



GENETEC TECHNOLOGY BERHAD

445537-W



**20**  
ANNUAL  
REPORT  
**06**



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

CHAIRMAN AND INDEPENDENT NON-EXECUTIVE DIRECTOR

Mej Jen (Rtd) Dato' Haji Fauzi Bin Hussain

INDEPENDENT NON-EXECUTIVE DIRECTORS

Lim Yong Jin

Choong Khoong Liang

MANAGING DIRECTOR

Chin Kem Weng

EXECUTIVE DIRECTOR

Tan Kok Ang

NON-INDEPENDENT NON-EXECUTIVE DIRECTORS

Chen Khai Voon

Ong Phoe Be

## AUDIT COMMITTEE

Mej Jen (Rtd) Dato' Haji Fauzi Bin Hussain | CHAIRMAN

Choong Khoong Liang | MEMBER

Tan Kok Ang | MEMBER

## NOMINATION COMMITTEE

Mej Jen (Rtd) Dato' Haji Fauzi Bin Hussain | CHAIRMAN

Choong Khoong Liang | MEMBER

Ong Phoe Be | MEMBER

## PRINCIPAL OFFICERS & SENIOR MANAGEMENT

EXECUTIVE DIRECTOR/HEAD OF BUSINESS DEVELOPMENT DEPARTMENT

Tan Kok Ang

GENERAL MANAGER

Ooi Eng Sun

HEAD OF RESEARCH & DEVELOPMENT DEPARTMENT

Sow Ewe Lee

HEAD OF SOFTWARE DEVELOPMENT DEPARTMENT

Goh Yik Yong

PROJECT MANAGER

Yeo Teik Hock

FINANCE MANAGER

Tan Kon Hoan

HEAD OF PROCUREMENT DEPARTMENT

Goh Lai Wan

## COMPANY SECRETARIES

Leong Oi Wah | MAICSA 7023802

Wong Chooi Fun | MAICSA 7027549

## REGISTERED OFFICE

Wisma KVC, Lot 3, Jalan P10/12

Kawasan Perusahaan Bangi

43650 Bandar Baru Bangi

Selangor Darul Ehsan

T 603 8925 2828

F 603 8926 8976

## REGISTRAR

PFA Registration Services Sdn Bhd

Level 13, Uptown 1

No. 1, Jalan SS21/58

Damansara Uptown

47400 Petaling Jaya

Selangor Darul Ehsan

T 603 7725 4888/7725 8046

F 603 7722 2311

E regn@pfa.com.my

## SPONSOR

Southern Investment Bank Berhad

16th Floor, Wisma Genting

28 Jalan Sultan Ismail

50250 Kuala Lumpur

T 603 2059 4188

## AUDITORS AND REPORTING ACCOUNTANTS

KPMG

Chartered Accountants

Wisma KPMG, Jalan Dungun

Damansara Heights

50490 Kuala Lumpur

## PRINCIPAL BANKERS

Southern Bank Berhad

United Overseas Bank (Malaysia) Berhad

## STOCK EXCHANGE LISTING

MESDAQ Market of Bursa Malaysia Securities Berhad

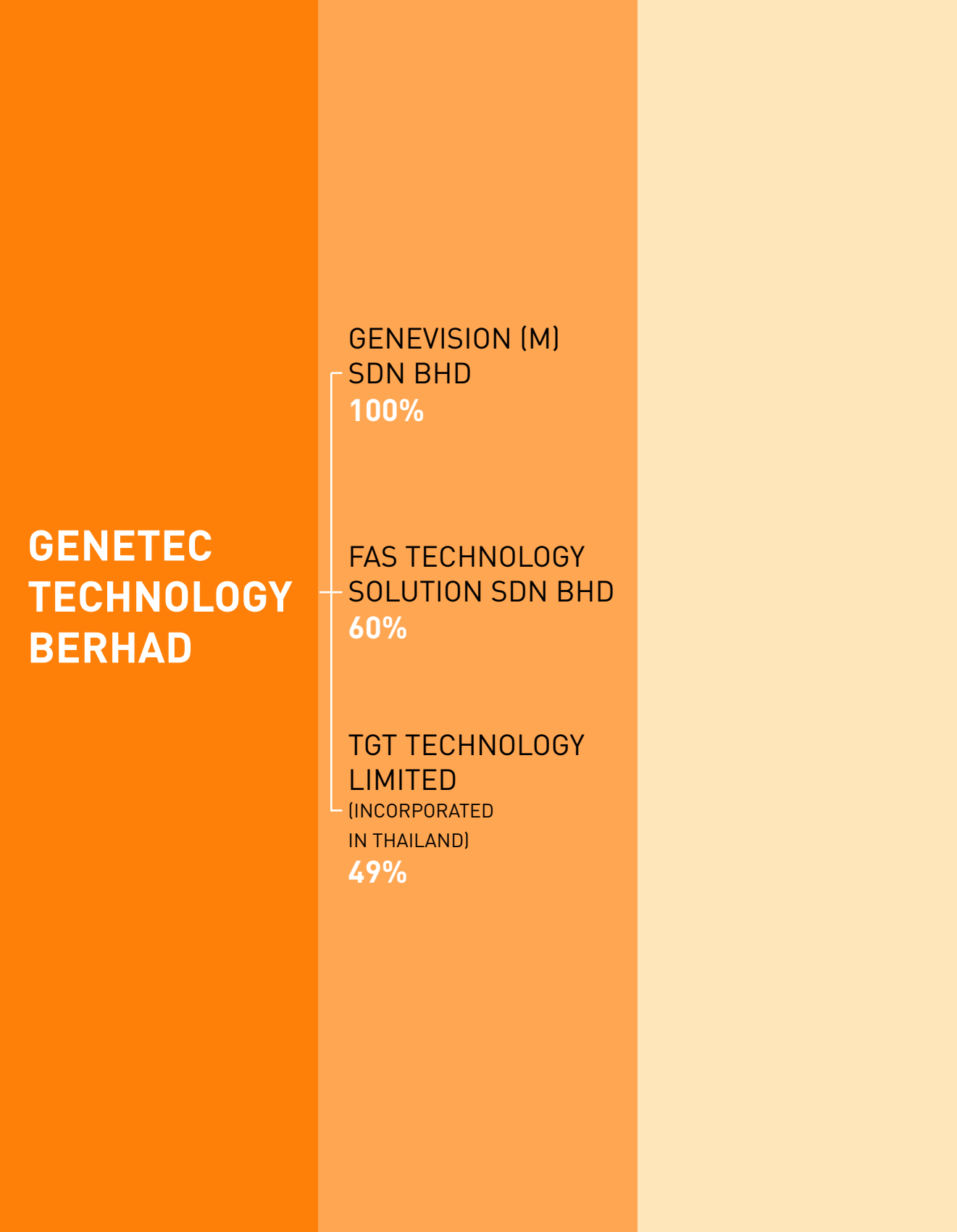
## STOCK NAME

GENETEC

## STOCK CODE

0104

GROUP CORPORATE STRUCTURE



## BOARD OF DIRECTORS

MEJ JEN (RTD) DATO' HAJI FAUZI BIN HUSSAIN

Age 66 – Malaysian

CHAIRMAN AND INDEPENDENT NON-EXECUTIVE DIRECTOR

Y. Bhg. Mej Jen (Rtd) Dato' Haji Fauzi Bin Hussain is also Chairman of the Audit Committee and Nomination Committee of Genetec Technology Berhad ("**Genetec**" or the "**Company**"). He was appointed to the Board and the Audit Committee on 3 August 2005 and later appointed to the Nomination Committee on 23 March 2006. He is a graduate from the Command and Staff College of Indonesia and the Joint Services Staff College of Australia. He has also attended management training courses in South Korea and the United States of America. Dato' Haji Fauzi has since 1960, served in the Malaysian Army and the Royal Malaysian Air Force and held various positions in the command and staff appointments before retiring in November 1994 as Deputy Chief of Air Force. He was Joint-Chairman of the Planning and Execution Committee of air exercises with Thailand and Indonesia and was also involved in the training and operations along the border of Malaysia and Thailand. Besides Genetec, Dato' Haji Fauzi also sits on the board of MCM Technologies Berhad, RCE Capital Berhad and ATIS Corporation Berhad ("**ATIS**").

He has attended both the Board Meetings held during the financial year ended 31 March 2006. He has no family relationship with any other Directors and/or substantial shareholders of the Company and has no conflict of interest with the Company or any conviction for any offence within the past 10 years.

LIM YONG JIN

Age 46 – Malaysian

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr Lim Yong Jin was appointed to the Board on 3 August 2005. He graduated with a Bachelor of Mechanical Engineering Degree in Production and Management Option from University of Technology Malaysia in 1983. He has wide experience in the manufacturing sector, especially the storage industry and has successfully set up many start-up operations including several manufacturing facilities in Asia. Over the last 10 years, he has held key management positions in several multi-national companies such as MKE-Quantum Components LLC and MCMS Sdn Bhd. Besides Genetec, he currently sits on the board of ATIS.

He has attended both the Board Meetings held during the financial year ended 31 March 2006. He has no family relationship with any other Directors and/or substantial shareholders of the Company and has no conflict of interest with the Company or any conviction for any offence within the past 10 years.

CHEN KHAI VOON

Age 46 – Malaysian

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr Chen Khai Voon was appointed to the Board on 3 November 1998. He completed his Diploma in Accounting in 1981 and has for the next eight years, gained exposure in several industries from audit to banking and trading. He is the founder of KVC Electric (M) Sdn Bhd Group of Companies (now known as KVC Industrial Supplies Sdn Bhd) ("**KVC Group**"). He has over 22 years of experience and exposure to the Industrial Supply business. His leadership and passion for the business has made KVC Group the leading One-Stop Industrial Supply Provider in Malaysia. He is currently the Group Managing Director of ATIS .

He has attended both the Board Meetings held during the financial year ended 31 March 2006. He has no family relationship with any other Directors and/or substantial shareholders of the Company and has no conflict of interest with the Company or any conviction for any offence within the past 10 years.

## BOARD OF DIRECTORS

CHOONG KHOONG LIANG

Age 36 – Malaysian

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr Choong Khoong Liang was appointed to the Board, the Audit Committee and the Nomination Committee on 23 March 2006. He obtained his Master in Business Administration (Finance) with distinction from University of Hull, United Kingdom and is currently a Fellow member of the Association of Chartered Certified Accountants. An accountant by profession, he started his career with Messrs KPMG before joining Commerce International Merchant Bankers Berhad, where he gained substantial experience in the capital markets and debt restructuring. He was also the Planning Advisor for Cemex Asia in Singapore (strategic business development) responsible for Asia/Africa region and an Associate Director, Asian Fixed Income in Standard Chartered Bank Malaysia Berhad. Other than Genetec, he also sits on the board of ATIS.

After his appointment as Director, there was no Board Meeting held until the close of financial year ended 31 March 2006. He has no family relationship with any other Directors and/or substantial shareholders of the Company and has no conflict of interest with the Company or any conviction for any offence within the past 10 years.

CHIN KEM WENG

Age 36 – Malaysian

MANAGING DIRECTOR

Mr Chin Kem Weng was appointed as the Managing Director on 27 October 1997. He has a Diploma in Mechanical Engineering from the Institute Technology of Butterworth and specialises in the area of design. Upon graduation in 1991, he joined Applied Magnetics Malaysia Sdn Bhd (Disc Drive Recording Heads Group) (Applied Magnetics) as a Technical Specialist. He was involved mainly in the design of mechanical tooling and maintenance of automation equipment. He then joined Quantum Peripheral Indonesia (QPI) in Indonesia, as an expatriate engineer and managed the automation project at the plant. Subsequently, he was sent to the QPI office in the USA for a year where he undertook research and development work related to new technology. With his expertise and technical know-how, he then co-founded Genetec with Mr Chen Khai Voon which specialises in the design and building of customised automated and semi-automated machines.

He has attended both the Board Meetings held during the financial year ended 31 March 2006. He has no family relationship with any other Directors and/or substantial shareholders of the Company and has no conflict of interest with the Company or any conviction for any offence within the past 10 years.

## BOARD OF DIRECTORS

TAN KOK ANG  
EXECUTIVE DIRECTOR

Age 49 – Malaysian

Mr Tan Kok Ang was appointed to the Board and Audit Committee on 3 August 2005. Currently, he is the Head of Business Development Department. He obtained a Diploma in Mechanical Engineering from Bedford Institute of Technology in 1976 and has over 25 years of hands-on experience in areas of production and engineering such as mould fabrication, tool, die and equipment maintenance to equipment and tool design. Upon graduation in 1976, he joined Micro Machining Sdn Bhd as a machinist. He left to join Advance Micro Devices Sdn Bhd four years later and was working as a Senior Technician in the Tool, Die & Equipment Maintenance Department for 12 years.

In 1991, he joined Applied Magnetics as a design engineer. Later in 1994, he moved on and joined QPI as an Equipment Engineering Manager. With his strong background in factory operations and production, he was selected by the management to set up a new plant in Batam, Indonesia. He then resigned from QPI in 1998 to join Genetec as Operational Director in October 1998. He left in April 2000 to join Genevision (M) Sdn Bhd. He has rejoined the Company on 1 June 2001.

He has attended both the Board Meetings held during the financial year ended 31 March 2006. He has no family relationship with any other Directors and/or substantial shareholders of the Company and has no conflict of interest with the Company or any conviction for any offence within the past 10 years.

ONG PHOE BE  
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Age 36 – Malaysian

Ms Ong Phoe Be was appointed to the Board on 3 August 2005 and later appointed to the Nomination Committee on 23 March 2006. She started her career with Messrs KPMG, an audit firm from December 1989 to September 1994. In 1994, she completed the Malaysian Institute of Certified Public Accountants professional course and joined Arab-Malaysian Merchant Bank Berhad (now known as AmMerchant Bank Berhad) ("**AMB**") in the same year. She left AMB in 1996 and moved on to Tanco Holdings Berhad ("**Tanco**"). She was the head of Corporate Planning Department for Tanco for about four years. She then joined KVC Group in June 2000 as its Head of Corporate Finance. With her wide experience in finance related matters, she was promoted to the position as Chief Financial Officer of ATIS, a position that she occupied till early 2006.

She has attended both the Board Meetings held during the financial year ended 31 March 2006. She has no family relationship with any other Directors and/or substantial shareholders of the Company and has no conflict of interest with the Company or any conviction for any offence within the past 10 years.

Note: The Directors' shareholdings are set out in page 55 of this Annual Report.



## CHAIRMAN'S STATEMENT AND REVIEW OF OPERATIONS

IT IS MY PLEASURE, ON BEHALF OF THE BOARD OF DIRECTORS, TO PRESENT TO YOU OUR INAUGURAL ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS OF GENETEC AND GROUP AS A PUBLIC LISTED COMPANY ON THE MESDAQ MARKET OF BURSA MALAYSIA SECURITIES BERHAD ("BURSA SECURITIES").



MEJJ JEN (RTD) DATO' HAJI FAUZI BIN HUSSAIN CHAIRMAN

THE YEAR 2005 REPRESENTS A SIGNIFICANT MILESTONE FOR US WHEN GENETEC WAS LISTED ON THE MESDAQ MARKET OF BURSA SECURITIES ON 7 NOVEMBER 2005. MORE IMPORTANTLY, THE GENETEC GROUP HAS PERFORMED CREDITABLY FOR THE FINANCIAL YEAR ENDED 31 MARCH 2006 AND I BELIEVE THAT THIS WILL PROVIDE THE BASIS FOR FUTURE GROWTH AND SUCCESS IN THE FUTURE.

# CHAIRMAN'S STATEMENT AND REVIEW OF OPERATIONS

## FINANCIAL RESULTS

For the financial year under review, Group revenue reached a new high of RM38.26 million, a growth of 33.3% over the previous year. Pre-tax profit stood at RM2.47 million, an increase of 13.8% from RM2.17 million recorded in the previous year.

