Record USD213 Billion in 2004")

5. INDUSTRY OVERVIEW AND OUTLOOK

In the electronics industry, the latest assessment is that the global semiconductor down-cycle would be modest, with impact mainly felt in the first half of 2005. Forward looking indicators in the US including new orders, unfilled orders and the inventory-to-shipment ratio for electronics support the view of a modest downturn. Meanwhile, global demand for electronics is expected to remain favourable in 2005 supported by the relatively the relatively strong global growth. The PC segment would also continue to benefit from the strong demand in the Asia-Pacific region. The growth in the electronics sector would be further reinforced by the continued trend towards increased application of chips in consumer appliances due to the increasing convergence in computing, digital media and wireless technology.

Malaysia is therefore expected to benefit from these positive factors, given the diversity in the electronics and electrical products manufactured in the country. More importantly, major multinational companies have been migrating production lines for some high value-added products to Malaysia to leverage on the cost-efficiencies in production.

(Source: Bank Negara Malaysia Annual Report 2004)

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