



# company mission

To be the premier technology  
design house in the production  
of critical enabling technological  
components.





Broadening the horizon,  
developing the future.

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## corporate information

### BOARD OF DIRECTORS

Seah Bak Kheow  
*Executive Chairman*

Ng Kwok Leung, George  
*Executive Director*

Yuen Kin Pheng  
*Independent Non-Executive Director*

Seah Bak Seng  
*Executive Director*

Koh Poh Jin  
*Executive Director*

Patrick Bernard Andre Bouju  
*Independent Non-Executive Director*

Cheng Joo Wan  
*Executive Director*

Yong Kit Fai  
*Executive Director*

Benoit Jean-Marie Mauffrey  
*Independent Non-Executive Director*

Masato Ikeuchi  
*Executive Director*

Dato' Sim Bee Ming  
*Non-Independent Non-Executive Director*

Albert Yeo Toon Mok  
*Independent Non-Executive Director*

Yutaka Watanabe  
*Alternate Director to Masato Ikeuchi*

### AUDIT COMMITTEE

Albert Yeo Toon Mok  
*Chairman*

Yong Kit Fai  
*Member*

Benoit Jean-Marie Mauffrey  
*Member*

### BUSINESS ADDRESS

Suite 3A.01 Level 3A Wisma E&C  
2 Lorong Dungun Kiri  
Damansara Heights  
50490 Kuala Lumpur  
Tel : 03-2715 1138  
Fax : 03-2715 1135  
Website: www.fotronics.com  
E-mail : mail@fotronics.com

### PRINCIPAL BANKERS

RHB Bank Berhad  
Bumiputra-Commerce Bank Berhad  
The Hongkong and Shanghai  
Banking Corporation Limited

### COMPANY SECRETARY

Chua Siew Chuan  
(MAICSA 0777689)

### AUDITORS

Deloitte & Touche (AF 0834)  
Level 19, Uptown 1  
1, Jalan SS 21/58  
Damansara Uptown  
47400 Petaling Jaya  
Selangor Darul Ehsan

### SHARE REGISTRAR

Securities Services (Holdings) Sdn Bhd  
Level 7, Menara Milenium  
Jalan Damanlela  
Pusat Bandar Damansara  
Damansara Heights  
50490 Kuala Lumpur  
Tel : 03-2084 9000  
Fax : 03-2094 9940

### REGISTERED OFFICE

Level 7, Menara Milenium  
Jalan Damanlela  
Pusat Bandar Damansara  
Damansara Heights  
50490 Kuala Lumpur  
Tel : 03-2084 9000  
Fax : 03-2094 9940

### SOLICITORS

Mazlan & Associates  
Advocates & Solicitors  
Level 3A, Wisma E&C  
2, Lorong Dungun Kiri  
Damansara Heights  
50490 Kuala Lumpur

### SPONSOR

Avenue Securities Sdn Bhd  
Ground Floor & Level 1, THB Satu  
Jalan Damansara Endah  
Damansara Heights  
50490 Kuala Lumpur  
Tel : 03-2711 8798

### STOCK EXCHANGE LISTING

MESDAQ Market

## corporate structure

[www.fotronics.com](http://www.fotronics.com)

**Fotronics™**

**Futek Malaysia  
Sdn Bhd  
(FMSB)**

**Future Technology  
Sdn Bhd  
(FTSB)**

**M-Precision Centre  
Pte Ltd  
(MPC)**

**Fotronics  
Incorporated (S)  
Pte Ltd  
(FIPL)**

**Vtrek Precision  
Centre (HK)  
Pte Limited  
(Vtrek (HK))**

**Vtrek Precision  
Industry  
Co Ltd  
(Vtrek (China))**



## profile of board of directors and ceo

### 1. Seah Bak Kheow

*Executive Chairman*

Seah Bak Kheow, a Singaporean, aged 54, is the Executive Chairman of Fotronics. He was appointed to the Board of Fotronics on 15 September 2004. He has more than 20 years of working experience in the precision engineering industry. His involvement in the precision engineering industry started in 1980 when completed his HSC 'A' Levels. In 1998, he acquired Futek Incorporated ("Finc") from Japan Energy Corporation Ltd and ventured into the assembly of drumheads by capitalising on the established brand name of Finc and its technology. Subsequently, in 2000, he established MPC to expand upstream into the processing of drumheads.

He is responsible for charting and driving the strategic directions of the Fotronic Group. Besides being on the Board of Fotronics, he is also the Non-Executive Chairman of Finc, Chairman of Vtrek (HK) and Chairman of Vtrek (China).

He is a brother of Seah Bak Seng and is a major shareholder of the Company by virtue of his direct and indirect interests through his spouse's and children's substantial shareholdings in Memcorp Holdings Limited ("Memcorp"), a major shareholder of the Company, and Memcorp's controlling interest in Finc, also a major shareholder of the Company. He has no conflict of interest in any business arrangement involving the Company except as disclosed in the financial statements and has not been convicted for any offences within the past ten (10) years.

### 2. Khoo Lee Meng

*Chief Executive Officer*

Mr Khoo Lee Meng was appointed as the Chief Executive Officer ("CEO") of Fotronics on 1 February 2005. Mr Khoo, a Singaporean, aged 53, has 18 years of work experience with the Singapore Institute of Standards and Industrial Research ("SISIR") where his last held position was the Chief Executive of SISIR. Prior to joining Fotronics, Mr Khoo has 9 years of experience with WBL Corporation Limited ("WBL"), an international group which is listed on the Singapore Stock Exchange ("SGX").

During his tenure with WBL, he held various management positions which include Director and Group General Manager of Wearnes Technology (Private) Limited (a WBL's subsidiary) and as a Group General Manager of WBL. His work experiences with WBL include strategic investment and management of information technology, biotech and medical and agritech businesses in China. During 2001 to 2003, Mr Khoo also served as a board member for WBL's subsidiary, MFS Technology Limited which went public on the SGX in 2002.

Mr Khoo Lee Meng holds a First Class Honours degree in Mechanical Engineering and a Masters degree in Industrial Engineering from the National University of Singapore. He is a registered Professional Engineer in Singapore and is a fellow of the Institution of Engineers, Singapore.

Mr Khoo is responsible for the overall business operations of the Fotronics Group.

He does not have any family relationship with any director and/or major shareholder of the Company and has no conflict of interest in any business arrangement involving the Company. He has not been convicted for any offences within the past ten (10) years.

### 3. Seah Bak Seng

*Executive Director*

Seah Bak Seng, a Singaporean, aged 62, is the Executive Director of Fotronics. He was appointed to the Board of Fotronics on 15 September 2004. He graduated with a Certificate in Education from the Singapore Teacher's Training College in 1966 and thereafter taught at various secondary schools as well as at the Institute of Technical Education, Singapore for more than 20 years. Subsequently, he was the General Manager of Multiskill Management, a human resource consultancy firm providing recruitment, training and commercial advice to assist new companies in their initial set-up from 1986 to 1993. Prior to joining MPC in 2000, he worked as a freelance human resource consultant. With his vast experience in human resource management, he played an instrumental role in leading MPC to attain ISO 9001:2000 quality accreditations from the British Standards Institutions in 2001.

He is a member of the Chartered Management Institute, UK and member of the Society for Human Resource Management, USA. Besides serving as members in the above capacities, he has also written training manuals and a book on office management.