## INDUSTRY TREND AND DEVELOPMENT

The world economy in 2005 was characterized with moderate production growth in the manufacturing sector in the first half-year as a result of downturn in the global electronics cycle which regained strong upswing momentum in the second half-year following the recovery of the global semiconductor sector. Among the major industrial countries, the United States ("US") and China remained as major drivers of global growth in 2005 with expansion in private investment activity. The European zone also saw modest increase in investment spending while industrial production gathered momentum. Back in Malaysia, the domestic economy expanded by 5.3% in 2005.



## GROUP'S PERFORMANCE

During the year under review, the Group's growth is mainly driven from its Hard Disk Drive segment which has contributed about 89.9% of total Group revenue. The higher sales contribution from this segment is due to strong demand for replication of prototypes that were developed by the Group in previous periods. The higher volume of sales coupled with a better product mix has also contributed to an improvement in margins.

Strong demand from customers in US and Thailand pushed up sales of customised factory automation equipments in view of the need for customers in these countries to enhance their level of automation in their manufacturing processes in order to stay cost effective and gain higher manufacturing productivity. Export market accounted for 73.3% of revenue with significant portion exported to Thailand, leaving a balance of 26.7% derived from domestic market.

## OUTLOOK AND PROSPECTS

The Genetec Group is in a strong position to address growth and opportunities as a major player in the offering of integrated engineering solutions for automation of manufacturing processes based on our historical track record and our strategic presence in Malaysia and Thailand.

In March 2006, Genetec had entered into a conditional Sale and Purchase Agreement to acquire a piece of leasehold land with a 1½-storey detached factory erected thereon for a cash consideration of RM1,500,000.00. The new factory will enable the Group to expand its existing manufacturing capacity in order to meet the increasing demand for its products by its customers. The close proximity of the factory to Genetec's existing office would also allow for better coordination and monitoring of production activities by the management of Genetec.

## CHAIRMAN'S STATEMENT AND REVIEW OF OPERATIONS



Going forward, the outlook for 2006 is for global expansion to remain positive. Global growth is expected to broaden across the major economies with the economies of Europe playing a more significant role. The US economy is expected to sustain the growth momentum from 2005. For the Asian region, the global electronics up-cycle is expected to strengthen further following higher ICT-related spending in the industrial economies and stronger intra-regional demand.

As for Malaysia, the economy is also expected to strengthen further, driven by strengthening exports and resilient domestic demand, with a growth projection of an average of 6% annually under the Ninth Malaysian Plan. Malaysia is expected to benefit from stronger growth in manufactured exports, particularly in the hard disk drive and semiconductor segments. On the back of the positive industry outlook, we expect to further strengthen our position in the existing market segments whilst exploring new growth avenues. We will continue to invest in research and development activities to maintain our technological edge.

The Genetec Group will remain vigilant in developing effective and competitive strategies to further strengthen our business activities. We will continue to expand our businesses into new industries and market segments, both locally and overseas, whether through internal resources or through strategic alliances and partnerships.

### APPRECIATION

On behalf of the Board, I would like to thank Tunku Ahmad Burhanuddin Bin Tunku Datuk Seri Adnan for his contributions during his tenure as Director and welcome Mr Choong Khoong Liang as a new Independent Non-Executive Director of the Group.

We wish to extend our gratitude to our shareholders, customers, bankers, financiers, business associates and the regulatory authorities for their continued support that had helped to make 2006 a year of growth for the Group. Our deepest appreciation also goes to the management and staff of the Group for their tireless dedication and commitment to the vision of the Group. Their continuous improvement to meet customers' demands and their relentless effort to overcome challenges and rising competition had placed the Group in the forefront of its industry. May we continue to excel in our performance and achieve greater success for the Group.

**Mej Jen (Rtd) Dato' Haji Fauzi Bin Hussain**  
Chairman

# CORPORATE GOVERNANCE STATEMENT

The Board of Directors is committed to ensure that the highest standards of corporate governance are observed throughout the Group so that the affairs of the Group are conducted with integrity and professionalism with the objective of protecting and enhancing shareholder value and the financial performance of Genetec Technology Berhad ("Genetec"). To this end, the Board continues to support the recommendations of the Malaysian Code of Corporate Governance (the "Code").

The Board is pleased to disclose below a description of how the Group has applied the principles of good governance and the extent to which it has complied with the best practices set out in the Code.

## 1. Directors

### (a) The Board

The Board currently consists of seven (7) members comprising two (2) Executive Directors and five (5) Non-Executive Directors, of whom three (3) are independent, including the Chairman. The Board structure ensures that no individual or group of individuals dominates the Board's decision making process. The Board composition complies with the Listing Requirements of Bursa Malaysia Securities Berhad for the MESDAQ Market ("Listing Requirements") that requires a minimum of one-third of the Board to be independent directors. The Board members are from various professions with a wide range of skills, knowledge, business and financial experience that are essential to direct and manage a dynamic and expanding Group. The profile of each Director is set out on pages 4 to 6 of the Annual Report.

The Board assumes the primary responsibility for leading and controlling the Group towards realising long term shareholders' values. The Board has the overall responsibility for reviewing and adopting strategic plans for the Group, ensuring the adequacy and integrity of the Company's system of internal control, succession planning for senior management, investor relations programme and shareholders' communication policy.

There is a clear division of responsibilities between the Chairman and the Managing Director ("MD") to ensure that there is a balance of power and authority. The Chairman holds an independent non-executive position and is responsible for the orderly conduct of the Board and ensures that the Board receives sufficient information to enable them to participate actively in Board decision whilst the MD is responsible for the day to day management of the business as well as the implementation of policies and strategies adopted by the Board. The Executive Director has a primary responsibility to manage and monitor the Group's business and ensuring the effective allocation of resources.

The Independent Directors are independent of the management and majority shareholders. The Independent Directors have the necessary skill and experience to bring an independent judgement to bear on the decision-making process of the Group to ensure that a fully balanced and unbiased deliberation process is in place. They provide an unbiased and independent view, advice and judgement taking into account the interests of the Group, shareholders, employees, customers, business associates and other stakeholders.

All the Directors have given their undertaking to comply with the Listing Requirements and the Independent Directors have confirmed their independence in writing.

### (b) Board Meetings

The Board meets on a quarterly basis, with additional meetings for particular matters convened as and when necessary. During the financial year ended 31 March 2006, two (2) Board meetings were held. The attendances of each individual Director at these meetings are set out on Pages 64 of this Annual Report.

Prior to each Board meeting, the Directors are each provided with the relevant documents and information to enable them to obtain a comprehensive understanding of the agendas to be deliberated upon to enable them to arrive at an informed decision.

The Board has a formal schedule of matters specifically reserved to it for decision to ensure that the direction and control of the Group is firmly in its hand. These involve significant areas of the Groups' business including major investment decisions, approval of corporate plans, acquisition and disposal of business segments. Management and performance of the Group and other strategic issues that may affect the Group's business are also deliberated.

# CORPORATE GOVERNANCE STATEMENT

## 1. Directors (cont'd)

### (c) Supply of Information

The members of the Board in their individual capacity have access to appropriate and timely information in the form and quality necessary for the discharge of their duties and responsibilities.

The Board has full access to the advice and services of Company Secretaries who are responsible to the Board for ensuring that all Board procedures are followed and that applicable laws and regulations are complied with.

Besides having direct access to management staff, the Directors may also take independent professional advice at the Company's expense, if necessary, in furtherance of their duties.

### (d) Directors' Remuneration

#### (i) Remuneration procedure

The Board has decided not to set up a Remuneration Committee as recommended by the Code. As an alternative, the Board will deliberate on the remuneration of Directors during the normal proceedings of the meeting of Directors.

The remuneration of each Director, are determined by the Board, as a whole. The individual Directors do not participate in discussion and decision of their own remuneration.

#### (ii) Remuneration Package

The details of the remuneration of the Directors of the Company and Group in respect of the financial year ended 31 March 2006 are as follows:

	Salaries RM	Fees RM	Bonuses RM	Benefits- in-kind RM	Total RM
<b>Group</b>					
Executive Directors	272,548	-	58,025	19,900	350,473
Non-Executive Directors	37,200	30,000	-	-	67,200
<b>Company</b>					
Executive Directors	272,548	-	58,025	19,900	350,473
Non-Executive Directors	37,200	30,000	-	-	67,200

The number of Directors whose remuneration fall within the following bands are as follows:

RANGE OF REMUNERATION	Group		Company	
	Executive Directors	Non-Executive Directors	Executive Directors	Non-Executive Directors
Below RM50,000	-	4	-	4
RM50,001 - RM100,000	-	1	-	1
RM100,001 - RM150,000	1	-	1	-
RM200,001 - RM250,000	1	-	1	-

# CORPORATE GOVERNANCE STATEMENT

## 1. Directors (cont'd)

### (e) Re-election of Directors

In accordance with the Company's Articles of Association, one third of the Board is required to retire at every Annual General Meeting ("AGM") and be subject to re-election by shareholders. In addition, all Directors shall retire from office at least once in every three (3) years. A retiring Director is eligible for re-election.

Newly appointed Directors shall hold office until the next AGM of the Company and shall be eligible for re-election.

### (f) Directors' Training

All Directors have completed the Mandatory Accreditation Programme prescribed by Bursa Malaysia Securities Berhad ("Bursa Securities").

Further, as an integral part of orientation and/or education programme for Directors, the Management provides them with a comprehensive understanding of the operations of the Group through briefings on its history, financial control systems and site visits. In addition, seminars and conferences organised by relevant regulatory authorities and/or professional bodies on topics relevant to the Group's operations, Directors' responsibilities, corporate governance issues, changes to statutory requirements and regulatory guidelines are arranged for the Directors for their participation in such seminars and conferences.

Although PN 15/2003 on Continuing Education Programme for Directors has been repealed by Bursa Securities with effect from 1 January 2005, the Board has decided that it shall, on a continuous basis, evaluate and determine the training needs of its Directors and will continue to attend training relevant to their respective needs that may be required from time to time to keep them abreast with the current developments of the industry as well as the current changes in laws and regulations where appropriate.

### (g) Nomination Committee

The Board has on 23 March 2006 established a Nomination Committee comprising three (3) Non-Executive Directors, majority of whom are independent.

The Nomination Committee is chaired by Mej Jen (Rtd) Dato' Haji Fauzi Bin Hussain and its members are Mr Choong Khoong Liang and Ms Ong Phoe Be.

The Committee is responsible for identifying and making recommendations of new nominees to the Board for consideration, who shall then collectively decide on the candidates to be appointed. The Nomination Committee also reviews on an annual basis, the required mix of skills and experience and other qualities, including core competencies which the Directors should bring to the Board.

## 2. Relationship with Shareholders

The Group recognises the importance of accountability to its investors and shareholders and thus, has maintained an active communication policy to ensure that all shareholders are kept informed of significant company developments in accordance with the Listing Requirements. The Group communicates information on the operations, activities and performance of the Group to the shareholders, stakeholders and the public through the following:

- i) Timely quarterly results announcements, Annual Reports, press releases and various announcements made to Bursa Securities;

# CORPORATE GOVERNANCE STATEMENT

## 2. Relationship with Shareholders (cont'd)

### ii) AGM

The Group's AGM remains as the principal forum for dialogue with shareholders who are encouraged to participate in the question and answer session. Executive Directors and Chairman are available to respond to shareholders' questions raised during the meeting; and

### iii) As part of the Board's responsibility in developing and implementing an investor relations programme, regular discussions are held between the Company and analyst/investors throughout the year. Presentations based on permissible disclosures are made to explain the Group's performance and major development programmes.

## 3. Accountability and Audit

The Board has established an Audit Committee to oversee the financial reporting and effectiveness of the internal control of the Group. The Audit Committee comprises three (3) Directors, the majority of whom are independent. The Board shall ensure the term of office and performance of the Audit Committee and each of its members are being reviewed at least once in every three (3) years to determine whether the members have carried out their duties in accordance with the Audit Committee's terms of reference. The terms of reference, responsibilities and activities of the Audit Committee are set out in the Audit Committee Report on pages 15 to 19 of this Annual Report.

### 3.1 Financial Reporting

The Board is mindful of its responsibility to present a balanced and fair assessment of the Group's position and prospects through the annual financial statements and quarterly announcements of results to the Bursa Securities. The Audit Committee assists in reviewing the information disclosed to ensure accuracy and adequacy. The Directors are responsible to ensure the annual financial statements are prepared in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia. A statement by the Directors on their responsibilities in preparing the financial statements is set out on page 51 of this Annual Report.

### 3.2 Internal Control

The Board acknowledges its overall responsibility for continuous maintenance of a sound system of internal control to safeguard shareholders' investment and the Group's assets. While every effort is made to manage the significant risks, by its nature, the system can only provide reasonable but not absolute assurance against material misstatement or loss. Ongoing reviews are carried out by the Board, with the assistance of the Audit Committee and external auditors, to safeguard the Group's assets.

The Board and the Audit Committee are of the opinion that the present level of operations does not justify the need of setting up an Internal Audit Department and that for now, the Audit Committee will work closely with the management and external auditors, to regularly monitor the internal controls and may make the necessary recommendation on the matter from time to time if necessary.

The Statement on Internal Control by the Directors is set out on page 14 of the Annual Report.

### 3.3 Relationship with the External Auditors

The external auditors Messrs KPMG, have continued to report to shareholders of the Company on their opinion which are included as part of the Group's financial reports with respect to their audit on each year's statutory financial statements. The Company has always established a transparent, independent and formal relationship with the auditors to meet their professional requirements. The auditors also highlight to the Audit Committee and Board of Directors on matters that require the Board's attention.

# STATEMENT OF INTERNAL CONTROL

## INTRODUCTION

The Board of Directors ("Board") in discharging their stewardship responsibilities has established procedures of internal control and is pleased to present the following Statement of Internal Control of the Group in accordance with paragraph 15.26 (b) of the Listing Requirements of Bursa Malaysia Securities Berhad for the MESDAQ Market.

## BOARD RESPONSIBILITY

The Board is aware of its responsibility to maintain a sound system of internal control to safeguard shareholders' investments and the Group's assets and to review the effectiveness, adequacy and integrity of those systems on an on-going basis. The principal aim of the system of internal control is the management of business risks that are significant to the fulfillment of Genetec's business objectives.

However, due to the limitations that are inherent in any system of internal control, the Board recognises that such system is designed to manage rather than eliminate the risk of failure to achieve the Group's business objectives. The system of internal control can only provide reasonable but not absolute assurance against material misstatements and loss. The system of internal control covers risk management and financial and operational controls.

Key elements of the Group's internal control system, including the processes in place to review its adequacy, are as follows:

## CONTROL ENVIRONMENT

The Board has put in place a well defined organisational structure with clear lines of accountability and delegation of authority. A process of hierarchical reporting has been established which designates personnel responsible for ensuring that the business activities are implemented in line with the Group's objectives, policies and procedures. Significant business risks are identified and managed as part of the process to ensure that the Group's business objectives are achieved.

## CONTROL ACTIVITIES

Annual budgets are prepared and presented to the Board for approval. Thereafter, the Group's performance is tracked and measured against the approved budget on a monthly basis. A reporting process which highlights significant variances against budget is in place to track and monitor performance on monthly basis. On a quarterly basis, the results are reviewed by the Board to enable them to gauge the Group's overall performance compared to the approved budgets and prior periods.

## OTHER MEASURES OF INTERNAL CONTROL

- Vision and mission of the Group is communicated to all levels of employees.
- Regular visits to operating units by senior management and Executive Directors of the Group.
- Relevant training are provided to personnel across all functions to maintain competency and capability.

The Group does not have an internal audit department. During the current financial year, the Board has considered the need to establish an internal audit department and has decided that the current control systems are sufficient for the size of the Group. The Board will reassess the necessity for the internal audit department in the future.

This Statement of Internal Control does not deal with the Group's associated companies as the Group does not have management control over their operations.