He is responsible for the human resource and strategic planning within the Fotronics Group. In addition to being on the Board of Fotronics, he is also the Director of MPC, Director of FIPL and Director of Memcorp.

He is a brother of Seah Bak Kheow. He has no conflict of interest in any business arrangement involving the Company and has not been convicted for any offences within the past ten (10) years.

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## profile of board of directors and ceo

### 4. Cheng Joo Wan

*Executive Director*

Cheng Joo Wan, a Singaporean, aged 53, is the Executive Director of Fotronics. He was appointed to the Board of Fotronics on 15 September 2004. He obtained his Bachelor of Science (Honours), majoring in Electrical and Electronic Engineering from Liverpool Polytechnic, UK in 1980 and his Masters in Micro Processing Engineering and Digital Electronics from Manchester Institute of Science and Technology, UK in 1981. He has held various management positions within the system and application development industry and senior management positions in semi-government agencies in Singapore for almost 20 years. From 1982 to 1985, he was the System Controller / Electronic Data Processing manager at Hwee Seng Pte Ltd. Thereafter, in 1985 he joined NEC Singapore Pte Ltd as Assistant Divisional Manager. Between 1993 and 2003, he held various positions within the Standard, Productivity and Innovation for growth ("Spring Singapore") (formerly known as the National Productivity Board ("NPB")), which includes amongst others, Divisional Director for the Marketing & Customer Service Division, Executive Director of NPI Pte Ltd, the international marketing and business development arm of NPB and Chief Executive Officer of Technology Commercialization TC2 Pte Ltd, a subsidiary company of NPB. His last position held was Programme Director of Spring Singapore where he was responsible for the small, medium enterprises and domestic development.

He does not have any family relationship with any director and/or major shareholder of the Company and has no conflict of interest in any business arrangement involving the Company. He has not been convicted for any offences within the past ten (10) years.



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## 5. Masato Ikeuchi

*Executive Director*

Masato Ikeuchi, a Japanese, aged 58, is the Executive Director of Fotronics. He was appointed to the Board of Fotronics on 15 September 2004. He obtained his Bachelor of Arts in Political Science from Keio University, Japan in 1971. Upon graduation, he was attached to Nippon Mining Corporation Ltd (now known as Japan Energy Corporation Ltd ("JEC")) as a Sales Executive. Thereafter, he was promoted to Manager, Research and Planning for the Magnetic Recording Heads Division of JEC in 1986. In 1988, he assumed the position of Manager, Marketing and Sales for Magnetic Recording Heads Division of JEC and subsequently was promoted to Head of Magnetic Recording Heads Division of JEC in 1990. In 1991, he was made a Director of Finc where he spearheaded the technological development of magnetic recording heads for industrial and specialised usage.

He does not have any family relationship with any director and/or major shareholder of the Company and has no conflict of interest in any business arrangement involving the Company except as disclosed in the financial statements. He has not been convicted for any offences within the past ten (10) years.

## 6. Yutaka Watanabe

*Alternate Director to Masato Ikeuchi*

Yutaka Watanabe, a Japanese, aged 55, is the Alternate Director to Masato Ikeuchi / Business Development Director of FIPL. He has more than 25 years of work experience in the precision engineering industry. His involvement in the precision engineering industry started in 1974 when he joined Nippon Video Kikaku Incorporated where he was responsible for the sales and marketing of AV equipment. Subsequently, he joined Finc in 1981 as a Sales Manager, marketing drumheads for more than 15 years and thereafter was promoted to Business Development Director in 1998. He joined FIPL as Business Development Director in 2004. He is also responsible for the formulation of the Fotronics Group's business plan and strategies. In addition, he is also a Director of Memcorp.

He does not have any family relationship with any director and/or major shareholder of the Company and has no conflict of interest in any business arrangement involving the Company except as disclosed in the financial statements. He has not been convicted for any offences within the past ten (10) years.

## 7. Koh Poh Jin

*Executive Director*

Koh Poh Jin, a Singaporean, aged 44, is the Executive Director of Fotronics. He was appointed to the Board of Fotronics on 15 September 2004. He has more than 15 years of work experience in the VCR drums business and has vast expertise in precision metal machining. Upon completion of his HSC 'O' Levels in 1980, he started his career with Nikko Video as Manager of Sales and Marketing. Subsequently, he joined Finc in 1998 as Director where he was responsible for Sales and Marketing. In 2001, he joined MPC as General Manager of Technical Operations. He is currently responsible for the Group's technical and design development as well as their production facilities.

## profile of board of directors and ceo

Besides being on the Board of Fotronics, he is also Director of FMSB and Director of FTSB.

He does not have any family relationship with any director and/or major shareholder of the Company and has no conflict of interest in any business arrangement involving the Company except as disclosed in the financial statements. He has not been convicted for any offences within the past ten (10) years.

### 8. **Ng Kwok Leung, George**

*Executive Director*

Ng Kwok Leung, George, a Canadian, aged 49, is the Executive Director of Fotronics. He was appointed to the Board of Fotronics on 15 September 2004. He obtained his High Certificate of Building Technology from the Hong Kong Polytechnic Institution in 1976. He started his career as a Chemical Engineer with Y Cee Enterprises Ltd in 1979. Subsequently in 1989, he joined Permaquik Corporation as Regional Marketing Manager. In 1990, he established Y Cee Company Limited, a company principally involved in construction materials. He joined Vtrek (HK) in 2001 as Director. Currently, he is responsible for the operations of Vtrek (HK) and Vtrek (China).

He is also the Director of Y Cee Company Limited, Director of Vtrek (HK), Director of Vtrek (China), Director of MPC and Director of Memcorp.

He is a major shareholder of the Company. He does not have any family relationship with any director and/or major shareholder of the Company and has no conflict of interest in any business arrangement involving the Company except as disclosed in the financial statements. He has not been convicted for any offences within the past ten (10) years.

### 9. **Yong Kit Fai**

*Executive Director*

Yong Kit Fai, a Malaysian, aged 42, is the Executive Director of Fotronics. He was appointed to the Board of Fotronics on 15 September 2004. He has more than 18 years of work experience in the fields of auditing, accounting, trading, manufacturing and assembling. He started his career in 1986 with an audit firm and subsequently joined FMSB in 1990 as Finance and Administration Manager. Thereafter, he was promoted to Director of FMSB in 1990. Since 1998, he has been spearheading the brand building of the "Futek" brand of AV products as well as the "Futek" own brand of electrical home appliances in Malaysia. Currently, he is responsible for the strategic planning and operations of FMSB and FTSB.

He is a Fellow of the Chartered Institute of Management Accountants, UK and member of the Malaysian Institute of Accountants. Besides being on the Board of Fotronics, he is also the Director of FMSB and FTSB respectively.

He does not have any family relationship with any director and/or major shareholder of the Company and has no conflict of interest in any business arrangement involving the Company. He has not been convicted for any offences within the past ten (10) years.

**10. Dato' Sim Bee Ming***Non-Independent Non-Executive Director*

Dato' Sim Bee Ming, a Malaysian, aged 47, is the Non-Independent Non-Executive Director of Fotronics. He was appointed to the Board of Fotronics on 15 September 2004. Upon the completion of his Sijil Pelajaran Malaysia, he ran the family's petrol business in Klang and Pulau Ketam from 1983 to 1998. Subsequently in 1998, he was appointed General Manager of Lian Choon Chan Shell Station and was Lian Ann Chan Shell's dealer in Pulau Ketam.

Besides being on the Board of Fotronics, he is also the Managing Director of Marl-One Development Sdn Bhd, a building contractor and is a shareholder and Executive Director of Kelong Nasib Baik Sdn Bhd, a kelong fish breeding company. In addition, he is also a Justice of Peace.

He does not have any family relationship with any director and/or major shareholder of the Company and has no conflict of interest in any business arrangement involving the Company. He has not been convicted for any offences within the past ten (10) years.

**11. Yuen Kin Pheng***Independent Non-Executive Director*

Yuen Kin Pheng, a Singaporean, aged 55, is the Independent Non-Executive Director of Fotronics. He was appointed to the Board of Fotronics on 15 September 2004. He obtained his Bachelor in Business Administration (First Class Honours) and Masters in Business Administration from the University of Singapore in 1980 and 1981 respectively. Subsequently, he pursued his Advanced Management Program from Wharton School, University of Pennsylvania, USA. He has also won several awards including the Mobil Gold Medal, SGV Gold Medal and International Chamber of Commerce Prize for his academic achievements.



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## profile of board of directors and ceo

In 2003, he was appointed President and Business Leader of Trane for the Asia Pacific region. Prior to his appointment at Trane, he was President of Honeywell International Inc. for the Asia Pacific and China region. In this capacity, he was responsible for the operations of Honeywell International Inc. and instrumental in leading Honeywell International Inc.'s business initiatives as well as driving growth and expansion in the Asia Pacific region.

He joined AlliedSignal China Inc. ("AlliedSignal") in 1994 to head the company's aerospace activities in China. He was later promoted to Chairman and subsequently to Vice President of Commercial Air Transport for North Asia's Division of AlliedSignal for the China, Taiwan, Korea and Japan regions. In 1999, following the merger between AlliedSignal Inc. and Honeywell International Inc., he was appointed Vice President of Aerospace for Honeywell Inc., Asia Pacific. Prior to joining AlliedSignal, he was Vice President and General Manager of the Singapore Aviation Services Pte Ltd and Vice President of Business Development of Singapore Aerospace Ltd.

In addition, he has served in various positions with the Singapore Air Force for 18 years and has also won the Commendation Gold Medal for outstanding service in the Singapore Air Force.

He does not have any family relationship with any director and/or major shareholder of the Company and has no conflict of interest in any business arrangement involving the Company. He has not been convicted for any offences within the past ten (10) years.

### 12. **Patrick Bernard Andre Bouju** *Independent Non-Executive Director*

Patrick Bouju, a French national, aged 58, is the Independent Non-Executive Director of Fotronics. He was appointed to the Board of Fotronics on 15 September 2004. A veteran of the electronic industry, he has over 30 years of work experience in the high technology industry and almost 25 years of work experience in marketing in the Asia Pacific



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region, particularly in the electronics industry in China. He is currently a private consultant in the field of biometrics. Prior to this, he was President of IPC Peripherals Ltd in Singapore, Chief Executive Officer of Hagenuk Telecom in Germany, President of ST Microelectronics Incorporated for the Hong Kong and Korea regions, General Manager of Thomson Passive Components Corporation in the USA and Managing Director of Thomson Far East Ltd, Hong Kong.

He does not have any family relationship with any director and/or major shareholder of the Company and has no conflict of interest in any business arrangement involving the Company. He has not been convicted for any offences within the past ten (10) years.

### 13. **Benoit Jean-Marie Mauffrey**

*Independent Non-Executive Director*

Benoit Jean-Marie Mauffrey, a French national, aged 52, is the Independent Non-Executive Director of Fotronics. He was appointed to the Board of Fotronics on 15 September 2004. He has more than 25 years of work experience in international business development, negotiation, sales and marketing in a diverse range of industries specifically in the Asia Pacific region.

Currently, he is Asia Pacific Managing Director for NASDAQ-listed Globecom Systems Inc., a company dealing in end-to-end communication and broadcast solutions. Prior to that, between 1974 and 1985, he was Sales Director of CMR Pte Ltd, a French company manufacturing automated equipment for ocean-going vessels whilst from 1986 to 1989, he was Managing Director of MDSA (HK) Ltd, a company producing semiconductors and CAD / CAM products. Subsequently, from 1989 to 1994, he was Managing Director of Marta Hachette (HK), a French company involved in the aerospace, defence, automotive, semiconductors, telecommunications, CAD / CAM, publishing and transportation industries.

He does not have any family relationship with any director and/or major shareholder of the Company and has no conflict of interest in any business arrangement involving the Company. He has not been convicted for any offences within the past ten (10) years.

### 14. **Albert Yeo Toon Mok**

*Independent Non-Executive Director*

Albert Yeo Toon Mok, a Singaporean, aged 63, obtained his Bachelor of Laws with Honours from the National University of Singapore in 1973. He was admitted as an Advocate & Solicitor of the Supreme Court, Singapore in 1974 and in the same year, started his legal practice with Messrs. Lui Boon Poh & Co. He subsequently joined Tat Lee Bank Limited as its Legal Officer until 1982. Since then, he has been a practicing partner in the legal firm of Lim & Lim. He also seats on the Board of Malaysian Social Research Institute.

He does not have any family relationship with any director and/or major shareholder of the Company and has no conflict of interest in any business arrangement involving the Company. He has not been convicted for any offences within the past ten (10) years.





## chairman and ceo's message



Dear Shareholders,

We are pleased to present the inaugural Annual Report and the Audited Financial Statements of Fotronics Corporation Berhad ("Fotronics") for the financial year ended 31 March 2005.

2005 is a landmark year for the Fotronics Group. On 31 January 2005, Fotronics successfully listed its shares on the MESDAQ market of Bursa Malaysia Securities Berhad. Besides raising our public profile, the listing enabled Fotronics to raise RM50.7 million in new capital to drive the Group to the next level of development.

Our four core businesses viz. the Micro-optics, Data Storage, Aerospace and Communication divisions performed creditably. The Micro-optics division again achieved solid growth in revenue and production volume as we relentlessly deepen our competitive edge. The Data Storage division has performed beyond our expectation, due very much to the superb execution by the management team. The Aerospace division was off to a promising start as we began shipping to our customers in the USA. New business developments are also in the works in the Communication division.

Our core businesses are in strong shape. We will relentlessly and prudently build on these strong fundamentals, guided at all times by commitment to enhancing our technical capability and to a high standard of corporate governance.

#### PROCEEDS FROM THE INITIAL PUBLIC OFFERING

Fotronics raised RM50.7 million from the Initial Public Offering (IPO) exercise. These proceeds will be prudently deployed to fund our ongoing research and development program, and to provide for the capital expenditure and working capital needs of our core businesses. Our goal is to develop each of these core businesses to become significant players in the respective global markets.

#### FINANCIAL HIGHLIGHTS AND REVIEW OF OPERATIONS

Based on the Group audited financial statements, the Group registered a profit after tax and minority interest of RM8.52 million for the financial year ended 31 March 2005. It needs to be highlighted that the tabulated figure includes the acquired subsidiaries' financial results generated after the completion of the acquisition on 20 August 2004, as governed by the applicable approved accounting standards in Malaysia.