# AUDIT COMMITTEE REPORT

MEMBERS OF THE AUDIT COMMITTEE SHALL NOT HAVE A RELATIONSHIP WHICH IN THE OPINION OF THE BOARD OF DIRECTORS, WOULD INTERFERE WITH THE EXERCISE OF INDEPENDENT JUDGEMENT IN CARRYING OUT THE FUNCTIONS OF THE AUDIT COMMITTEE. MEMBERS OF THE AUDIT COMMITTEE SHALL POSSESS WISDOM, SOUND JUDGEMENT, OBJECTIVITY, INDEPENDENT ATTITUDE, MANAGEMENT EXPERIENCE AND KNOWLEDGE OF THE INDUSTRY.

## COMPOSITION OF THE AUDIT COMMITTEE

The present members of the Audit Committee of the Company are:

- (i) Mej Jen (Rtd) Dato' Haji Fauzi Bin Hussain  
(Independent Non-Executive Director) - Chairman
- (ii) Choong Khoong Liang  
(Independent Non-Executive Director) - Member
- (iii) Tan Kok Ang  
(Executive Director) - Member

## TERMS OF REFERENCE

### 1 Objectives

- 1.1 To provide additional assurance to the Board by giving objective and independent review of the Group's financial, operational and administrative controls and procedures.
- 1.2 To assist the Board in establishing and maintaining internal controls for areas of risks as well as safeguarding of assets within the Group.
- 1.3 To assess and supervise the quality of audits conducted by the Internal Auditors and External Auditors.
- 1.4 To reinforce the independence of the External Auditors and to ensure that the External Auditors will have free rein in the audit process.
- 1.5 To provide a forum for regular, informal and private discussion between the External Auditors and Directors who have no significant relationship with Management.
- 1.6 To reinforce the objectivity of the Internal Auditors.

### 2 Membership

- 2.1 The Audit Committee shall be appointed by the Board pursuant to a Board Resolution.
- 2.2 It shall comprise at least three (3) Members of whom majority shall be Independent Non-Executive Directors.
- 2.3 The Chairman of the Audit Committee shall be appointed by the Board, or failing which, amongst the Members of the Audit Committee themselves.
- 2.4 If the number of Members is reduced to below three (3) as a result of resignation or death of a Member, or for any other reason(s) the Member ceases to be a Member of the Audit Committee, the Board shall, within three (3) months of that event, appoint amongst such other Non-Executive Directors, a new Member to make up the minimum number required therein.
- 2.5 At least one (1) Member of the Audit Committee :
  - 2.5.1 Must be a member of the Malaysian Institute of Accountants ("MIA"); or
  - 2.5.2 If he/she is not a member of MIA, he/she must have at least three (3) years of working experience and:
    - (i) He/she must have passed the examination specified in Part I of the 1st Schedule of the Accountants Act, 1967; or
    - (ii) He/she must be a member of one (1) of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967; or
  - 2.5.3 Must fulfill such requirements as may from time to time be prescribed by Bursa Malaysia Securities Berhad ("Bursa Securities").

# AUDIT COMMITTEE REPORT

2.6 An alternate Director is not eligible for membership in the Audit Committee.

## 3 Authority

3.1 The Audit Committee is authorised by the Board to investigate any activity within its Terms of Reference.

3.2 It shall have unlimited access to both the Internal Auditors and External Auditors as well as all employees of the Group.

3.3 It shall also have the authority to obtain independent legal or other professional advice and to secure attendance of outsiders with relevant experience and expertise if it considers this necessary.

3.4 It shall also have the power to establish Sub-Audit Committee(s) and delegate its powers to such Sub-Audit Committee(s) for the purpose of carrying out certain investigations on its behalf in such manner as the Audit Committee deems fit and necessary and to appoint such officers within the Group as members of the Sub-Audit Committee(s).

## 4 Functions

4.1 To review with both the Internal Auditors and External Auditors their audit plans and reports.

4.2 To review the scope of the internal audit programme and procedures, consider the results of internal audit investigations and assess Management's response and actions to rectify any reported shortcoming.

4.3 To evaluate the adequacy and effectiveness of the internal control systems as well as the administrative, operating and accounting policies employed.

4.4 To review the assistance given by the officers and employees of the Group to the Internal Auditors and External Auditors.

4.5 To review the Company's quarterly and annual consolidated financial statements and thereafter to submit them to the Board, focusing particularly on any changes in accounting policies and practices; significant adjustments arising from the audit; the going concern assumption; compliance with accounting standards and other legal requirements.

4.6 To review any related party transactions that may arise within the Company or Group.

4.7 To identify and direct any special projects or investigations it deems necessary.

4.8 To nominate a person or persons as the External Auditors. To consider the audit fee and any question of resignation or dismissal of the External Auditors.

4.9 To discuss with the External Auditors before the audit commences, the nature and scope of their audit and ensure co-ordination where more than one audit firm is involved.

4.10 To discuss problems and reservations arising from the interim and final audits and any other matter the External Auditors may wish to discuss in the absence of Management, where necessary.

4.11 To review the External Auditors' management letter and Management's response.

4.12 To verify the allocation of options pursuant to the Employees' Share Option Scheme ("ESOS") as being in compliance with the criteria set out in the ESOS By-Laws and to make such statement to be included in the Annual Report of the Company in relation to a share scheme for employees.

4.13 To carry out such other functions and consider other topics as may be agreed upon from time to time with the Board.

4.14 To review reports and consider recommendations of the Sub-Audit Committee(s), if any.

# AUDIT COMMITTEE REPORT

## 5 Meetings

- 5.1 The Audit Committee will hold regular meetings as and when the need arises and any such additional meetings as the Chairman of the Audit Committee so decides to fulfill its duties.
- 5.2 A quorum shall consist of two (2) Members. The majority of Members present must be Independent Non-Executive Directors.
- 5.3 Notice of not less than three (3) working days shall be given for the calling of any meeting to those entitled and required to be present.
- 5.4 Matters raised and tabled at all meetings shall be decided by a majority of votes of the Members.
- 5.5 A resolution in writing, signed by all the Members shall be as valid and effective as if it had been deliberated and decided upon at a meeting of the Audit Committee.
- 5.6 Proceedings of all meetings held and resolutions passed as referred to in Clause 5.5 above shall be recorded by the Secretary and kept at the Company's registered office.
- 5.7 Every member of the Board shall have the right at any time to inspect the minutes of all meetings held and resolutions passed by the Audit Committee and the reports submitted thereat.
- 5.8 The External Auditors shall have the right to appear and be heard at any meeting and shall appear before the Audit Committee when so required by the Audit Committee.
- 5.9 Upon the request of the External Auditors, the Chairman shall convene a meeting to consider any matters the External Auditors believe should be brought to the attention of the Directors or shareholders of the Company.
- 5.10 The Executive Directors of any company within the Group, representatives of the Internal Auditors, the Management and any employee of the Group, as the case requires, may be requested to attend such meetings.
- 5.11 The Audit Committee shall meet with the External Auditors at least once in a financial year without the presence of the executive board members of the Company.

## 6 Compliance

- 6.1 The provisions of Articles 130, 131, 132 and 133 of the Company's Articles of Association except as otherwise expressly provided in these Terms of Reference shall apply to the Audit Committee.

### Attendance At Audit Committee Meetings

The Audit Committee met two (2) times during the financial year ended 31 March 2006. The details of attendance of each Audit Committee member at the Audit Committee meetings are as follows:

<b>Audit Committee Member</b>	<b>Total No. Of Meetings Attended</b>	<b>% of Attendance</b>
Mej Jen (Rtd) Dato' Haji Fauzi Bin Hussain	2/2	100
Tunku Ahmad Burhanuddin Bin Tunku Datuk Seri Adnan (resigned w.e.f 28.12.2005)	1/1	100
Choong Khoong Liang (appointed w.e.f 23.3.2006)	1/1	100
Tan Kok Ang	2/2	100

#### Notes

Meetings were held on 18 October 2005 and 30 March 2006.

# AUDIT COMMITTEE REPORT

## ACTIVITIES UNDERTAKEN BY THE AUDIT COMMITTEE

### SUMMARY OF ACTIVITIES OF THE COMMITTEE

The Committee carried out the following activities in discharging their duties and responsibilities:

#### Financial Results

- (i) Review of the Group's quarterly financial results and annual audited financial statements of the Group including the announcements pertaining thereto, before recommending to the Board for their consideration and approval prior to the release of Group's results to Bursa Securities;
- (ii) Review of the Group's compliance on the following areas, where relevant:
  - Listing Requirements of Bursa Securities;
  - Provisions of the Companies Act, 1965 and other legal requirements; and
  - Applicable approved accounting standards in Malaysia.

#### External Audit

- (i) Review of external auditors' scope of work, their terms of engagement, proposed audit remuneration and audit plan for the financial year ended 31 March 2006. Prior to the audit, representatives from the external auditors presented their audit strategies and plans;
- (ii) Review the external auditors' audit strategies and plan and further discuss their approach in areas of emphasis;
- (iii) Review of results and issues arising from their audit of the financial year end statements and the resolution of issues highlighted in their report to the Committee;
- (iv) Review of their performance and independence before recommending to the Board their re-appointment and remuneration; and
- (v) Recommendations made by the external auditors in respect of control weaknesses during the course of their audit were duly noted by the Audit Committee and highlighted to the Board.

#### Internal Audit

- (i) Review of internal auditors' audit plan for the financial year ended 31 March 2006 to ensure that principal risk areas and key processes are adequately identified and covered in the plan.

#### Related Party Transactions

- (i) Review of related party transactions for compliance with the Listing Requirements of Bursa Securities and the appropriateness of such transactions before recommending them to the Board for its approval; and
- (ii) Review of the procedures for securing the shareholders' mandate for Recurrent Related Party Transactions.

#### Others

- (i) Verification of the allocation of options pursuant to the ESOS as being in compliance with the criteria set out in the ESOS By-Laws; and
- (ii) Review of the Group's compliance with relevant provisions set under the Malaysian Code of Corporate Governance for the purpose of preparing the Corporate Governance Statement of Internal Control pursuant to the Listing Requirements of Bursa Securities.

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# DIRECTORS' REPORT

for the financial year ended 31 March 2006

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 March 2006.

## Principal activities

The Company is principally engaged in investment holding and designing and building of customised factory automation equipment and integrated vision inspection systems, from conceptual design, development of prototype to mass replication of equipment. The principal activities of its subsidiaries are stated in Note 4 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

## Results

	Group RM	Company RM
Net profit for the year	2,768,617	3,112,602

## Reserves and provisions

There were no material transfers to or from reserves and provisions during the year under review.

## Dividends

No dividend was paid during the financial year and the Directors do not recommend any dividend to be paid for the year under review.

## Directors of the Company

Directors who served since the date of the last report are:

Chen Khai Voon  
 Chin Kem Weng  
 Mej Jen (Rtd) Dato' Haji Fauzi Bin Hussain (appointed on 3 August 2005)  
 Lim Yong Jin (appointed on 3 August 2005)  
 Tan Kok Ang (appointed on 3 August 2005)  
 Ong Phoe Be (appointed on 3 August 2005)  
 Tunku Ahmad Burhanuddin Bin Tunku Datuk Seri Adnan (appointed on 3 August 2005; resigned on 28 December 2005)  
 Choong Khoong Liang (appointed on 23 March 2006)

The holdings and deemed holdings in the ordinary shares of the Company and of its related corporations of those who were Directors at year end as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM1.00 each			Number of ordinary shares of RM0.10 each				
	Balance at 1.4.2005	Bonus issue (Note 1)	Net balance before subdivision	After Subdivision (Note 2)	Rights issue (Note 3)	Bought	Sold	Balance at 31.3.2006
<b>Shareholdings in which Directors have interest</b>								
In the Company								
Chin Kem Weng								
- direct interest	490,000	1,862,000	2,352,000	23,520,000	20,580,000	-	-	44,100,000
Chen Khai Voon								
- indirect interest	510,000	1,938,000	2,448,000	24,480,000	21,420,000	-	-	45,900,000

# DIRECTORS' REPORT

for the financial year ended 31 March 2006

**Note:**

- 1 Bonus issue on the basis of thirty eight (38) new ordinary shares of RM1.00 each for every ten (10) existing ordinary shares of RM1.00 each held prior to the sub-division of shares.
- 2 Sub-division of shares into ten (10) ordinary shares of RM0.10 each for every one (1) existing ordinary share of RM1.00 each held.
- 3 Rights issue on the basis of seven (7) new ordinary shares of RM0.10 each for every eight (8) existing ordinary shares of RM0.10 each held.

By virtue of their interests in the shares of the Company, Chin Kem Weng and Chen Khai Voon are also deemed interested in the shares of the subsidiaries during the financial year to the extent that the Company has an interest.

The options granted to the Directors of the Company to take up unissued ordinary shares of RM0.10 each in the Company pursuant to the Company's Employees' Share Option Scheme ("ESOS") are set out below:-

	Number of options over ordinary shares of RM0.10 each			
	Balance at 1.4.2005	Granted	Exercised	Balance at 31.3.2006
Share options in the Company				
Chin Kem Weng	-	1,200,000	-	1,200,000
Tan Kok Ang	-	1,200,000	-	1,200,000
Ong Phoe Be	-	1,200,000	-	1,200,000
Mej Jen (Rtd) Dato' Haji Fauzi Bin Hussain	-	400,000	-	400,000
Lim Yong Jin	-	400,000	-	400,000

## Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements of the Company or its related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate apart from the Employees' Share Option Scheme issued by the Company.

## Issue of shares and debentures

During the financial year, the Company:-

- i) increased its authorised share capital from RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each to RM25,000,000 comprising 25,000,000 ordinary shares of RM1.00 each by the creation of an additional 24,000,000 ordinary shares of RM1.00 each;
- ii) implemented a bonus issue of 3,800,000 new ordinary shares of RM1.00 each at an issue price of RM1.00 per share on the basis of 38 new ordinary shares of RM1.00 each for every 10 ordinary shares of RM1.00 each held;
- iii) implemented a reduction in par value which involves sub-dividing every one (1) ordinary share of RM1.00 each to ten (10) ordinary shares of RM0.10 each, resulting in an increase in the number of ordinary shares in the authorised share capital from 25,000,000 ordinary shares of RM1.00 each to 250,000,000 ordinary shares of RM0.10 each and the issued and paid-up share capital from 4,800,000 ordinary shares of RM1.00 each to 48,000,000 ordinary shares of RM0.10 each;

# DIRECTORS' REPORT

for the financial year ended 31 March 2006

- iv) implemented a rights issue of 42,000,000 new ordinary shares of RM0.10 each at an issue price of RM0.10 per share for cash considerations on the basis of seven (7) new shares for every eight (8) existing shares held;
- v) made a private placement of 22,000,000 new ordinary shares of RM0.10 each at a placement price of RM0.30 per share for cash consideration; and
- vi) made a public issue of 8,000,000 new ordinary shares of RM0.10 each at an issue price of RM0.30 per share for cash consideration.

The shares were issued in conjunction with the listing scheme of Genetec Technology Berhad on the MESDAQ Market of Bursa Malaysia Securities Berhad.

There were no other changes in the issued and paid-up share capital of the Company during the financial year. There were no debentures issued during the financial year.

## Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year apart from the issue of share options pursuant to the Employees' Share Option Scheme.

## Employees' Share Option Scheme

At an Extraordinary General Meeting held on 16 September 2005, the Company's shareholders approved the establishment of an Employees' Share Option Scheme ("ESOS") for the eligible employees and Directors of Genetec and its subsidiaries to subscribe for new ordinary shares up to a maximum of 10% of the issued and paid-up share capital of the Company at any point in time during the tenure of the ESOS.