If the acquired subsidiaries' financial results generated prior to the abovementioned completion date ("pre-acquisition") being taken into consideration, the Group would have generated a satisfactory profit after tax and minority interest of RM13.69 million for the financial year ended 31 March 2005 as compared to RM7.12 million (proforma) in the previous financial year. This represented a strong growth of 90% over the last financial year.

Similarly, revenue increased, on a year-to-year basis, by 25% to RM47.5 million (includes pre-acquisition revenue) for the whole financial year ended 31 March 2005 from RM38.1 million (proforma) for the previous financial year. This growth was driven largely by the continued strong growth in the micro-optics division and the maiden contribution from the autoloader product in our Data Storage division. Autoloaders are high-capacity computer tape drive systems used for backup, recovery and archive of massive data. We voluntarily discontinued the production of the VHS products in December 2004 in line with our strategy to deploy our financial resources to higher-margin businesses. The strong growth in our core businesses more than offset the loss of the VHS revenue.

## chairman and ceo's message

In line with this strong revenue growth, we are pleased to announce that the Group has met the profit after tax and minority interest (before deducting pre-acquisition profit) estimate of RM13.52 million as enumerated in the Company's IPO Prospectus dated 5 January 2005.

Given the satisfactory financial performance, the Board is pleased to propose a final tax exempt dividend of 10% for the financial year ended 31 March 2005, amounting to RM2,029,786.

### TECHNOLOGICAL EXCELLENCE

Technological capability is the single most important factor to our Group's success. We are, therefore, committed to the Group's ongoing research and development (R&D) activities in the area of process technology and product development. For the financial year ended 31 March 2005, the Group invested RM2.8 million on R&D, bringing the cumulative investments in R&D to RM11.0 million. These R&D investments have borne fruits, as witnessed in the excellent results achieved by the autoloader product line. New business opportunities have also presented themselves as a result of our technological competence.



### OUR COMMITMENT TO CORPORATE GOVERNANCE

Our financial performance is an important measure by which we are judged, but it is not the only measure. We subscribe to practice a high standard of corporate governance and we are committed to it in the long-term interests of our investors, business associates and the general public. We will strive to ensure that sufficient disclosure is relayed to the public so that investors and shareholders in general can assess our performance and governance practices.

### OUTLOOK

We are optimistic about the Group's prospects in the new financial year. Our growth in the new year will be driven by the Micro-optics and Data Storage divisions, where the end-markets are growing. We are seeing increased orders for our micro-optics products in our end-markets viz. digital imaging devices (e.g. handsets and digital camera) and computer and audio-visual storage devices (eg. DVD+RW,DVD-ROM,DVD,VCD).

In the Data Storage division, we have moved into volume production of autoloaders and expect to rapidly ramp up our production volume. Beyond this, we expect to see further growth as we secure new customers. The Aerospace and Communication are also expected to weigh in with increased contribution.

We are constantly developing new business opportunities in our core businesses. Our objective is to deepen our competitive position and broaden our revenue base within the respective sectors.

We will also constantly enhance our technological capability through our investment in the R&D activities and constant upgrading of expertise and skills of our human capital.

### APPRECIATION

On behalf of the Board of Directors, we wish to extend our sincere appreciation to the diligent and resourceful members of the management team and staff for their invaluable contribution to the success of the Group. We also wish to thank our valued customers, suppliers, business associates, bankers, authorities and shareholders who have, in one way or another, contributed to our success.

#### SEAH BAK KHEOW

*Executive Chairman*

#### KHOO LEE MENG

*Chief Executive Officer*



## statement of corporate governance

The Board of Directors recognises the importance of corporate governance in ensuring transparency, protecting the interests of its shareholders as well as strengthening investors' confidence in its management and financial reporting, and is committed to maintain a high standard of corporate governance within the Group.

The Company will endeavour to comply with the principles of the Code on Corporate Governance in an effort to observe high standards of transparencies, accountability and integrity.

The following statement describes the application of the principles and the extent of the Group's compliance with the Best Practices of good governance as set out in the Malaysian Code on Corporate Governance ("Code").

### BOARD OF DIRECTORS

#### Composition of the Board

The Board consists of thirteen (13) members, comprising one (1) Executive Chairman, six (6) Executive Directors, four (4) Independent Non-Executive Directors, one (1) Non-Independent Non-Executive Director and one (1) Alternate Director. The current Board's composition complies with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for the MESDAQ Market. A brief profile of each Board member is presented in the Annual Report on pages 4 to 11.

#### Board Balance

There is a clear division of responsibilities between the Executive Chairman and the Group Chief Executive Officer ("CEO"). The Executive Chairman is responsible for charting and driving the strategic directions of the Group. The Executive Chairman also, acting in the capacity as Board Chairman, provides leadership to the Board, encourages debates on issues and brings to the Board a healthy level of deliberation during the meeting. The Group CEO manages and directs the entire Group towards the primary and strategic objectives and is responsible for the overall business operations and performances of the Group. The management of the Group's business and implementation of policies and day-to-day running of the businesses are delegated to the Executive Directors.

The Board considers that the current composition of the Board provides an effective Board with a mix of industry-specific knowledge and broad based business and commercial experiences, together with unbiased and independent views, advice and judgement on matters of strategy, operations, resources and business conducts dealt with at the Board. The Board balance is important to ensure that the strategies proposed by the executive directors and management are independently and objectively deliberated and examined, taking into account the long term interests of the shareholders, employees, customers, suppliers and other stakeholders.

The Board has delegated certain specific functions and responsibilities to various committees, namely the Audit, Remuneration, Nomination and Options Committees, which operate within approved terms of reference.



### Board Responsibilities

The main responsibilities of the Board comprise the following:-

- Establishment of the overall strategic direction;
- Approval of annual and interim results, acquisitions and disposals, major capital expenditures and budgets;
- Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;
- Maintaining an effective investor and shareholders communication policy;
- Periodic review and adoption of the Company's business policies and strategies;
- Management and staff succession planning; and
- Review of the adequacy and integrity of the Company's internal controls and management information systems, including systems for compliance with the applicable laws, regulations, rules, directives and guidelines.

### Board Meetings

Board meetings are held at quarterly intervals with additional meetings held when necessary. Since the appointment of the current Board members on 15 September, 2004, two (2) board meetings were held for the current financial year ended 31 March, 2005.

The meeting attendance record of the Directors is as set out below:

Directors / Alternate Director	No. of Board Meetings Attended	Percentage (%)
Seah Bak Kheow	2/2	100
Seah Bak Seng	2/2	100
Cheng Joo Wan	2/2	100
Masato Ikeuchi	2/2	100
Ng Kwok Leung, George	2/2	100
Koh Poh Jin	1/2	50
Yong Kit Fai	2/2	100
Dato' Sim Bee Ming	1/2	50
Yuen Kin Pheng	1/2	50
Patrick Bernard Andre Bouju	2/2	100
Benoit Jean-Marie Mauffrey	2/2	100
Albert Yeo Toon Mok	2/2	100
Yutaka Watanabe (Alternate Director to Masato Ikeuchi)	2/2	100

## statement of corporate governance

### Supply of Information to the Board

Each Board member receives notices to meetings setting out the agenda accompanied by relevant Board papers issued to the Directors in sufficient time to enable the Directors to peruse, obtain additional information and/or seek further clarification on the matters to be deliberated.

The proceedings and resolutions passed at each Board Meeting are minuted and kept in the statutory minute book at the registered office of the Company.

All Directors have access to the services and advices of the Group's Company Secretary who ensures that all statutory obligations as well as obligations arising from the listing rules of exchange or other regulatory requirements are met.

The Directors have access to all information within the Company whether as a full board or in their individual capacity, in furtherance of their duties. In addition, where deemed necessary, the Directors may seek independent professional advice from external consultants at the Company's expenses in order to discharge their duties and responsibilities effectively.

### Directors' Training

Since the Company's listing on 31 January, 2005, all Directors, except for Messrs. Masato Ikeuchi, Ng Kwok Leung, George, Yuen Kin Pheng, Albert Yeo Toon Mok, Dato' Sim Bee Ming and Koh Poh Jin who will be attending the Mandatory Accreditation Program ("MAP") on October/December 2005, have attended and completed the MAP conducted by Bursatra Sdn. Bhd. (formerly known as Bursa Malaysia Training Sdn. Bhd.) in compliance with the Listing Requirements of Bursa Securities for MESDAQ Market. All the abovenamed Directors will attend the MAP within the extended timeframe as granted by Bursa Securities.

The Directors are also aware of their duties to attend Continuing Education Programme ("CEP") and other relevant training programmes as prescribed by Bursa Securities in order to further enhance their knowledge in the latest statutory and regulatory developments to enable them to discharge their responsibilities more effectively.

In light of the recent amendments to the Listing Requirements of Bursa Securities in relation to the attendance of CEP, the Board would now assume the onus of determining or overseeing the training needs of the Directors of the Company. The Company is then required to disclose the trainings attended by the Directors in respect of Annual Reports issued for financial year ending thereof.

The Directors of the Company have participated in factory visits on the Company's new products which underpin the Board's knowledge of the Company's production processes and product range.

**Nomination Committee**

In line with the Best Practices of the Code, the Board has set up a Nomination Committee on 25 February, 2005, comprises predominantly Independent Non-Executive Directors.

The present Chairman and members of the Nomination Committee are:

Chairman

Patrick Bernard Andre Bouju	Independent Non-Executive Director
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Members

Benoit Jean-Marie Mauffrey	Independent Non-Executive Director
Albert Yeo Toon Mok	Independent Non-Executive Director

The Nomination Committee, in consultation with the Board Chairman, is responsible, amongst others, recommendations on appointment and re-nomination of Directors and Directors to fill up the vacancies of Board committee, having regard to their qualifications, performances and contributions. The Nomination Committee will also ensure that the Board as a whole possesses the core competencies required by the Code.

The Committee shall also assess the performance of the Directors of the Company by annually reviewing the profile of the required skills and attributes to ensure that the Board has an appropriate balance of expertise and ability. In addition, the Board will assess its own effectiveness as a whole and the contribution of each Director on an annual basis.

In accordance with the Company's Articles of Association, at least one third (1/3) of the Board shall retire from office and are subject to election by shareholders at the next opportunity after their appointment at each Annual General Meeting ("AGM"). All Directors shall retire from office at least once every three (3) years and are eligible for re-elections at each AGM.

The Directors who are standing for re-election at the Second AGM of the Company are contained in the Notice of Annual General Meeting.

Due to its recent establishment on 25 February, 2005, the Nomination Committee has not held any meeting for the financial year ended 31 March, 2005.

## statement of corporate governance

### Employees' Share Option Scheme ("ESOS") Committee

On 20 July, 2004, the Company obtained the approval of Bursa Securities to establish an ESOS up to ten percent ("10%") of the issued and paid-up share capital of the Company for a duration of five (5) years. In this connection, on 25 May, 2005, the Board had established an Options Committee with the objectives to administer Fotronics' Employees Share Option Scheme in accordance with the ESOS Bye-Laws and to determine participation eligibility, option offers and share allocation and to attend to such other matters as may be required.

The present Chairman and members of the Options Committee are:

#### Chairman

Yuen Kin Pheng	Independent Non-Executive Director
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#### Members

Seah Bak Seng	Executive Director
Tan Gim Hong	Chief Financial Officer
Tan Eng Kiat	Chief Strategic Planner
Ng Kim Lam	General Manager of Futek Malaysia Sdn. Bhd.
Susanah Seah LiShan	Senior Manager, Group Human Resources and Management ISO

As the Options Committee was established after the financial year-end, no meeting was held for the current financial year ended 31 March, 2005.

## DIRECTORS' REMUNERATION

### Remuneration Committee

In line with the Best Practices of the Code, the Board has set up a Remuneration Committee on 25 February, 2005, comprises predominantly Independent Non-Executive Directors.

The present members of the Remuneration Committee are:

#### Chairman

Benoit Jean-Marie Mauffrey	Independent Non-Executive Director
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#### Members

Patrick Bernard Andre Bouju	Independent Non-Executive Director
Albert Yeo Toon Mok	Independent Non-Executive Director

The Remuneration Committee assists the Board, amongst others, to review and approve the remuneration structure and compensation packages, including terms of employment of the Executive Directors and decides on policies relating to the remuneration and incentive programs. For the Non-Executive Directors, the remuneration will be packaged to reflect the experience and level of responsibilities undertaken.

The Executive Directors concerned play no part in the decisions on their own remuneration. Likewise, the remuneration of the Non-Executive Directors is a matter for the Board as a whole, with individual Directors abstaining from discussion of their own remuneration.

Remuneration Committee, with the assistance of the Company Secretary, will propose the introduction of formal and structured guidelines on Directors' fees and Directors' allowances for recommendation to the Board. The proposed Directors' fees will be subject to the approval of shareholders at each AGM.

Due to its recent establishment on 25 February, 2005, the Remuneration Committee did not hold any meeting for the financial year ended 31 March, 2005.

#### Directors' Remuneration

The details of the Directors' remuneration for the financial year ended 31 March, 2005 are set out below:

	Executive Directors RM	Non-Executive Directors RM
Salaries and other emoluments	841,522	13,000
Fees	-	-
Benefit in kind	-	-

The Directors, whose remuneration falls within each successive band of RM50,000 for the financial year ended 31 March, 2005, are as follows:

Remuneration Range	Executive Directors	Non-Executive Directors
Below RM50,000	-	5
RM50,001 – RM100,000	1	-
RM100,001 – RM150,000	1	-
RM150,001 – RM200,000	2	-
RM200,001 – RM250,000	1	-



## statement of corporate governance

The above Directors' remuneration includes salary, contributions to statutory approved provident funds and allowances for all Executive and Non-Executive Directors of the Company except for Messrs. Masato Ikeuchi and Yutaka Watanabe who are Executive Director/Alternate Director of the Company and Executive Directors of Futek Incorporated, a corporate shareholder of the Company, and Mr. Ng Kwok Leung, George an Executive Director of the Company and of foreign subsidiary companies. The three Directors did not receive any direct remuneration packages for their executive roles in the Group other than benefits that may have arisen by virtue of trade and non-trade transactions with Futek Incorporated, a company incorporated in Japan, and management fee payable to George Ng & Co Ltd, a company incorporated in Hong Kong SAR in which Mr. Ng Kwok Leung, George is a Director and shareholder, as further disclosed in Note 16 to the Financial Statements (pages 65 to 66 of the Annual Report).