The options offered to take up unissued ordinary shares of the Company of RM0.10 each and the option price is as follows:

Date of offer	Option price (RM)	Number of options over ordinary shares of RM0.10 each				Balance at 31.3.2006
		Balance at 1.4.2005	Granted	Lapsed	Exercised	
19 October 2005	0.30	-	11,653,000	(855,000)	-	10,798,000

The salient features of the scheme are as follows:

- i) Eligible employees are those who must be at least eighteen (18) years of age, employed on a full time basis by any company in the Group and must have been confirmed in service on the date of offer.
- ii) The option is personal to the grantee and is non-assignable and non-transferable.
- iii) The option price shall be determined based on the initial public offer price or weighted average market price of the Company's ordinary shares for the five (5) market days preceding the date of offer subject to a discount of not more than ten percent (10%), or at the par value of the ordinary shares of the Company, whichever is higher.
- iv) The ESOS shall be in force for a period of five (5) years from the date of commencement on 21 September 2005. However, an extension to the scheme may be affected by the Company upon recommendation of the Option Committee, subject to an aggregate duration of ten (10) years from the date of commencement.
- v) No option shall be granted for less than one hundred (100) ordinary shares nor more than the maximum allowable allotment and shall be in multiples of one hundred (100) ordinary shares.

The options to be granted pursuant to the ESOS Scheme would only be capable of exercise after one (1) year has lapsed from the listing of the shares of the Company on the MESDAQ Market of Bursa Malaysia Securities Berhad.



# DIRECTORS' REPORT

for the financial year ended 31 March 2006

In respect of the offer of ESOS on 19 October 2005, the Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of option holders who have been granted options of less than 450,000 shares. The names of option holders and the number of options granted which are 450,000 and above are set out below:

Name of option holders	Number of options over ordinary shares of RM0.10 each			Balance at 31.3.2006
	Balance at 1.4.2005	Granted	Exercised	
Chin Kem Weng	-	1,200,000	-	1,200,000
Tan Kok Ang	-	1,200,000	-	1,200,000
Ong Phoe Be	-	1,200,000	-	1,200,000
Ooi Eng Sun	-	800,000	-	800,000
Sow Ewe Lee	-	650,000	-	650,000
Yeo Teik Hock	-	450,000	-	450,000
Goh Yik Yong	-	450,000	-	450,000

The option price is RM0.30 each and expires on 20 September 2010.

## Significant event during the year

On 7 November 2005, the shares of the Company have been listed on the MESDAQ Market of Bursa Malaysia Securities Berhad.

## Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) all current assets have been stated at the lower of cost and net realisable value.

At the date of this report, the Directors are not aware of any circumstances:

- i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the Group and in the Company's financial statements misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

# DIRECTORS' REPORT

for the financial year ended 31 March 2006

At the date of this report, there does not exist:

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 31 March 2006 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

## **Auditors**

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed in accordance with a resolution of the Directors:

**Chin Kem Weng**

**Tan Kok Ang**

Kuala Lumpur,

Date: 26 July 2006

## STATEMENT BY DIRECTORS PURSUANT TO

Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 27 to 50 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 March 2006 and of the results of their operations and cash flows for the financial year ended on that date.

Signed in accordance with a resolution of the Directors:

**Chin Kem Weng**

**Tan Kok Ang**

Kuala Lumpur,

Date: 26 July 2006

## STATUTORY DECLARATION PURSUANT TO

Section 169(16) of the Companies Act, 1965

I, **Tan Kon Hoan**, the officer primarily responsible for the financial management of Genetec Technology Berhad, do solemnly and sincerely declare that the financial statements set out on pages 27 to 50 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed in Kuala Lumpur on 26 July 2006.

**Tan Kon Hoan**

Before me:

No. W202  
BARATHAN A/L SINNIAM @ CHINNIAM AMN, PJK  
Commissioner for Oaths  
Kuala Lumpur

# REPORT OF THE AUDITORS

to the members of Genetec Technology Berhad

We have audited the financial statements set out on pages 27 to 50. The preparation of the financial statements is the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations which we consider necessary to provide us with evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:
  - i) the state of affairs of the Group and of the Company at 31 March 2006 and the results of their operations and cash flows for the year ended on that date; and
  - ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and the subsidiaries have been properly kept in accordance with the provisions of the said Act.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.

**KPMG**

Firm Number: AF 0758  
Chartered Accountants

Kuala Lumpur,

Date: 26 July 2006

**Chan Kam Chiew**

Partner  
Approval Number: 2055/06/08(J)

# BALANCE SHEETS

as at 31 March 2006

	Note	Group		Company	
		2006 RM	2005 RM	2006 RM	2005 RM
<b>Property, plant and equipment</b>	2	4,749,648	3,515,491	4,671,156	3,499,971
<b>Goodwill</b>	3	251,545	328,944	-	-
<b>Investment in subsidiaries</b>	4	-	-	250,004	250,004
<b>Investment in an associate</b>	5	-	-	49,000	49,000
<b>Current assets</b>					
Inventories	7	4,720,504	4,814,637	4,248,307	4,534,269
Trade and other receivables	8	14,339,707	12,253,119	14,201,968	12,166,299
Amounts due from subsidiaries	9	-	-	991,722	634,829
Amount due from an associate	9	888,096	1,093,051	888,096	1,093,051
Tax recoverable		228,880	295,381	228,880	295,381
Cash and cash equivalents	10	6,793,830	2,745,239	6,499,154	2,365,526
		26,971,017	21,201,427	27,058,127	21,089,355
<b>Current liabilities</b>					
Trade and other payables	11	6,071,137	5,990,258	5,510,823	5,560,320
Amount due to holding company	12	-	4,456,133	-	4,456,133
Amounts due to related companies	12	-	1,870,024	-	1,870,024
Bank borrowings	13	3,416,000	3,937,000	3,416,000	3,937,000
Hire purchase liabilities	14	129,699	149,263	129,699	149,263
		9,616,836	16,402,678	9,056,522	15,972,740
<b>Net current assets</b>		17,354,181	4,798,749	18,001,605	5,116,615
		22,355,374	8,643,184	22,971,765	8,915,590
<b>Financed by:-</b>					
<b>Capital and reserves</b>					
Share capital	15	12,000,000	1,000,000	12,000,000	1,000,000
Share premium		4,191,217	-	4,191,217	-
Retained profits	17	5,869,247	6,900,630	6,485,638	7,173,036
<b>Shareholders' funds</b>		22,060,464	7,900,630	22,676,855	8,173,036
Minority shareholders' interests	18	-	-	-	-
<b>Long term and deferred liabilities</b>					
Hire purchase liabilities	14	202,910	200,554	202,910	200,554
Deferred tax liabilities	6	92,000	542,000	92,000	542,000
		22,355,374	8,643,184	22,971,765	8,915,590

The financial statements were approved and authorised for issue by the Board of Directors on 26 July 2006.

The notes set out on pages 32 to 50 form an integral part of, and should be read in conjunction with, these financial statements.

# INCOME STATEMENTS

for the financial year ended 31 March 2006

	Note	Group		Company	
		2006 RM	2005 RM	2006 RM	2005 RM
<b>Revenue</b>		38,259,849	28,695,412	37,270,349	27,995,471
Cost of sales		(31,455,466)	(22,679,359)	(30,809,055)	(22,451,729)
<b>Gross profit</b>		6,804,383	6,016,053	6,461,294	5,543,742
Selling and distribution costs		(1,613,154)	(2,028,386)	(1,593,355)	(1,892,374)
Administration expenses		(2,249,452)	(1,865,333)	(1,660,319)	(1,593,201)
Other operating expenses		(457,727)	(88,017)	(380,328)	(26,800)
Other operating income		150,928	148,944	150,928	148,944
<b>Operating profit</b>	19	2,634,978	2,183,261	2,978,220	2,180,311
Financing costs	21	(298,389)	(192,541)	(297,646)	(189,184)
Interest income		136,028	13,405	136,028	13,405
Gain on disposal of a subsidiary		-	165,304	-	1
<b>Profit before taxation</b>		2,472,617	2,169,429	2,816,602	2,004,533
Tax expense	22	296,000	(575,000)	296,000	(575,000)
<b>Profit after taxation</b>		2,768,617	1,594,429	3,112,602	1,429,533
Minority shareholders' interest		-	4	-	-
<b>Net profit for the year</b>		2,768,617	1,594,433	3,112,602	1,429,533
Basic earnings per ordinary share (sen)	23	3.00	2.29		
Diluted earnings per ordinary share (sen)	23	2.96	-		

The notes set out on pages 32 to 50 form an integral part of, and should be read in conjunction with, these financial statements.

# STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 March 2006

	Share capital RM	<i>Non Distributable</i> Share premium RM	<i>Distributable</i> Retained profits RM	Total RM
<b>At 1 April 2004</b>	1,000,000	-	5,306,197	6,306,197
Net profit for the year	-	-	1,594,433	1,594,433
<b>At 31 March 2005/1 April 2005</b>	1,000,000	-	6,900,630	7,900,630
Issuance of shares				
- bonus issue	3,800,000	-	(3,800,000)	-
- rights issue	4,200,000	-	-	4,200,000
- private placement issue	2,200,000	4,400,000	-	6,600,000
- public issue	800,000	1,600,000	-	2,400,000
Share issue expenses	-	(1,808,783)	-	(1,808,783)
Net profit for the year	-	-	2,768,617	2,768,617
<b>At 31 March 2006</b>	12,000,000	4,191,217	5,869,247	22,060,464
	Note 15			
<b>Company</b>				
<b>At 1 April 2004</b>	1,000,000	-	5,743,503	6,743,503
Net profit for the year	-	-	1,429,533	1,429,533
<b>At 31 March 2005/1 April 2005</b>	1,000,000	-	7,173,036	8,173,036
Issuance of shares				
- bonus issue	3,800,000	-	(3,800,000)	-
- rights issue	4,200,000	-	-	4,200,000
- private placement issue	2,200,000	4,400,000	-	6,600,000
- public issue	800,000	1,600,000	-	2,400,000
Share issue expenses	-	(1,808,783)	-	(1,808,783)
Net profit for the year	-	-	3,112,602	3,112,602
<b>At 31 March 2006</b>	12,000,000	4,191,217	6,485,638	22,676,855
	Note 15		Note 17	

The notes set out on pages 32 to 50 form an integral part of, and should be read in conjunction with, these financial statements.

# CASH FLOW STATEMENTS

for the financial year ended 31 March 2006

	Note	Group		Company	
		2006 RM	2005 RM	2006 RM	2005 RM
<b>Cash flows from operating activities</b>					
Profit before taxation and minority shareholders' interest		2,472,617	2,169,429	2,816,602	2,004,533
Adjustments for:					
Allowance for doubtful debts		74,215	127,125	74,215	127,125
Amortisation of goodwill		77,399	58,049	-	-
Depreciation		660,576	659,545	651,578	608,634
Interest expense		256,947	167,922	256,920	165,569
Interest income		(136,028)	(13,405)	(136,028)	(13,405)
Gain on disposal of property, plant and equipment		(494)	(54,355)	(494)	(54,355)
Property, plant and equipment written off		2,469	-	2,469	-
Gain on disposal of a subsidiary		-	(165,304)	-	(1)
Reversal of allowance for doubtful debts		(3,000)	(32,846)	(3,000)	(32,846)
Reversal of inventories written down to net realisable value		-	(7,463)	-	(7,463)
Unrealised foreign exchange loss		176,126	-	176,126	-
Operating profit before working capital changes		3,580,827	2,908,697	3,838,388	2,797,791
Changes in working capital:					
Inventories		94,133	(1,532,397)	285,962	(1,235,187)
Trade and other receivables		(2,333,929)	(4,845,881)	(2,283,010)	(4,234,401)
Trade and other payables		80,879	3,959,243	(49,497)	2,069,063
Holding company		(4,456,133)	(1,602,111)	(4,456,133)	577,500
Subsidiaries		-	-	(356,893)	(714,338)
Related companies		(1,870,024)	1,511,891	(1,870,024)	1,394,581
Associate		204,955	360,222	204,955	360,222
Cash (used in)/generated from operations		(4,699,292)	759,664	(4,686,252)	1,015,230
Income taxes paid		(87,499)	(585,352)	(87,499)	(585,352)
Interest paid		(15,196)	(6,980)	(15,169)	(6,980)
<b>Net cash (used in)/generated from operating activities</b>		<b>(4,801,987)</b>	<b>167,332</b>	<b>(4,788,920)</b>	<b>422,898</b>
<b>Cash flows from investing activities</b>					
Acquisition of subsidiaries, net of cash acquired	30	-	2	-	(7)
Interest received		136,028	13,405	136,028	13,405
Purchase of property, plant and equipment	(ii)	(1,746,908)	(389,177)	(1,674,938)	(371,847)
Proceeds from disposal of property, plant and equipment		8,200	128,127	8,200	128,127
Disposal of a subsidiary, net of cash disposed of	31.2	-	(41,519)	-	1
Increase in shares in a subsidiary		-	-	-	(249,997)
<b>Net cash used in investing activities</b>		<b>(1,602,680)</b>	<b>(289,162)</b>	<b>(1,530,710)</b>	<b>(480,318)</b>



# CASH FLOW STATEMENTS

for the financial year ended 31 March 2006

	Note	Group		Company	
		2006 RM	2005 RM	2006 RM	2005 RM
<b>Cash flows from financing activities</b>					
Repayment of hire purchase liabilities		(175,208)	(161,276)	(175,208)	(130,833)
Interest paid		(241,751)	(160,942)	(241,751)	(158,589)
(Repayment of)/proceeds from bank borrowings		(521,000)	1,761,000	(521,000)	1,761,000
Shares issued to minority shareholders		-	4	-	-
Payment of listing expenses		(1,808,783)	-	(1,808,783)	-
Proceeds from rights issue		4,200,000	-	4,200,000	-
Proceeds from private placement issue		6,600,000	-	6,600,000	-
Proceeds from public issue		2,400,000	-	2,400,000	-
<b>Net cash generated from financing activities</b>		<b>10,453,258</b>	<b>1,438,786</b>	<b>10,453,258</b>	<b>1,471,578</b>
<b>Net increase in cash and cash equivalents</b>		<b>4,048,591</b>	<b>1,316,956</b>	<b>4,133,628</b>	<b>1,414,158</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>2,745,239</b>	<b>1,428,283</b>	<b>2,365,526</b>	<b>951,368</b>
<b>Cash and cash equivalents at end of year</b>	(i)	<b>6,793,830</b>	<b>2,745,239</b>	<b>6,499,154</b>	<b>2,365,526</b>

## Notes to cash flow statement

### i) Cash and cash equivalents

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

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Cash and bank balances	4,793,830	1,105,239	4,499,154	725,526
Deposit placed with a licensed bank	2,000,000	1,640,000	2,000,000	1,640,000
	<b>6,793,830</b>	<b>2,745,239</b>	<b>6,499,154</b>	<b>2,365,526</b>

### ii) Purchase of property, plant and equipment

The Group and the Company acquired property, plant and equipment with an aggregate cost of RM1,904,908 (2005 - RM700,077) and RM1,832,938 (2005 - RM682,747) respectively, of which RM158,000 (2005 - RM310,900) and RM158,000 (2005 - RM310,900) were acquired by means of hire purchase arrangements.

The notes set out on pages 32 to 50 form an integral part of, and should be read in conjunction with, these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1 Summary of significant accounting policies

The following accounting policies are adopted by the Group and by the Company and are consistent with those adopted in previous years.

### (a) Basis of accounting

The financial statements of the Group and of the Company are prepared on the historical cost basis except as disclosed in the notes to the financial statements and in compliance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

### (b) Basis of consolidation

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiaries are consolidated using the acquisition method of accounting.

A subsidiary is excluded from consolidation when control is intended to be temporary if the subsidiary is acquired and held exclusively with a view of its subsequent disposal in the near future and it has not previously been consolidated or it operates under severe long term restrictions which significantly impair its ability to transfer funds to the Company. Subsidiaries excluded on these grounds are accounted for as investments.

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the year are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the Group's financial statements. The difference between the acquisition cost and the fair values of the subsidiaries' net assets is reflected as goodwill or negative goodwill as appropriate.