### SHAREHOLDERS

#### Communication with Shareholder

The Board recognises the Company's obligation to provide timely and fair disclosure of material information in accordance with the Corporate Disclosure Policy.

The annual report, quarterly financial results, circular to shareholders (if any) and press releases pertaining to corporate and other developments in the Group serve as a primary means of communication. This dissemination is done in a timely manner to ensure that the Group's shareholders are kept up-to-date of the developments and progresses of the Group. The Group has also held several media briefings with fund managers, analyst and potential investors.

The Group is presently re-constructing its existing website, [www.fotronics.com](http://www.fotronics.com), as an alternative communication avenue for all shareholders and investors to have 24-hours access to information on developments in the Group's businesses via updates, company news and promotions.

The shareholders and investors are also able to access the latest corporate, financial and market information of the Company via Bursa Securities' website at [www.bursamalaysia.com](http://www.bursamalaysia.com).

#### Annual General Meeting ("AGM") and Extraordinary General Meeting ("EGM")

The Company's AGM and EGM remain the principal forum for dialogue and interaction with shareholders wherein shareholders are given the opportunity to seek clarifications or to request additional information pertaining to the operations, business activities and directions of the Group. Shareholders will receive annual report, either in hard copy or CDs and the notice of AGM/EGM, which are sent out at least 21 calendar days before the date of the meeting. In addition, the Notice of AGM/EGM will be advertised in the newspapers.

Where EGM are held to obtain shareholders' approval for business or corporate proposals, comprehensive circulars to shareholders are sent within prescribed notice period in accordance with regulatory and statutory provisions.

## **ACCOUNTABILITY AND AUDIT**

### **Financial Reporting**

The Company's financial statements are prepared in accordance with the requirements of the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia to ensure that the financial statements of the Company present a balanced and fair assessment of the state of affairs of the Company. In presenting the financial statements, the Company used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgement and estimates, and prepared on a going concern basis.

The Audit Committee assists the Board in scrutinising information for disclosure to ensure accuracy, adequacy and completeness. The composition, summary of activities and terms of reference of the Audit Committee can be found in the Audit Committee Report on pages 25 to 28 of this Annual Report.

The Statement of Directors' Responsibility in respect of the Audited Financial Statements pursuant to the Statement of Directors' Responsibility of the Companies Act 1965 is set out on page 24 of this Annual Report.

### **Internal Control**

The Board of Directors acknowledges its overall responsibility for the Group's system of internal controls, which includes establishment of an appropriate control environment and framework, and for reviewing the adequacy and integrity of this system with the objective to safeguard shareholders' investments and the Group's assets. However, the Board also recognises that reviewing the Group's system of internal control is a concerted and continuing process, which is designed to manage rather than eliminate the risk of failure to achieve business objectives. In pursuing those objectives, this system can only provide reasonable and not absolute assurance against material misstatement or loss.

Information pertaining to the Company's internal controls is presented in the Statement of Internal Control as set out on pages 29 to 30 of the Annual Report.

### **Relationship with the External Auditors**

The Audit Committee's terms of reference formalises the relationship with the External Auditors to report to the members of the Company on their findings which are included as part of the Company's financial reports with respect of each year's audit on the statutory financial statements. In doing so, the Company has established a transparent arrangement with the External Auditors to meet their professional requirements and seeking professional advice in ensuring compliance with accounting standards. The role of Audit Committee in relation to the External Auditors is set out in the Audit Committee Report on pages 25 to 28 of the Annual Report.

## statement of corporate governance

### Finance Committee

Other than the Board's standing committees, comprising the Audit, Remuneration, Nomination and Options Committees, the Board has set up a Finance Committee to assist the Board to safeguard the assets of the Group and ensure that the Group's financial policies are complied with. The Finance Committee comprises two (2) Executive Directors and four (4) key managements. The Finance Committee reports to the Chairman and/or Group CEO and in its capacity, will deal with matters, including study and evaluate all submissions for capital commitments including business and investment proposals, budgets, financial matters and major operating issues which arise out of the ordinary course of business. The views of the Independent Directors will be sought and recommendations will be made to the Board for approval.

### Directors' Responsibilities in respect of Financial Statements

The Directors are required to prepare financial statements which give a true and fair view of the state of affairs of the Company and of the Group at the end of each financial year and of their results and cash flows for the year ended.

In preparing the financial statements, the Directors have ensured that:

- The Group and the Company have used appropriate accounting policies which are consistently applied;
- Reasonably and prudent judgments and estimates were made; and
- All applicable approved accounting standards in Malaysia have been complied with.

The Directors are responsible for ensuring the Company maintains proper accounting records in compliance with the Companies Act, 1965 and disclose with reasonable accuracy the financial position of the Company and of the Group.

This statement is made in accordance with the resolution of the Board of Directors dated 28 June 2005.

## audit committee report

The Audit Committee was established with the primary objective to assist the Board in fulfilling its fiduciary responsibilities relating to corporate governance, system of internal controls, risk management processes, and management and financial reporting practices of the Group.

### COMPOSITION

The present members of the Audit Committee comprise:

#### Chairman

Albert Yeo Toon Mok	Independent Non-Executive Director
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#### Members

Benoit Jean-Marie Mauffrey	Independent Non-Executive Director
Yong Kit Fai	Executive Director

### TERMS OF REFERENCE

The Terms of Reference of the Audit Committee, as approved by the Board on 4 January, 2005, are as follows:

#### Composition of members

The Board shall appoint the Audit Committee members from amongst themselves, comprising no fewer than three (3) Directors, where the majority shall be Independent Directors. The Group Chief Executive Officer shall not be a member. The appointment of a Committee member terminates when a member ceases to be a Director. No Alternate Director is appointed as a member of the Audit Committee and at least one (1) member:-

- (a) shall be a member of the Malaysian Institute of Accountants ("MIA"); or
- (b) if he is not a member of the MIA, he must have at least 3 years of working experience and:
  - i. he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
  - ii. he must be a member of one (1) of the associations of the accountants specified in Part II of the First Schedule of the Accountants Act 1967.
- (c) fulfils such other requirements as prescribed by Bursa Malaysia Securities Berhad ("Bursa Securities").

#### Retirement and resignation

If a member of the Audit Committee resigns, dies, or for any reason ceases to be a member with the result that the number of members is reduced below three (3), the Board shall within three (3) months of the event appoint such number of the new members as may be required to fill the vacancy.

## audit committee report

### Chairman

The Chairman of the Audit Committee, elected from amongst the Audit Committee members, shall be an Independent Director. The Chairman of the Committee shall be approved by the Board of Directors.

### Secretary

The Secretary of the Committee shall be the Company Secretary.

### Authority

The Committee shall, in accordance with a procedure to be determined by the Board and at the expense of the Company,

- a. authorise to investigate any activity within its terms of reference. All employees shall be directed to co-operate as requested by members of the Audit Committee.
- b. have full and unlimited/unrestricted access to all information and documents/resources which are required to perform its duties as well as to the internal and external auditors and senior management of the Company and the Group;
- c. obtain, at the expense of the Company, other independent professional advice or other advice and to secure the attendance of outsiders with relevant experience and expertise, if it considers necessary;
- d. be able to convene meetings with the external auditors, without the attendance of the executive members of the Audit Committee, whenever deemed necessary; and
- e. be able to make relevant reports, when necessary, to the relevant authorities if a breach of the Listing Requirements occur.