Intragroup transactions and balances and the resulting unrealised profits are eliminated on consolidation. Unrealised losses resulting from intragroup transactions are also eliminated unless cost cannot be recovered.

### (c) Property, plant and equipment

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

### (d) Depreciation

The straight-line method is used to write off the cost of the assets over the term of their estimated useful lives at the following principal annual rates:

Leasehold land and building	2%
Freehold building	2%
Electrical equipment, renovation, furniture and fittings	8% – 12%
Plant and machineries	10%
Motor vehicles	20%

### (e) Goodwill

Goodwill represents the excess of the cost of acquisition over the fair values of the net identifiable assets acquired.

Goodwill is stated at cost less accumulated amortisation and accumulated impairment losses.

Goodwill is amortised through the Group's income statement on a straight-line basis over a maximum of 5 years from the date of acquisition.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Summary of significant accounting policies (continued)

### (f) Investment in subsidiaries

Investment in subsidiaries, which is eliminated on consolidation, is stated at cost in the Company, less impairment loss where applicable.

### (g) Associate

Associate is an enterprise in which the Group has significant influence, but not control, over the financial and operating policies.

The consolidated financial statements include the total recognised gains and losses of associate on an equity accounted basis from the date that significant influence effectively commences until the date that significant influence effectively ceases.

Unrealised profits arising on transactions between the Group and its associate which are included in the carrying amount of the related assets and liabilities are eliminated partially to the extent of the Group's interests in the associate. Unrealised losses on such transactions are also eliminated partially unless cost cannot be recovered.

Investment in an associate is stated at cost in the Company, less impairment loss where applicable.

### (h) Inventories

Inventories are stated at the lower of cost and net realisable value and are determined on a weighted average basis.

The cost of work-in-progress and finished goods includes cost of raw materials, consumables, indirect materials, direct labour and finished goods and an appropriate allocation of manufacturing overheads. The cost of raw materials and indirect materials comprises the original purchase price plus incidentals in bringing these inventories to their present location and condition.

In arriving at net realisable value, a write down is made, where necessary, for obsolete and slow moving items.

### (i) Trade and other receivables

Trade and other receivables are stated at cost less allowance for doubtful debts.

Known bad debts are written off and an allowance is made for all debts considered doubtful, based on estimates of possible losses which may arise from non-collection of certain receivable accounts.

### (j) Amounts due from/(to) subsidiaries, associate, related companies and holding company

Amounts due from/(to) subsidiaries, associate, related companies and holding company are stated at cost less allowance for doubtful debts.

### (k) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks.

### (l) Liabilities

Borrowings and trade and other payables are stated at cost.

### (m) Hire purchase liabilities

Plant and equipment acquired under hire purchase arrangements are capitalised at their purchase cost and depreciated on the same basis as owned assets. The corresponding obligations relating to the remaining capital repayments are treated as a liability. The interest element of the hire purchase installments is charged to the income statement over the period of the hire purchase plan and accounted for on the sum of digits method.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Summary of significant accounting policies (continued)

### (n) Impairment

The carrying amount of the assets, other than inventories, deferred tax assets and financial assets (other than investments in subsidiaries and an associate), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of that event.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The reversal is recognised in the income statement.

### (o) Income tax

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that at the time of the transaction affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

### (p) Employee benefits

#### *i) Short term employee benefits*

Wages, salaries and bonuses are recognised as expenses in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

#### *ii) Defined contribution plans*

Obligations for contributions to Employees' Provident Fund are recognised as an expense in the income statement as incurred.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Summary of significant accounting policies (continued)

### (q) Foreign currencies

Transactions in foreign currencies are translated to Ringgit Malaysia at rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Ringgit Malaysia at the foreign exchange rates ruling at that date. Foreign exchange differences arising from translation are recognised in the income statement.

The closing rates used in the translation of foreign currency monetary assets and liabilities are as follows:

	2006	2005
1USD	RM3.69	RM3.83
1SGD	RM2.27	RM2.30
100 Thai Baht	RM10.01	RM9.93

### (r) Research and development expenditure

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is expensed to the income statement as incurred.

Expenditure on development activities whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Company has sufficient resources to complete development. The expenditure capitalised includes the cost of raw materials, direct labour and an appropriate proportion of overheads. Other development expenditure is expensed in the income statement as incurred.

### (s) Revenue

Revenue represents the invoiced value of goods sold, less returns, sales tax and trade discounts.

Revenue from sale of goods is measured at the fair value of the consideration receivable and is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

### (t) Interest income

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset.

### (u) Expenses

#### *ij) Operating lease payments*

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

#### *ii) Financing costs*

All interest and other costs incurred in connection with borrowings are expensed as incurred.

### (v) Discontinuing operations

A discontinuing operation is a clearly distinguishable component of the Group's business that is disposed or terminated pursuant to a single plan, which represents a separate major line of business or geographical area of operations and can be distinguished operationally and for financial reporting purposes.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Property, plant and equipment

Group	Leasehold land RM	Leasehold building RM	Freehold building RM	Electrical equipment, renovation, furniture and fittings RM	Plant and machineries RM	Motor vehicles RM	Total RM
<b>Cost</b>							
At 1 April 2005	-	-	209,563	2,249,822	2,701,812	693,574	5,854,771
Additions	850,000	650,000	-	202,786	26,225	175,897	1,904,908
Disposals	-	-	-	(12,753)	-	-	(12,753)
Written off	-	-	-	(2,740)	(2,520)	-	(5,260)
At 31 March 2006	850,000	650,000	209,563	2,437,115	2,725,517	869,471	7,741,666
<b>Accumulated depreciation</b>							
At 1 April 2005	-	-	28,640	840,896	1,147,965	321,779	2,339,280
Charge for the year	1,417	1,083	4,191	239,949	271,234	142,702	660,576
Disposals	-	-	-	(5,047)	-	-	(5,047)
Written off	-	-	-	(1,510)	(1,281)	-	(2,791)
At 31 March 2006	1,417	1,083	32,831	1,074,288	1,417,918	464,481	2,992,018
<b>Net book value</b>							
At 31 March 2006	848,583	648,917	176,732	1,362,827	1,307,599	404,990	4,749,648
At 31 March 2005	-	-	180,923	1,408,926	1,553,847	371,795	3,515,491
Depreciation charge for the year ended 31 March 2005							
	-	-	4,191	231,648	300,621	123,085	659,545
<b>Company</b>							
<b>Cost</b>							
At 1 April 2005	-	-	209,563	2,232,615	2,701,812	693,574	5,837,564
Additions	850,000	650,000	-	130,816	26,225	175,897	1,832,938
Disposals	-	-	-	(12,753)	-	-	(12,753)
Written off	-	-	-	(2,740)	(2,520)	-	(5,260)
At 31 March 2006	850,000	650,000	209,563	2,347,938	2,725,517	869,471	7,652,489
<b>Accumulated depreciation</b>							
At 1 April 2005	-	-	28,640	839,209	1,147,965	321,779	2,337,593
Charge for the year	1,417	1,083	4,191	230,951	271,234	142,702	651,578
Disposals	-	-	-	(5,047)	-	-	(5,047)
Written off	-	-	-	(1,510)	(1,281)	-	(2,791)
At 31 March 2006	1,417	1,083	32,831	1,063,603	1,417,918	464,481	2,981,333
<b>Net book value</b>							
At 31 March 2006	848,583	648,917	176,732	1,284,335	1,307,599	404,990	4,671,156
At 31 March 2005	-	-	180,923	1,393,406	1,553,847	371,795	3,499,971
Depreciation charge for the year ended 31 March 2005							
	-	-	4,191	217,833	263,525	123,085	608,634

# NOTES TO THE FINANCIAL STATEMENTS

## 2. Property, plant and equipment (continued)

2.1 The title for freehold building of the Group and of the Company costing RM209,563 (2005 - RM209,563) is pending issuance by the relevant authorities.

The title for leasehold land and building of the Group and of the Company costing RM1,500,000 (2005 - Nil) is in the process of being transferred to the Group and Company.

2.2 The freehold building comprising a condominium unit of the Group and of the Company costing RM209,563 (2005: RM209,563) is pledged to a bank for credit facilities granted to the Group and the Company (See Note 13.1). The Group and Company is in the process of obtaining a discharge on the property pledged.

2.3 The net book value of plant and equipment acquired under hire purchase arrangements is as follows:

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Plant and machineries	60,833	230,993	60,833	230,993
Motor vehicles	404,141	342,100	404,141	342,100

## 3. Goodwill

	Group	
	2006 RM	2005 RM
<b>Cost</b>		
At 1 April	386,993	-
Acquisition of a subsidiary	-	386,993
At 31 March	386,993	386,993
<b>Accumulated amortisation</b>		
At 1 April	58,049	-
Amortisation charge for the year	77,399	58,049
At 31 March	135,448	58,049
<b>Net book value</b>		
At 31 March	251,545	328,944

## 4. Investment in subsidiaries

	Company	
	2006 RM	2005 RM
Unquoted shares in Malaysia, at cost	250,004	250,004

Details of the subsidiaries, which are all incorporated in Malaysia, are as follows:

Name of company	Principal activities	Effective ownership interest	
		2006	2005
Genevision (M) Sdn. Bhd.	Design and development of vision inspection system	100%	100%
FAS Technology Solution Sdn. Bhd.	Design and development of automated industrial equipment	60%	60%

## NOTES TO THE FINANCIAL STATEMENTS

### 5. Investment in an associate

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Unquoted shares, at cost	49,000	49,000	49,000	49,000
Share of post-acquisition losses	(49,000)	(49,000)	-	-
	-	-	49,000	49,000

Represented by:

Group's share of net assets other than goodwill	-	-		
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The details of the associate are as follows:

Name of company	Principal activities	Country of incorporation	Effective ownership interest	
			2006	2005
TGT Technology Limited	Provision of engineering and technical services including designing of machine, machinery equipment and accessories of industrial products	Thailand	49%	49%

The Group's share of current year profit of RM108,000 (2005 - profit of RM207,000) and share of cumulative losses of associate of RM262,000 (2005 - RM370,000) for the years subsequent to 31 October 2002 have not been recognised in the Group's income statements as equity accounting ceased with effect from 31 October 2002 when the Group's share of cumulative losses in the associate exceeded the carrying amount of its investment in the associate.

### 6. Deferred tax

The recognised deferred tax assets and liabilities are as follows:

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Property, plant and equipment	148,000	666,000	148,000	666,000
Other temporary differences	(56,000)	(124,000)	(56,000)	(124,000)
Deferred tax liabilities	92,000	542,000	92,000	542,000

Deferred tax assets have not been recognised for the following items:

	Group	
	2006 RM	2005 RM
Unabsorbed capital allowances	(34,000)	(9,000)
Unutilised tax losses	(287,000)	(151,000)
Other temporary differences	24,000	8,000
	(297,000)	(152,000)

The unutilised tax losses, unabsorbed capital allowances and other temporary differences do not expire under current tax legislation unless there has been a significant change of more than 50% in the shareholders of the entities in the Group. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available in these companies against which the Group can utilise the benefits.



## NOTES TO THE FINANCIAL STATEMENTS

### 7. Inventories

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
<i>At cost:</i>				
Raw materials	98,346	93,717	98,346	49,476
Consumables	1,629,717	1,298,229	1,629,717	1,298,229
Work-in-progress	2,515,516	3,244,360	2,272,454	3,008,233
Finished goods	229,135	-	-	-
	<u>4,472,714</u>	<u>4,636,306</u>	<u>4,000,517</u>	<u>4,355,938</u>
<i>At net realisable value:</i>				
Work-in-progress	247,790	178,331	247,790	178,331
	<u>4,720,504</u>	<u>4,814,637</u>	<u>4,248,307</u>	<u>4,534,269</u>

### 8. Trade and other receivables

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Trade receivables	14,525,747	11,501,154	14,406,031	11,421,054
Less: Allowance for doubtful debts	(751,704)	(680,489)	(751,704)	(680,489)
	<u>13,774,043</u>	<u>10,820,665</u>	<u>13,654,327</u>	<u>10,740,565</u>
Other receivables, deposits and prepayments	565,664	1,432,454	547,641	1,425,734
	<u>14,339,707</u>	<u>12,253,119</u>	<u>14,201,968</u>	<u>12,166,299</u>

In 2005, the Group and Company's bad debts amounted to RM4,230 were written off against allowance for doubtful debts.

In 2005, included in other receivables, deposits and prepayments of the Group and of the Company were share issue expenses amounting to RM993,895 which have been offset against share premium accounts during the year when the share issue exercise was completed.

### 9. Amounts due from subsidiaries and associate

The amounts due from subsidiaries are non-trade in nature, unsecured, interest free and have no fixed terms of repayment, except for an amount of RM19,015 (2005 - RM50,000) which is trade in nature.

Amount due from an associate is trade in nature.

### 10. Cash and cash equivalents

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Deposit placed with a licensed bank	2,000,000	1,640,000	2,000,000	1,640,000
Cash and bank balances	4,793,830	1,105,239	4,499,154	725,526
	<u>6,793,830</u>	<u>2,745,239</u>	<u>6,499,154</u>	<u>2,365,526</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 11. Trade and other payables

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Trade payables	4,942,856	5,328,428	4,885,325	5,322,232
Other payables and accruals	1,128,281	661,830	625,498	238,088
	6,071,137	5,990,258	5,510,823	5,560,320

Included in other payables and accruals of the Group is an amount of RM380,461 (2005 - RM380,461) due to a Director of a subsidiary. The amount due to the Director is non-trade in nature, unsecured, interest free and has no fixed terms of repayment.

## 12. Amounts due to holding company and related companies

Prior to the flotation of the Company on the MESDAQ market of Bursa Malaysia Securities Berhad during the year, the holding company was ATIS Corporation Berhad, a company which is incorporated in Malaysia.

In 2005, amount due to holding company was non-trade in nature, unsecured, interest free and had no fixed terms of repayment.

In 2005, amount due to related companies was trade in nature.

## 13. Bank borrowings (secured)

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
<b>Current:</b>				
Bankers' acceptances	3,416,000	3,937,000	3,416,000	3,937,000

13.1 In 2006, the Group and Company's bankers' acceptances are supported by corporate guarantee from ATIS Corporation Berhad. Subsequent to the year end, the corporate guarantee was released by the lender bank.

In 2005, the Group and Company's bankers' acceptances were secured by:

- i) Deed of assignment over the Group and Company's freehold condominium (Note 2.2);
- ii) A third party legal charge over a piece of land belonging to KVC Industrial Supplies Sdn. Bhd. (formerly known as KVC Electric (M) Sdn. Bhd.); and
- iii) Corporate guarantee from ATIS Corporation Berhad.

13.2 The bankers' acceptances bear interest at 0.85% - 1.00% (2005 - 1.00%) per annum above the lender banks' cost of funds.

## 14. Hire purchase liabilities

Hire purchase liabilities are payable as follows:

Group and Company	2006			2005		
	Payments RM	Interest RM	Principal RM	Payments RM	Interest RM	Principal RM
Less than one year	144,697	(14,998)	129,699	166,652	(17,389)	149,263
Between one and five years	215,899	(12,989)	202,910	214,792	(14,238)	200,554
	360,596	(27,987)	332,609	381,444	(31,627)	349,817

The hire purchase liabilities are subject to a fixed interest rate ranging from 2.60% to 4.25% (2005 - 3.10% to 4.25%) per annum.

# NOTES TO THE FINANCIAL STATEMENTS

## 15. Share capital

	Group and Company	
	2006 RM	2005 RM
Ordinary shares of RM0.10 each * (2005 : RM1.00 each):		
Authorised:		
At 1 April	1,000,000	1,000,000
Created during the year	24,000,000	-
At 31 March	25,000,000	1,000,000
Issued and fully paid:		
At 1 April	1,000,000	1,000,000
Issued during the year:		
Bonus issue	3,800,000	-
Rights issue	4,200,000	-
Private placement issue	2,200,000	-
Public issue	800,000	-
At 31 March	12,000,000	1,000,000

Note: \*The ordinary shares of RM1.00 each were sub-divided into RM0.10 per ordinary share during the financial year.

## 16. Employee benefits

Equity compensation benefits

Employees' Share Option Scheme ("ESOS")

The Group offers vested share options over ordinary shares to Directors and employees who must have been confirmed in service on the date of offer on 19 October 2005. Movements in the number of share options held by employees are as follows:

	Group and Company	
	2006 '000	2005 '000
At 1 April	-	-
Granted	11,653	-
Lapsed due to resignation	(855)	-
At 31 March	10,798	-

Details of share options granted during the year are as follows:-

Expiry date	20 September 2010
Exercise price per ordinary share	RM0.30
Aggregate proceeds if shares are issued (RM'000)	3,496

Terms of the options outstanding at 31 March 2006:

Expiry date	Exercise price RM	Number of options ('000)
20 September 2010	0.30	10,798

# NOTES TO THE FINANCIAL STATEMENTS

## 17. Retained profits (distributable)

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank all of its retained profits at 31 March 2006 if paid out as dividends.

## 18. Minority shareholders' interests

This consists of the minority shareholders' proportion of share capital and reserves of subsidiaries.

## 19. Operating profit

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Operating profit is arrived at after crediting:				
Gain on disposal of property, plant and equipment	494	54,355	494	54,355
Realised gain on foreign exchange	68,793	2,074	66,323	2,074
Rental income from condominium	9,900	10,800	9,900	10,800
Bad debts recovered	1,589	-	1,589	-
Reversal of allowance for doubtful debts				
- related companies	-	31,976	-	31,976
- others	3,000	870	3,000	870
Reversal of inventories written down to net realisable value	-	7,463	-	7,463
and after charging:				
Allowance for doubtful debts	74,215	127,125	74,215	127,125
Amortisation of goodwill	77,399	58,049	-	-
Auditors' remuneration	27,000	17,000	20,500	13,000
Depreciation	660,576	659,545	651,578	608,634
Directors' remuneration	367,773	258,720	367,773	258,720
Director's fee	30,000	-	30,000	-
Property, plant and equipment written off	2,469	-	2,469	-
Rental of premises	386,160	344,290	362,300	342,390
Loss on foreign exchange				
- realised	199,600	-	199,600	-
- unrealised	176,126	-	176,126	-
Estimated monetary value of benefits-in-kind received by Directors	19,900	-	19,900	-

## 20. Employee information

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Staff costs	4,402,016	4,048,275	3,967,285	3,732,856

The number of employees of the Group and of the Company (including Executive Directors) at the end of the year was 116 and 105 (2005 - 103 and 97) respectively.

Staff costs include contributions to the Employees' Provident Fund of the Group and of the Company amounting to RM433,521 (2005 - RM390,271) and RM387,819 (2005 - RM364,219) respectively.

## NOTES TO THE FINANCIAL STATEMENTS

### 21. Financing costs

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Interest expense on:				
Bank overdrafts	15,196	6,980	15,169	6,980
Bankers' acceptances	217,571	144,322	217,571	144,322
Hire purchase liabilities	24,180	16,620	24,180	14,267
	256,947	167,922	256,920	165,569
Bank charges	41,442	24,619	40,726	23,615
	298,389	192,541	297,646	189,184

### 22. Tax expense

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Income tax expense				
– current year	295,000	400,000	295,000	400,000
– overprovision in prior year	(141,000)	-	(141,000)	-
	154,000	400,000	154,000	400,000
Deferred tax expense				
– origination and reversal of temporary differences	(69,000)	175,000	(69,000)	175,000
– overprovision in prior year	(381,000)	-	(381,000)	-
	(450,000)	175,000	(450,000)	175,000
	(296,000)	575,000	(296,000)	575,000
Reconciliation of effective tax expense				
Profit before taxation	2,472,617	2,169,429	2,816,602	2,004,533
Income tax using Malaysian tax rates	735,332	579,762	788,649	521,269
Non-deductible expenses	42,572	73,490	18,255	53,731
Non-taxable income	-	(108,726)	-	-
Tax incentives	(580,904)	-	(580,904)	-
Effect of deferred tax not recognised in current year	29,000	30,474	-	-
	226,000	575,000	226,000	575,000
Overprovision in prior year	(522,000)	-	(522,000)	-
Tax expense	(296,000)	575,000	(296,000)	575,000

## NOTES TO THE FINANCIAL STATEMENTS

### 23. Earnings per ordinary share - Group

#### 23.1 Basic earnings per ordinary share

The basic earnings per ordinary share is calculated by dividing the Group's net profit attributable to ordinary shareholders of RM2,768,617 (2005 - RM1,594,433) by the weighted average number of ordinary shares outstanding during the financial year of 92,390,137 (2005 - 69,600,000 (restated)).

Weighted average number of ordinary shares is calculated as follows:

	2006	Restated 2005
Issued ordinary shares at beginning of the year	1,000,000	1,000,000
Effect of share sub-division	43,200,000	43,200,000
Effect of bonus issue	3,800,000	3,800,000
Effect of rights issue, including element of bonus	32,554,521	21,600,000
Private placement issue	8,679,452	-
Public issue	3,156,164	-
	92,390,137	69,600,000

The comparatives have been restated to reflect the share sub-division and bonus issue of the Company.

#### 23.2 Diluted earnings per ordinary share

The diluted earnings per ordinary share is calculated by dividing the Group's net profit attributable to ordinary shareholders of RM2,768,617 by the weighted average number of ordinary shares issued and issueable of 93,657,137.

Weighted average number of ordinary shares (diluted) is as follows:

	2006	2005
Weighted average number of ordinary shares as above	92,390,137	-
Effect of dilution on share options under ESOS	1,267,000	-
	93,657,137	-

There is no dilution in earnings per share for 31 March 2005 as the ESOS was only granted during the financial year ended 31 March 2006.

### 24. Segmental information

Segment information is not provided as the Group is principally engaged in the industrial automation segment and its operations are carried out solely in Malaysia.

In 2005, the Group's operations also included the plastic injection moulding segment operated by a former subsidiary, Genetec Plastic Technology (M) Sdn. Bhd. which had been disposed of during the year of which the results attributable to that segment has been disclosed in Note 31.

## NOTES TO THE FINANCIAL STATEMENTS

### 25. Contingent liabilities (unsecured)

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Corporate guarantee to financial institutions for credit facilities granted to a related company	-	10,923	-	10,923

### 26. Operating lease

Lease as lessee

Total future minimum lease payments under non-cancelable operating lease are as follows:

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Less than one year	354,900	343,200	354,900	343,200
Between one and five years	89,700	444,600	89,700	444,600
	444,600	787,800	444,600	787,800

The Group leases a property under operating lease. The lease runs for an initial period of 3 years with an option to renew the lease thereafter. The lease does not include contingent rentals.

### 27. Capital commitments

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
<b>Property, plant and equipment</b>				
Contracted but not provided for in the financial statements	-	158,000	-	158,000

### 28. Related parties

Related party relationships are as follows:

- i) Controlling related party relationships in its subsidiaries as disclosed in Note 4.
- ii) Significant influence in its associate as disclosed in Note 5.
- iii) Subsidiaries of the Group's former holding company in 2005.

## NOTES TO THE FINANCIAL STATEMENTS

### 28. Related parties (continued)

Significant transactions with related parties other than those disclosed elsewhere in the financial statements are as follows:

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
<b>Subsidiary</b>				
FAS Technology Solution Sdn. Bhd.				
Sales	-	-	(20,324)	(50,000)
<b>Former related companies</b>				
Genetec Plastic Technology (M) Sdn. Bhd.				
Purchases	935,263	387,517	935,263	766,045
KVC Industrial Supplies Sdn. Bhd. (formerly known as KVC Electric (M) Sdn. Bhd.)				
Purchases	353,882	203,573	353,882	203,573
Management fee paid	103,800	103,800	103,800	103,800
R&R Industrial Products (M) Sdn. Bhd.				
Purchases	535,356	292,484	535,356	292,484
TSA Industries Sdn. Bhd.				
Purchases	12,871	23,660	12,871	23,660
Sales	(77,109)	-	(77,109)	-
<b>Associate</b>				
TGT Technology Limited				
Servicing fee	900,000	900,000	900,000	900,000

The Directors of the Company are of the opinion that the above transactions have been entered into within the ordinary course of business of the Group and of the Company and have been established under negotiated terms.

### 29. Financial instruments

#### Financial risk management objectives and policies

The main risks arising from the Group and Company's financial instruments are liquidity risk, credit risk, foreign currency risk and interest rate risk. The Group and Company's normal practice for managing each of these risks are summarised below:

#### Liquidity risk

In the management of liquidity risk, the Group and Company monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the Group and Company's operations and mitigate the effects of fluctuations in cash flows.



# NOTES TO THE FINANCIAL STATEMENTS

## 29. Financial instruments (continued)

### Credit risk

The exposure to credit risk is monitored on an ongoing basis. The maximum exposure to credit risk is represented by the carrying amount of each financial asset presented in the balance sheet.

At balance sheet date, a significant concentration of credit risk arises in respect of debts owing from 4 (2005 : 4) major customers amounting to RM12.4 million (2005 - RM8.8 million) of the total trade receivables of the Group and Company. The Directors are closely monitoring the Group's credit risk exposure to these major customers and are confident in recovering these amounts.

### Foreign currency risk

The Group and Company incur foreign currency risk on sales and purchases that are denominated in a currency other than Ringgit Malaysia. In the management of foreign currency risk, the Group and Company enter into foreign currency forward contracts in the normal course of business to manage its exposure against foreign currency fluctuations on sales and purchases transactions denominated in foreign currencies.

There are no foreign currency forward contracts outstanding as at 31 March 2006.

### Interest rate risk

The Group and Company place cash balances with reputable banks to generate interest income for the Group and Company. The Group and Company manage its interest rate risk by placing such balances on varying maturities and interest rate terms.

### Effective interest rates and repricing analysis

Group and Company	Effective interest rate per annum %	Total RM	Within 1 year RM
<b>2006</b>			
<i>Financial asset</i>			
Deposit placed with a licensed bank	2.5	2,000,000	2,000,000
<i>Financial liability</i>			
Bankers' acceptances	3.6	3,416,000	3,416,000
<b>2005</b>			
<i>Financial asset</i>			
Deposit placed with a licensed bank	2.0	1,640,000	1,640,000
<i>Financial liability</i>			
Bankers' acceptances	4.2	3,937,000	3,937,000

### Fair values

In the opinion of the Directors, there is no significant difference between the fair values and the book values of financial assets and financial liabilities due to the relatively short term nature of these financial instruments.

## NOTES TO THE FINANCIAL STATEMENTS

### 30. Acquisition of subsidiaries

30.1 In June 2004, the Company completed the acquisition of the entire equity interest in Genevision (M) Sdn. Bhd., comprising 3 ordinary shares of RM1.00 each for a total cash consideration of RM1.00. The acquisition was accounted for using the acquisition method of accounting.

30.2 In October 2004, the Company incorporated a 60% owned subsidiary, FAS Technology Solution Sdn. Bhd. and subscribed to 6 ordinary shares of RM1.00 each at par.

30.3 The fair values of assets acquired and liabilities assumed in the acquisition of the subsidiary mentioned in Note 30.1 and its cash flow effects were as follows:

	<b>At date of acquisition RM</b>
Current asset	3
Current liabilities	(386,995)
Net liabilities	(386,992)
Goodwill arising from consolidation	386,993
Purchase consideration paid, satisfied in cash	1
Cash and cash equivalents of subsidiary	(3)
Cash flow on acquisition, net of cash acquired	(2)

30.4 The acquisition of the subsidiaries had the following effect on the Group's operating results, assets and liabilities as at 31 March 2005:

	<b>From date of acquisition to 31.3.2005 RM</b>
Revenue	313,790
Cost of sales	(296,498)
Gross profit	17,292
Selling and distribution costs	(2,398)
Administration expenses	(176,783)
Other operating expenses	(3,073)
Operating loss	(164,962)
Financing costs	(399)
Loss before taxation	(165,361)
Tax expense	-
Decrease in the Group's net profit attributable to shareholders	(165,361)

## NOTES TO THE FINANCIAL STATEMENTS

### 30. Acquisition of subsidiaries (continued)

	<b>31.3.2005</b>
	<b>RM</b>
Plant and equipment	15,520
Current assets	746,901
Current liabilities	(1,064,767)
Net liabilities	(302,346)
Goodwill arising from consolidation	386,993
Amortisation of goodwill	(58,049)
Increase in Group's net assets	26,598

### 31. Discontinued operations

On 31 March 2004, the Company entered into a Sale and Purchase Agreement with Wawasan Plastic Industry Sdn. Bhd., a former related company, for a proposed internal restructuring exercise involving the disposal of 51,000 ordinary shares of RM1.00 each representing 51% equity interest in the subsidiary of the Company, Genetec Plastic Technology (M) Sdn. Bhd. ("GPT"), which comprised the plastic injection moulding segment, for a cash consideration of RM1.00. The disposal was completed in September 2004.

31.1 The revenue, results, cash flows, total assets and total liabilities of GPT were as follows:

	<b>Period from</b>
	<b>1.4.2004 to</b>
	<b>30.9.2004</b>
	<b>RM</b>
Revenue	825,872
Cost of sales	(370,853)
Gross profit	455,019
Selling and distribution costs	(133,614)
Administration expenses	(95,349)
Other operating expenses	(95)
Operating profit	225,961
Financing costs	(2,958)
Profit before taxation	223,003
Tax expense	-
Net profit for the period	223,003
Cash flows used in operating activities	(404,829)
Cash flows used in investing activities	(123)
Cash flows used in financing activities	(30,443)
Total cash flows	(435,395)
	<b>30.9.2004</b>
	<b>RM</b>
Total assets	2,252,155
Total liabilities	2,417,458

## NOTES TO THE FINANCIAL STATEMENTS

### 31. Discontinued operations (continued)

31.2 The fair values of assets and liabilities on the disposal of the subsidiary and its cash flow effects are as follows:

	<b>At date of disposal RM</b>
Property, plant and equipment	626,252
Deferred tax assets	140,000
Current assets	1,485,903
Current liabilities	(2,417,458)
Net liabilities disposed of	(165,303)
Gain on disposal	165,304
Disposal consideration received	1
Cash and cash equivalents of subsidiary	(41,520)
Cash flow on disposal, net of cash disposed of	(41,519)

### 32. Significant event during the year

On 7 November 2005, the shares of the Company have been listed on the MESDAQ market of Bursa Malaysia Securities Berhad.

# DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation of financial statements for each financial year so as to give a true and fair view of the state of affairs of the Group and the Company and of the results and cash flows of the Group and the Company for the financial year then ended.

In preparing the financial statements, the Directors have made judgements and estimates that are reasonable and prudent and adopted suitable accounting policies and applied them consistently.

The Directors are responsible for ensuring that proper accounting and other records are kept which disclose with reasonable accuracy at any time the financial position of the Group and the Company and to enable them to ensure that the financial statements comply with the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

# LIST OF PROPERTIES HELD

by the Group as at 31 March 2006

No.	Address	Approximate tenure/ Year of expiry	Description/ Existing use	Land area / Built- up area (sq. ft.)	Net book value @ 31.03.06 (RM'000)	Age of building (years)	Date of acquisition
1.	A23-03A, Type B Storey No 23, Block A Kenanga Point Jalan Gelugor, 55200 Wilayah Persekutuan.	-	Freehold Condominium / Vacant	-* / 861	177	9	9 June 1998
2.	No. 59, Jalan P/21 Selaman Industrial Park Seksyen 10, 43650 Bandar Baru Bangi Selangor Darul Ehsan.	99 years expiring in 2098	Leasehold 1½ -storey detached factory / Office building	22,723 / 13,603	1,497	1	20 March 2006

Note: \*The strata title to the land has yet to be divided by the relevant authorities. As such, the land area is currently unavailable.