### Reporting

The Audit Committee shall report to the Board of Directors, either formally in writing, or verbally, as it considers appropriate on the matters within its terms of reference at least once a year, but more frequently if it so wishes.

The Audit Committee shall report to the Board of Directors on any specific matters referred to it by the Board for investigation and report.

### Duties and Responsibilities

The duties and responsibilities of the Committee are as follows:

- To review the following and report the same to the Board of Directors of the Company:-
  - (a) with the external auditor, the audit plan;
  - (b) with the external auditor, his evaluation of the system of internal controls;



- (c) with the external auditor, his audit report;
  - (d) the assistance given by the employees of the Company to the external auditor;
  - (e) the adequacy of the scope, functions and resources of the internal audit functions and it has the necessary authority to carry out its work;
  - (f) the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
  - (g) the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:-
    - (i) changes in or implementation of major accounting policy changes;
    - (ii) significant and unusual events; and
    - (iii) compliance with accounting standards and other legal requirements;
  - (h) any related party transaction and conflict of interest situation that may arise within the Company or group including any transaction, procedure or course of conduct that raises questions of management integrity;
    - (i) any letter of resignation from the external auditors of the Company; and
    - (j) whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for re-appointment;
- To verify the allocation of employees' share option scheme ("ESOS") in compliance with the criteria as stipulated in the bye-laws of the Company's ESOS, at the end of each financial year.

#### **Frequency of Meetings**

The Committee meetings shall be conducted at least four (4) times annually, or more frequently as circumstances dictate. In addition, the Chairman may call for additional meetings at any time at the Chairman's discretion. In the absence of the Chairman, the other Independent Director shall be the Chairman for that meeting.

The members of the Committee, Chief Financial Officer and head of internal audit will normally be in attendance at the meetings. Representatives of the external auditors are to be in attendance at meeting where matters relating to the audit of the statutory accounts and/or external auditors are to be discussed.

Other Directors, officers and employees of the Company and/or the Group may be invited to attend, except for those portions of the meetings where their presence is considered inappropriate, as determined by the Committee. However, at least once a year the Committee shall meet with the external auditors without any executive board member present.

## audit committee report

The Committee met two times during the financial year ended 31 March, 2005. The attendance of the audit committee members for the meetings held during the year are as follows:

Name of Director	Meeting Attended	Percentage (%)
Albert Yeo Toon Mok	2/2	100
Benoit Jean-Marie Mauffrey	2/2	100
Yong Kit Fai	2/2	100

### Quorum

The quorum for the Committee meeting shall be the majority of members present whom must be Independent Directors.

### SUMMARY OF ACTIVITIES

The following activities were carried out by the Audit Committee during the financial year under review:-

- (a) Reviewed the quarterly financial results of the Company, to ensure compliance with Bursa Securities Listing Requirements, Financial Reporting Standard and other relevant legal and statutory requirements prior to submission to the Board for their consideration and approval for release to Bursa Securities;
- (b) Reviewed the nature and scope of the audit plan for the statutory audit of the Group for the financial year ended 31 March 2005 with the Company's external auditors;
- (c) Recommended the setting up of internal audit function within the Group either through external hire or outsourcing to independent service providers;
- (d) Reviewed the semi-annual research report, including the announcements pertaining thereto, before the release of the research report to Bursa Securities;
- (e) Noted the approval letter by Bursa Securities dated 11 April, 2005 on the extension of time for compliance with Rule 6.8 and Guidance Notes 12 of the Listing Requirements of Bursa Securities for the MESDAQ market on Recurrent Related Party Transactions; and
- (f) Evaluated the effectiveness of the external auditors and made recommendations concerning their appointment and remuneration.

## statement on internal control

### Board Responsibility

The Board of Directors acknowledges its overall responsibility for the Group's system of internal controls, which includes establishment of an appropriate control environment and framework, and for reviewing the adequacy and integrity of this system. Such system is designed to safeguard shareholders' investments and the Group's assets. However, the Board also recognises that reviewing the Group's system of internal control is a concerted and continuing process, which is designed to manage rather than eliminate the risk of failure to achieve business objectives. In pursuing those objectives, this system can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group has a continuous process for identifying, evaluating and managing the significant risks faced by the Group to obtain a reasonable assurance that business objectives are met. These controls are regularly reviewed.

### Key Processes

The key processes that the Directors have established in reviewing the adequacy and integrity of the system of internal control are as follows:

- **Independence of Audit Committee**  
The Audit Committee comprises mainly Non-Executive Directors, who are also independent of management. The members of the Audit Committee have a wealth of experience and diverse qualifications. The Audit Committee will have full access to the Group's management and resources as well as to the external auditors. The Audit Committee, on behalf of the Board, reviews the quarterly report from management of the subsidiaries on key operating statistics, legal and regulatory matters before being brought to the attention of the Board on its findings and necessary recommendations or changes to be made.
- **Organisational Structure with defined roles and responsibilities**  
The Group operates within well-defined structures, with term of references and job functions in place for the Executive Chairman, Group CEO, Executive Directors, Audit, Remuneration and Nomination Committees, Options Committee, Finance Committee and other senior management staff of the Group. This is to facilitate proper division and segregation of duties and responsibilities.
- **Policies and Procedures and Authority Limits**  
The Group's subsidiaries operate in line with internal policies and procedures with clearly defined authority limits, as outlined in the Group's Financial Policies Manual ("FPM") which the Board has adopted during the financial year under review. The FPM is intended to provide a clear operational framework for the Group and its management and employees. For situation not covered under the FPM, the Group CEO either individually or in consultation with either Executive Chairman or other Board members, as required, will determine the next course of action.

## statement on internal control

- Financial and Operational Information

The Executive Chairman and Group CEO will receive and review regular reports, covering areas such as quarterly financial review, business performances and developments, and other corporate matters, from the Executive Directors and management of respective subsidiaries. These reports will be discussed at the Board meetings on a quarterly basis or as and when the circumstances necessitate.

Annual budget and business plan, containing financial and operational business targets, are reviewed by Executive Directors and management of the respective subsidiaries with the Executive Chairman and Group CEO and thereafter, are tabled to the Board for their approval and adoption.

Presently, the Group does not have an internal audit department due to the modest size of the Group. The close involvement of the Executive Chairman, Group CEO and Executive Directors in the operations of the Group, provides added assurance that certain control procedures on matters of finance and operations are in place and being adhered to. This also includes review of key operating performances, addressing areas of concern and compliance with regulatory matters. Notwithstanding aforementioned, the Board of Directors, in consultation with the Audit Committee, is committed to establish appropriate internal audit function, as and when necessary, to enhance the standard of corporate governance in the Group.

The systems of internal control in place for the Group currently are satisfactory and have not resulted in any significant breakdown or weaknesses in the system that have resulted in material losses sustained by the Group for the financial year ended 31 March 2005. The Board continues to take necessary measures to strengthen its internal control structure and manage the risks. However, such system, no matter how well designed, implemented and monitored, does not eliminate the possibility of human error, collusion or deliberate circumvention of control procedures.