## ADDITIONAL COMPLIANCE INFORMATION

### 1. Utilisation of proceeds from corporate proposal

The status of utilisation of total gross proceeds of RM13.20 million arising from the rights issue and public issue pursuant to the listing of the Company on the MESDAQ Market of Bursa Malaysia Securities Berhad as at 31 March 2006 is as follows:

<b>Purpose</b>	<b>Gross proceeds raised RM'000</b>	<b>Utilisation of Proceeds as at 31 March 2006 RM'000</b>	<b>Balance RM'000</b>
Working capital	9,858 <sup>1</sup>	7,858	2,000
Estimated listing expenses	1,200	1,200	-
<b>Total</b>	<b>11,058<sup>2</sup></b>	<b>9,058</b>	<b>2,000</b>

Notes:

1. Out of the total amount of RM9.86 million, Genetec has estimated that it would spend approximately RM2 million towards the designing and building of research & development equipment/systems as demonstration sets for marketing purposes
2. Net of RM2.14 million owed by Genetec to ATIS Corporation Berhad, a substantial shareholder of Genetec, from the gross proceeds raised from Genetec's rights issue of RM4.20 million

### 2. Share buy-backs

During the financial year, the Company did not enter into any share buy-back transaction.

### 3. Options, warrants and convertible securities

There were no exercise of options, warrants and convertible securities during the financial year.

Particulars of share options offered to and exercised by non-Executive Directors pursuant to a share scheme for employees in respect of the financial year are as follows:

<b>Name of Director</b>	<b>Options offered ('000)</b>	<b>Options exercised</b>
1. Mej Jen (Rtd) Dato' Haji Fauzi Bin Hussain	400	-
2. Lim Yong Jin	400	-
3. Ong Phoe Be	1,200	-

### 4. Depository receipt programme

During the financial year under review, the Company did not sponsor any depository receipt programme.

### 5. Sanctions and/or penalties

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

### 6. Non-audit fees

There was no non-audit fees paid out or payable to external auditors by the Group for the financial year ended 31 March 2006 (2005: RM25,000)

### 7. Profit estimate, forecast or projection

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

### 8. Variation in results

There is no significant variance between the results for the financial year and the unaudited results previously released by the Company.

### 9. Profit guarantee

No profit guarantee had been given by the Company in respect of the financial year.

## ADDITIONAL COMPLIANCE INFORMATION

### 10. Material contracts

Other than below, there were no material contracts entered into by the Company and its subsidiaries involving Directors' and substantial shareholders' interests:

Conditional Sale and Purchase Agreement dated 28 July 2006 entered into between the Company and KVC Industrial Supplies Sdn Bhd (formerly known as KVC Electric (M) Sdn Bhd) for the proposed acquisition of a piece of vacant leasehold land held under Title No. HS(D) 52707 No. PT 40856 in the Town of Bandar Baru Bangi, District of Hulu Langat, State of Selangor for a cash consideration of RM1,835,000.

### 11. Material contracts relating to loans

There were no material contracts relating to loans entered into by the Company and its subsidiaries involving Directors' and substantial shareholders' interests.

### 12. Revaluation policy on landed properties

The Group does not revalue its landed properties.

### 13. Recurrent Related Party Transactions

The significant recurrent related party transactions conducted during the financial year ended 31 March 2006 were as follows:

Related Parties	Relationship with Genetec Group	Nature of Transactions with Genetec Group	Amount RM'000
1. Genetec Plastic Technology (M) Sdn Bhd ("GPT")	Chen Khai Voon is a Director of Genetec and an indirect substantial shareholder of Genetec. He is also a Director and an indirect substantial shareholder of GPT.  Chin Kem Weng is a Director and also a substantial shareholder of Genetec. He is also a Director of GPT.	Purchase of fabrication parts	260
2. TGT Technology Limited ("TGT")	Chen Khai Voon is a Director of Genetec and an indirect substantial shareholder of Genetec. He is also a Director and an indirect substantial shareholder of TGT.  Chin Kem Weng is a Director and also a substantial shareholder of Genetec. He is also a Director and an indirect substantial shareholder of TGT.	Servicing fees for designing machines	350

Note: The above recurrent related party transactions are subject to shareholders' ratification at the forthcoming 8th Annual General Meeting of the Company.



# ANALYSIS OF SHAREHOLDINGS

as at 15 August 2006

## SHARE CAPITAL

Authorised Share Capital	:	RM25,000,000 divided into 250,000,000 Ordinary Shares of RM0.10 each
Issued and Paid-Up Share Capital	:	RM12,000,000 divided into 120,000,000 Ordinary Shares of RM0.10 each
Class of Shares	:	Ordinary Shares of RM0.10 each
Voting Rights	:	One vote per Ordinary Share

## ANALYSIS OF SHAREHOLDINGS

Category	No. of Holders	No. of Shares	Percentage (%)
1 – 99	1	50	0.00
100 – 1,000	27	12,000	0.01
1,001 – 10,000	108	615,050	0.51
10,001 – 100,000	95	3,248,400	2.71
100,001 – 5,999,999	29	26,124,500	21.77
6,000,000 and above (5% of issued securities)	2	90,000,000	75.00
<b>Total</b>	<b>262</b>	<b>120,000,000</b>	<b>100.00</b>

## DIRECTORS' SHAREHOLDINGS

(as per Register of Directors' Shareholdings)

Name	Direct		Indirect	
	No. of Shares Held	% of Issued Capital	No. of Shares Held	% of Issued Capital
Mej Jen (Rtd) Dato' Haji Fauzi Bin Hussain	-	-	-	-
Lim Yong Jin	-	-	-	-
Choong Khoong Liang	-	-	-	-
Chen Khai Voon	-	-	45,900,000*	38.25
Chin Kem Weng	44,100,000	36.75	-	-
Tan Kok Ang	-	-	-	-
Ong Phoe Be (f)	-	-	-	-

Note: \*Deemed interested pursuant to Section 6A of the Companies Act, 1965 ("Act")

Other than as stated above, there is no change in the deemed interest of Directors in related companies as disclosed in page 20 of this Annual Report.

The options granted to the Directors pursuant to the Company's Employees' Share Option Scheme are set out in page 21 of this Annual Report. There are no changes in the options since the close of the financial year ended 31 March 2006.

## SUBSTANTIAL SHAREHOLDERS

(as per Register of Substantial Shareholders)

Name	Direct		Indirect	
	No. of Shares Held	% of Issued Capital	No. of Shares Held	% of Issued Capital
ATIS Corporation Berhad	45,900,000	38.25	-	-
Chin Kem Weng	44,100,000	36.75	-	-
Chen Khai Voon	-	-	45,900,000 <sup>1</sup>	38.25
Evolusi Impian Sdn Bhd	-	-	45,900,000 <sup>2</sup>	38.25

Notes :

1 Deemed interested by virtue of his substantial shareholdings in ATIS Corporation Berhad ("ATIS") and Evolusi Impian Sdn Bhd pursuant to Section 6A of the Act.

2 Deemed interested by virtue of its substantial shareholdings in ATIS pursuant to Section 6A of the Act.

# ANALYSIS OF SHAREHOLDINGS

as at 15 August 2006

## 30 LARGEST SHAREHOLDERS

Name	No. of Shares Held	Percentage [%]
1. ATIS Corporation Berhad	45,900,000	38.25
2. Chin Kem Weng	44,100,000	36.75
3. EB Nominees (Tempatan) Sdn Bhd Qualifier : Pledged Securities Account for Siow Khien Meng (SFC)	4,500,000	3.75
4. EB Nominees (Tempatan) Sdn Bhd Qualifier : Pledged Securities Account for Rosfaizal Bin Rosli (SFC)	4,000,000	3.33
5. Wannee Boonyasiriwat	2,150,000	1.79
6. Shaari Bin Haron	1,950,400	1.63
7. Yap Wan Loong	1,278,000	1.06
8. Allen Lik-Hook Ting	1,260,000	1.05
9. Chin Lee Heong	1,100,700	0.92
10. Mayban Securities Nominees (Tempatan) Sdn Bhd Qualifier : Pledged Securities Account for Low Mei Loon (Dealer 072)	1,000,000	0.83
11. Yap Kien Leong	956,500	0.80
12. Siow Khien Meng	933,900	0.78
13. Ngu Liong Ting	868,400	0.72
14. Song Kok Full	832,000	0.69
15. DB (Malaysia) Nominee (Asing) Sdn Bhd Qualifier : Deutsche Bank AG London	700,600	0.58
16. EB Nominees (Tempatan) Sdn Bhd Qualifier : Pledged Securities Account for Ooi Eng Sun (SFC)	700,000	0.58
17. HLB Nominees (Tempatan) Sdn Bhd Qualifier : Pledged Securities Account for Yoh Sow Cheong	475,000	0.40
18. EB Nominees (Tempatan) Sdn Bhd Qualifier : Pledged Securities Account for Sow Ewe Lee (SFC)	466,000	0.39
19. Yoh Sow Cheong	456,200	0.38
20. EB Nominees (Tempatan) Sdn Bhd Qualifier : Pledged Securities Account for Yeo Teik Hock (SFC)	375,000	0.31
21. EB Nominees (Tempatan) Sdn Bhd Qualifier : Pledged Securities Account for Lim Ghee Tatt (SFC)	370,000	0.31
22. Chin Lee Heong	296,000	0.25
23. Chan Soo Chai	203,000	0.17
24. Tan Khim Yong	200,000	0.17
25. EB Nominees (Tempatan) Sdn Bhd Qualifier : Pledged Securities Account for Goh Yik Yong (SFC)	155,000	0.13
26. Mayban Nominees (Tempatan) Sdn Bhd Qualifier : Pledged Securities Account for Lai Nyok Pek (122AF4128)	146,500	0.12
27. Lim Kar Hwa	132,000	0.11
28. Gillian Kung @ Kung Fern Ling	128,100	0.11
29. Wong Yew Gen	122,000	0.10
30. Tee Lee Chen	120,000	0.10
	<b>115,875,300</b>	<b>96.56</b>

# CORPORATE DIRECTORY

## **GENETEC TECHNOLOGY BERHAD**

(Co. No. 445537-W)

Lot 1, Jalan P10/12

Kawasan Perusahaan Bangi

43650 Bandar Baru Bangi

Selangor Darul Ehsan

Tel 603 8926 6388

Fax 603 8926 9689

## **FAS TECHNOLOGY SOLUTION SDN BHD**

(Co. No. 670298-U)

41, Jalan IMJ 5

Taman Industri Malim Jaya

75250 Melaka

Tel 606 334 4268

Fax 606 336 7268

## **GENEVISION (M) SDN BHD**

(Co. No. 481528-M)

Lot 1, Jalan P10/12

Kawasan Perusahaan Bangi

43650 Bandar Baru Bangi

Selangor Darul Ehsan

Tel 603 8926 6388

Fax 603 8926 9689

## **TGT TECHNOLOGY LIMITED**

(Co. No. 10454501602)

9/37 Village No 5, Unit 2B2

Phaholyothin Road, Klong Nueng

Klong Luang, Pathumthani, 12120 Thailand

Tel 66 2 902 2203

Fax 66 2 902 2206

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Eighth Annual General Meeting of Genetec Technology Berhad (the "**Company**") will be held at Multi-Purpose Halls 1 & 2, 2nd Floor, Lot 5, Jalan P10/12, Kawasan Perusahaan Bangi, 43650 Bandar Baru Bangi, Selangor Darul Ehsan, on Friday, 29 September 2006 at 11.30 a.m. for the following purposes:-

## AGENDA

### AS ORDINARY BUSINESS:

1. To receive the Audited Financial Statements for the financial year ended 31 March 2006 together with the Reports of the Directors and Auditors thereon. **Ordinary Resolution 1**
2. To approve the aggregate Directors' fees payable to the Directors of the Company of an amount not exceeding RM100,000.00 per annum. **Ordinary Resolution 2**
3. To re-elect the following Directors who retire pursuant to Article 92 of the Company's Articles of Association:-
  - 3.1 Mr Chen Khai Voon **Ordinary Resolution 3**
  - 3.2 Y. Bhg. Mej Jen (Rtd) Dato' Haji Fauzi Bin Hussain **Ordinary Resolution 4**
4. To re-elect Mr Choong Khoong Liang, the Director who retires pursuant to Article 99 of the Company's Articles of Association. **Ordinary Resolution 5**
5. To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration. **Ordinary Resolution 6**

### AS SPECIAL BUSINESS:

To consider, and if thought fit, to pass the following resolutions with or without modifications thereto:-

#### 6. AUTHORITY TO ALLOT SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965

"THAT pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorised to issue shares in the Company at any time until the conclusion of the next Annual General Meeting ("**AGM**") and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the issued share capital of the Company for the time being, subject always to the approval of all relevant regulatory bodies being obtained for such allotment and issue."

**Ordinary Resolution 7**

#### 7. PROPOSED RATIFICATION FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

"THAT all Recurrent Related Party Transactions entered into by the Company and/or its subsidiary companies ("**Genetec Group**") with the related parties, as set out in Part A of Section 2 of the Circular to Shareholders dated 5 September 2006 ("**Circular**"), from the listing date of the Company, 7 November 2005, up to the date of the Eighth AGM, which were necessary for the Genetec Group's day-to-day operations, be and are hereby approved and ratified."

**Ordinary Resolution 8**

# NOTICE OF ANNUAL GENERAL MEETING

## 8. PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("SHAREHOLDERS' MANDATE")

"THAT, subject to the provisions of the Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") for the MESDAQ Market, approval be and is hereby given for the Company and its subsidiaries, to enter into recurrent related party transactions of a revenue or trading nature with the related parties as specified in Part A of Section 2 of the Circular which are necessary for the day-to-day operations and/or in the ordinary course of business of the Company and its subsidiaries on terms not more favourable to the related parties than those generally available to the public and are not detrimental to the non-interested shareholders of the Company and that such authority shall continue to be in force until:-

- (a) the conclusion of the next AGM of the Company at which time the mandate will lapse, unless by a resolution passed at the next AGM, the mandate is renewed; or
- (b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 143(1) of the Companies Act, 1965, (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or
- (c) revoked or varied by ordinary resolution passed by the shareholders in general meeting;

whichever is the earlier.

AND THAT authority be and is hereby given to the Directors of the Company to complete and do all such acts and things (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by the Shareholders' Mandate." **Ordinary Resolution 9**

## 9. PROPOSED ACQUISITION OF LAND

"THAT subject to the approval of the relevant authorities, approval be and is hereby given for the proposed acquisition of a piece of vacant leasehold land held under Title No. HS(D) 52707 No. PT 40856 and located in the Town of Bandar Baru Bangi, District of Hulu Langat, State of Selangor by the Company from KVC Industrial Supplies Sdn Bhd (formerly known as KVC Electric (M) Sdn Bhd), a wholly-owned subsidiary of the Company's substantial shareholder, ATIS Corporation Berhad under the terms and subject to the conditions of the Sale and Purchase Agreement dated 28 July 2006 ("**SPA**") for a cash consideration of Ringgit Malaysia One Million Eight Hundred and Thirty Five Thousand only (RM1,835,000.00) ("**Proposed Acquisition**");

THAT the execution of the SPA be and is hereby confirmed, approved and ratified;

AND FURTHER THAT the Directors of the Company be hereby authorised to take all such steps and to enter into all other agreements, undertakings, indemnities, transfers, assignments and/or guarantees with any party or parties as the Directors may deem fit, necessary, expedient and/or appropriate in order to give full effect to the Proposed Acquisition with full power to assent to any condition, revaluation, modification, variation and/or amendments as may be required by any relevant authorities."

**Ordinary Resolution 10**

## 10. PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION

"THAT the proposed alterations, modifications, amendments or deletions to the Articles of Association of the Company as contained in Appendix A set out in pages 61 to 63 of the 2006 Annual Report be hereby approved." **Special Resolution 1**

BY ORDER OF THE BOARD

**LEONG OI WAH** (MAICSA 7023802)  
**WONG CHOOI FUN** (MAICSA 7027549)  
Secretaries

Selangor Darul Ehsan  
Date: 5 September 2006

# NOTICE OF ANNUAL GENERAL MEETING

## Notes:

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and Section 149 (1)(b) of the Companies Act, 1965 shall not apply.
2. Where a member appoints more than two (2) proxies to attend and vote at the same meeting, such appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
4. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Wisma KVC, Lot 3, Jalan P10/12, Kawasan Perusahaan Bangi, 43650 Bandar Baru Bangi, Selangor Darul Ehsan not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.

## 5. EXPLANATORY NOTES ON SPECIAL BUSINESS

### (i) ORDINARY RESOLUTION 7 - AUTHORITY TO ALLOT SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965

This Resolution if passed, will empower the Directors to allot and issue shares in the Company up to an amount not exceeding in total ten per centum (10%) of the issued share capital of the Company for such purposes as the Directors consider would be in the interest of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next AGM.

### (ii) ORDINARY RESOLUTION 8 - PROPOSED SHAREHOLDERS' RATIFICATION FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

This Resolution if passed, will empower the Company to ratify all Recurrent Related Party Transactions that have been entered into by the Company and/or its subsidiaries since the listing date until the date of the Eighth AGM.

Please refer to Part A of the Circular which is despatched together with the 2006 Annual Report for detailed information.

### (iii) ORDINARY RESOLUTION 9 - PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

This Resolution if passed, will empower the Company and/or its subsidiary companies to enter into Recurrent Related Party Transactions ("RRPT"), and will eliminate the need to announce and convene separate general meetings from time to time to seek shareholders' approval as and when potential RRPT with the Related Parties arises, thereby reducing substantially the administrative time and expenses in convening such meetings, without compromising the corporate objectives and adversely affecting the business opportunities available to the Genetec Group. The shareholders' mandate is subject to renewal on an annual basis.

Please refer to Part A of the Circular which is despatched together with the 2006 Annual Report for detailed information.

### (iv) ORDINARY RESOLUTION 10 - PROPOSED ACQUISITION OF LAND

This Resolution if passed, will empower the Company to acquire a piece of vacant leasehold land held under Title No. HS(D) 52707 No. PT 40856 and located in the Town of Bandar Baru Bangi, District of Hulu Langat, State of Selangor from KVC Industrial Supplies Sdn Bhd (formerly known as KVC Electric (M) Sdn Bhd), a wholly-owned subsidiary of the Company's substantial shareholder, ATIS Corporation Berhad under the terms and subject to the conditions of the Sale and Purchase Agreement dated 28 July 2006 for a cash consideration of RM1,835,000.00.

Please refer to Part B of the Circular which is despatched together with the 2006 Annual Report for detailed information.

### (v) SPECIAL RESOLUTION 1 - PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION

This Resolution is to amend the Company's Articles of Association in line with the Revamped Listing Requirements of Bursa Securities for MESDAQ Market.

# APPENDIX A

## Proposed Amendments to Articles of Association

"THAT the following Articles of Association of the Company be amended as follows:-

i) That the meaning of the word "Securities" in Article 2 be changed from "ordinary shares, options, warrants or other form of convertible securities issued and allotted by the Company and shall include the meaning assigned to that term in the Central Depositories Act" to "shall have the meaning given in Section 2 of the Securities Commission Act 1993".

ii) That the existing Article 4 be deleted in toto.

### Existing Article 4

The Company may delete, amend or add to any of the existing Articles provided that prior written approval has been sought and obtained from Bursa Securities for such deletion, amendment or addition.

iii) That the existing Article 69 be amended as follows:

### Existing Article 69

In every notice calling a general meeting of the Company there shall appear with reasonable prominence a statement that a Member entitled to attend and vote is entitled to appoint more than two (2) proxies, to attend and vote instead of him and that a proxy need not also be a Member. Where a Member appoints more than two (2) proxies, he shall specify the proportion of his shareholdings to be represented by each proxy, failing which the appointment shall be invalid.

### New Article 69

In every notice calling a general meeting of the Company there shall appear with reasonable prominence a statement that a Member entitled to attend and vote is entitled to appoint more than one proxy (subject always to a maximum of two (2) proxies at each meeting), to attend and vote instead of him and that a proxy need not also be a Member. Where a Member appoints more than one proxy, he shall specify the proportion of his shareholdings to be represented by each proxy, failing which the appointment shall be invalid.

iv) That the existing Article 85 be amended as follows:

### Existing Article 85

The instrument appointing a proxy shall be in the following form or substantially in the following form with such variations as circumstances may require or as the Act may permit or in such other forms as Bursa Securities may approve :-

### GENETEC TECHNOLOGY BERHAD

I/We, ..... of ..... being a Member/Members of the above-named Company, hereby appoint ..... of ..... or failing him ..... of ..... or failing him, the Chairman of the Meeting as my/our proxy to vote for me/us and on my/our behalf at the annual / extraordinary (as the case may be) general meeting of the Company, to be held at ..... (place of meeting) on ..... (date of meeting) at ..... (time of meeting) and, at every adjournment thereof for/against \* the resolution(s) to be proposed thereat.

Number of shares held : .....  
Signed this ..... day of .....

.....  
Signature of Member

\* Strike out whichever is not desired (unless otherwise instructed, the proxy may vote as he thinks fit)

### **NOTES :**

A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company.

To be valid, this form, duly completed must be deposited at the Office of the Company not less than 48 hours before the time for holding the meeting Provided That in the event the member(s) duly executes the form of proxy but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the meeting as his/their proxy, Provided Always that the rest of the proxy form, other than the particulars of the proxy have been duly completed by the member(s).

A member shall be entitled to appoint more than two (2) proxies to attend and vote at the same meeting provided that the provisions of Section 149(1)(c) of the Act are complied with.

Where a member appoints more than two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.

If the appointor is a corporation, this form must be executed under its common seal or under the hand of an officer or attorney duly authorized.

# APPENDIX A

## Proposed Amendments to Articles of Association

### New Article 85

The instrument appointing a proxy shall be in the following form or substantially in the following form with such variations as circumstances may require or as the Act may permit or in such other forms as Bursa Securities may approve :-

#### GENETEC TECHNOLOGY BERHAD

I/We, ..... of ..... being a Member/Members of the above-named Company, hereby appoint ..... of ..... or failing him ..... of ..... or failing him, the Chairman of the Meeting as my/our proxy to vote for me/us and on my/our behalf at the annual / extraordinary (as the case may be) general meeting of the Company, to be held at ..... (place of meeting) on ..... (date of meeting) at ..... (time of meeting) and, at every adjournment thereof for/against \* the resolution(s) to be proposed thereat.

Number of shares held : .....

Signed this ..... day of .....

.....  
Signature of Member

\* Strike out whichever is not desired (unless otherwise instructed, the proxy may vote as he thinks fit)

#### **NOTES :**

A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company.

To be valid, this form, duly completed must be deposited at the Office of the Company not less than 48 hours before the time for holding the meeting Provided That in the event the member(s) duly executes the form of proxy but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the meeting as his/their proxy, Provided Always that the rest of the proxy form, other than the particulars of the proxy have been duly completed by the member(s).

A member shall be entitled to appoint more than one (1) proxy (subject always to a maximum of two (2) proxies at each meeting) to attend and vote at the same meeting provided that the provisions of Section 149 (1)(d) of the Act are complied with.

If the appointor is a corporation, this form must be executed under its common seal or under the hand of an officer or attorney duly authorised.

- v) That the existing Article 127 be amended as follows:

### Existing Article 127

The Directors may from time to time appoint any one or more of their body to the office of Managing Director and on such terms as they think fit and subject to the terms of any agreement entered into in any particular case, and may revoke any such appointment. Where a Managing Director is appointed for a fixed term, the term shall not exceed five (5) years. A Director so appointed, shall while he continues to hold that office, nonetheless be subject to the requirement to retire from office once in every three (3) years. The Directors may vest in such Managing Director or Managing Directors the powers hereby vested in the Directors generally as they may think fit, but subject thereto, such Managing Director or Managing Directors shall be subject to the control of the Board of Directors.

### New Article 127

The Directors may from time to time appoint any one or more of their body to the office of Managing Director and on such terms as they think fit and subject to the terms of any agreement entered into in any particular case, and may revoke any such appointment. Where a Managing Director is appointed for a fixed term, the term shall not exceed three (3) years. A Director so appointed, shall while he continues to hold that office, nonetheless be subject to the requirement to retire from office once in every three (3) years. The Directors may vest in such Managing Director or Managing Directors the powers hereby vested in the Directors generally as they may think fit, but subject thereto, such Managing Director or Managing Directors shall be subject to the control of the Board of Directors.



# APPENDIX A

## Proposed Amendments to Articles of Association

vi) That the existing Article 146 be amended as follows:

### Existing Article 146

The Directors shall from time to time in accordance with Section 169 of the Act, cause to be prepared and laid before the Company in general meeting such profit and loss accounts, balance sheets and report as are referred to in that Section. The interval between the close of a financial year of the Company and the issue of the annual report relating to it shall not exceed six (6) months. A copy of each of such documents shall not less than twenty-one (21) clear days before the date of the meeting be sent to every Member of and to every holder of debentures of the Company under the provisions of the Listing Requirements and the Act. The requisite number of copies of each of such documents as may be required by Bursa Securities and/or other stock exchange(s), if any, upon which the Company's shares may be listed shall at the same time be likewise sent to Bursa Securities and/or such other stock exchange(s) provided that this Article shall not require a copy of these documents to be sent to any person of whose address the Company is not aware but any Member to whom a copy of these documents has not been sent shall be entitled to receive a copy free of charge on application at the Office.

### New Article 146

The Directors shall from time to time in accordance with Section 169 of the Act, cause to be prepared and laid before the Company in general meeting such profit and loss accounts, balance sheets and report as are referred to in that Section. The interval between the close of a financial year of the Company and the issue of the annual audited accounts, the directors' and auditors' report shall not exceed four (4) months whilst the interval between the close of a financial year of the Company and the issue of the annual report relating to it shall not exceed six (6) months. A copy of each of such documents in printed form or in CD-ROM form or in such other form of electronic media shall not less than twenty-one (21) clear days before the date of the meeting be sent to every Member of and to every holder of debentures of the Company under the provisions of the Listing Requirements and the Act. The requisite number of copies of each of such documents as may be required by Bursa Securities and/or other stock exchange(s), if any, upon which the Company's shares may be listed shall at the same time be likewise sent to Bursa Securities and/or such other stock exchange(s) provided that this Article shall not require a copy of these documents to be sent to any person of whose address the Company is not aware but any Member to whom a copy of these documents has not been sent shall be entitled to receive a copy free of charge on application at the Office. In the event that these documents are sent in CD-ROM form or in such other form of electronic media and a Member requires a printed form of such documents, the Company shall send such documents to the Member within four (4) Market Days from the date of receipt of the Member's request.

vii) That the existing Article 157 be amended as follows:

### Existing Article 157

Any dividend, interest or other money payable in cash in respect of shares may be paid by cheque or warrant sent through the post directed to the registered address of the holder who is named on the register of Members or Record of Depositors or to such person and to such address as the holder may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and the payment of any such cheque or warrant shall operate as a good discharge to the Company in respect of the dividend represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that the endorsement thereon has been forged. Every such cheque or warrant shall be sent at the risk of the person entitled to the money thereby represented.

### New Article 157

Any dividend, interest or other money payable in cash in respect of shares may be paid by cheque or warrant sent through the post directed to the registered address of the holder or by direct electronic transfer to the bank account of the holder who is named on the register of Members or Record of Depositors or to such person and to such address as the holder may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and the payment of any such cheque or warrant or direct electronic transfer shall operate as a good discharge to the Company in respect of the dividend represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that the endorsement thereon has been forged or there is discrepancy given by the Member in the details of bank account(s). Every such cheque or warrant shall be sent or by direct electronic transfer at the risk of the person entitled to the money thereby represented."

# STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

## 1. Directors who are standing for re-election at the Eighth Annual General Meeting of the Company are:

- i. Chen Khai Voon **(Resolution 3)**
- ii. Mej Jen (Rtd) Dato' Haji Fauzi Bin Hussain **(Resolution 4)**
- iii. Choong Khoong Liang **(Resolution 5)**

The information of the Directors standing for re-election is set out in pages 4 and 5 of this Annual Report.

## 2. Details of attendance of Directors at Board Meeting

Two Board of Directors' Meetings were held during the financial year ended 31 March 2006.

<b>Directors</b>	<b>No. of meetings attended</b>	<b>Percentage %</b>
Mej Jen (Rtd) Dato' Haji Fauzi Bin Hussain	2/2	100
Lim Yong Jin	2/2	100
Choong Khoong Liang (Appointed w.e.f 23.03.2006)	-	-
Tunku Ahmad Burhanuddin Bin Tunku Datuk Seri Adnan (Resigned w.e.f 28.12.2005)	1/1	100
Chen Khai Voon	2/2	100
Chin Kem Weng	2/2	100
Tan Kok Ang	2/2	100
Ong Phoe Be	2/2	100

Notes: Meetings were held on 18 October 2005 and 21 February 2006.

## 3. Place, date and time of the Eighth Annual General Meeting

The Eighth Annual General Meeting of the Company will be held at Multi-Purpose Halls 1 & 2, 2nd Floor, Lot 5, Jalan P10/12, Kawasan Perusahaan Bangi, 43650 Bandar Baru Bangi, Selangor Darul Ehsan, on Friday, 29 September 2006 at 11.30 a.m.

# PROXY FORM

GENETEC TECHNOLOGY BERHAD

445537-W (INCORPORATED IN MALAYSIA UNDER THE COMPANIES ACT, 1965)

No. of shares held	
--------------------	--

I/We

of

being a Member/Members of **GENETEC TECHNOLOGY BERHAD** the ("**Company**"), hereby appoint

of

or failing him/her,

of

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the **Eighth Annual General Meeting of the Company to be held at Multi-Purpose Halls 1 & 2, 2nd Floor, Lot 5, Jalan P10/12, Kawasan Perusahaan Bangi, 43650 Bandar Baru Bangi, Selangor Darul Ehsan, on Friday, 29 September 2006 at 11.30 a.m.** and at any adjournment thereof in respect of my/our shareholding in the manner indicated below:

Ordinary Resolution		For	Against
1	To receive the Audited Financial Statements for the year ended 31 March 2006		
2	Approval of Directors' fees		
3	Re-election of Mr Chen Khai Voon as Director		
4	Re-election of Y. Bhg. Mej Jen (Rtd) Dato' Haji Fauzi Bin Hussain as Director		
5	Re-election of Mr Choong Khoong Liang as Director		
6	Re-appointment of Messrs KPMG as Auditors		
7	Authority to allot shares pursuant to Section 132D of the Companies Act, 1965		
8	Proposed ratification for recurrent related party transactions of a revenue or trading nature (" <b>RRPT</b> ")		
9	Proposed shareholders' mandate for RRPT		
10	Proposed acquisition of land		
Special Resolution			
1	Proposed amendments to articles of association		

(Please indicate with an "X" in the spaces provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific directions, your proxy will vote or abstain as he/she thinks fit.)

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2006

\_\_\_\_\_  
Signature/ Common Seal  
of Shareholder

Notes:

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and Section 149 (1)(b) of the Companies Act, 1965 shall not apply.
2. Where a member appoints more than two (2) proxies to attend and vote at the same meeting, such appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
4. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Wisma KVC, Lot 3, Jalan P10/12, Kawasan Perusahaan Bangi, 43650 Bandar Baru Bangi, Selangor Darul Ehsan not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.

fold here

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The Company Secretary  
**GENETEC TECHNOLOGY BERHAD**  
Wisma KVC, Lot 3  
Jalan P10/12  
Kawasan Perusahaan Bangi  
43650 Bandar Baru Bangi  
Selangor Darul Ehsan  
Malaysia

AFFIX  
STAMP

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