Broadening the horizon,  
developing the future.

## financial statements annual report 2005

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## directors' report

The directors of **FOTRONICS CORPORATION BERHAD** 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, 2005.

### PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of management administrative services to its subsidiary companies.

The principal activities of the subsidiary companies are disclosed in Note 11 to the Financial Statements.

There have been no significant changes in the nature of the activities of the Company and its subsidiary companies during the financial year other than that as disclosed below and in Note 11 to the Financial Statements.

### SIGNIFICANT EVENTS

On 31 January, 2005, the entire issued and paid-up share capital of the Company, comprising 202,978,600 ordinary shares of RM0.10 each, was quoted on the MESDAQ Market of Bursa Malaysia Securities Berhad. The Company's listing scheme involved, inter-alia, the following:

- (a) Acquisition of 6,000,000 ordinary shares of RM1.00 each, representing 100% equity interest in Futek Malaysia Sdn Bhd ("FMSB"), a company incorporated in Malaysia, for a total purchase consideration of RM1,285,663 which are satisfied by the issuance of 12,856,630 new ordinary shares of RM0.10 each in the Company at an issue price of RM0.10 per share;
- (b) Acquisition of 5,000,000 ordinary shares of SGD1.00 each, representing 100% equity interest in M-Precision Centre Pte Ltd ("MPC"), a company incorporated in the Republic of Singapore, for a total purchase consideration of RM13,937,695 which are satisfied by the issuance of 139,376,950 new ordinary shares of RM0.10 each in the Company at an issue price of RM0.10 per share;
- (c) Acquisition from MPC of 3,306,000 ordinary shares of HKD1.00 each, representing 60% equity interest in Vtrek Precision Centre (HK) Pte Limited, a company incorporated in Hong Kong SAR, for a total purchase consideration of RM157,039 which are satisfied by cash upon completion of the acquisition of MPC;
- (d) A public issue of 50,745,000 new ordinary shares of RM0.10 each in the Company at an issue price of RM1.00 per share; and
- (e) The establishment of Employees' Share Option Scheme ("ESOS") which involves the issue of new ordinary shares in the Company of up to 10% of the issued and paid-up share capital of the Company at any point in time to directors and eligible employees of the Group. The directors intend to implement the ESOS during the next financial year.

## directors' report

### RESULTS OF OPERATIONS

The results of operations of the Group and of the Company for the financial year are as follows:

	The Group RM	The Company RM
Profit before tax	12,563,323	2,458,519
Income tax expense	(2,282,391)	-
Profit after tax	10,280,932	2,458,519
Minority interests	(1,761,050)	-
Net profit for the year	8,519,882	2,458,519

In the opinion of the directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

### DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial period.

The directors proposed a final tax-exempt dividend of 10%, amounting to RM2,029,786, in respect of the current financial year. The proposed dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company and has not been included as a liability in the financial statements.

### RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

### ISSUE OF SHARES AND DEBENTURES

As approved by the shareholders at an Extraordinary General Meeting held on 16 August, 2004, the authorised share capital of the Company was increased from RM100,000, comprising 1,000,000 ordinary shares of RM0.10 each, to RM100,000,000, comprising 1,000,000,000 ordinary shares of RM0.10 each, by the creation of an additional 999,000,000 ordinary shares of RM0.10 each.



## directors' report

### ISSUE OF SHARES AND DEBENTURES *(cont'd)*

As approved by the shareholders at an Extraordinary General Meeting held on 9 September, 2004, the issued and paid-up share capital of the Company was increased from RM2, comprising 20 ordinary shares of RM0.10 each, to RM20,297,860, comprising 202,978,600 ordinary shares of RM0.10 each, by way of:

- (a) An issue of 12,856,630 new ordinary shares of RM0.10 each in the Company at an issue price of RM0.10 per share to finance the acquisition of 6,000,000 ordinary shares of RM1.00 each, representing 100% equity interest in FMSB, for a total purchase consideration of RM1,285,663;
- (b) An issue of 139,376,950 new ordinary shares of RM0.10 each in the Company at an issue price of RM0.10 per share to finance the acquisition of 5,000,000 ordinary shares of SGD1.00 each, representing 100% equity interest in MPC, for a total purchase consideration of RM13,937,695; and
- (c) A public issue of 50,745,000 new ordinary shares of RM0.10 each in the Company at an issue price of RM1.00 per share in conjunction with the listing of the Company on the MESDAQ Market of Bursa Malaysia Securities Berhad.

The resulting share premium of RM45,670,500 arising from the issue of shares as mentioned in (c) above was credited to the share premium account.

The new ordinary shares issued rank *pari passu* in all respects with the then existing ordinary shares of the Company.

The Company has not issued any debentures during the financial year.

### SHARE OPTIONS

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As at the end of the financial year, there were no unissued shares of the Company under options.

### OTHER FINANCIAL INFORMATION

Before the income statements and the balance sheets of the Group and of the Company were made out, the directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that all known bad debts have been written off and that no allowance for doubtful debts is required; and
- (b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

## directors' report

### OTHER FINANCIAL INFORMATION *(cont'd)*

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

- (a) which would render the amount of bad debts written off inadequate to any substantial extent or require the setting up of allowance for doubtful debts in the financial statements of the Group and of the Company; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

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

- (a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

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

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company for the succeeding financial year.

### DIRECTORS

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

Seah Bak Kheow	(appointed on 15.09.2004)
Seah Bak Seng	(appointed on 15.09.2004)
Cheng Joo Wan	(appointed on 15.09.2004)
Masato Ikeuchi	(appointed on 15.09.2004)
Ng Kwok Leung, George	(appointed on 15.09.2004)
Koh Poh Jin	(appointed on 15.09.2004)
Yong Kit Fai	(appointed on 15.09.2004)
Dato' Sim Bee Ming	(appointed on 15.09.2004)
Yuen Kin Pheng	(appointed on 15.09.2004)
Patrick Bernard Andre Bouju	(appointed on 15.09.2004)

## directors' report

### DIRECTORS (cont'd)

Benoit Jean-Marie Mauffrey	(appointed on 15.09.2004)
Albert Yeo Toon Mok	(appointed on 15.09.2004)
Yutaka Watanabe	(appointed on 15.09.2004; redesignated as an alternate director to Masato Ikeuchi on 22.12.2004)
Ding Ging Sung	(First Director; resigned on 15.09.2004)
Lee Kek Thay	(First Director; resigned on 15.09.2004)

All directors of the Company in office at the end of the financial year, who were appointed to the Board since the date of the last report, retired under Article 92 of the Company's Articles of Association at the First Annual General Meeting of the Company held on 30 September, 2004 and, being eligible, were duly re-elected.

In accordance with Article 92 of the Company's Articles of Association, Messrs. Seah Bak Seng, Masato Ikeuchi, Patrick Bernard Andre Bouju and Albert Yeo Toon Mok retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

### DIRECTORS' INTERESTS

The shareholdings in the Company of those who were directors at the end of the financial year, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, are as follows:

	Number of ordinary shares of RM0.10 each			
	Balance as of date of appointment	Bought	Sold	Balance as of 31.03.2005
<b>Shares in the Company</b>				
<b>Direct interest</b>				
Seah Bak Kheow	-	60,000	-	60,000
Seah Bak Seng	4,600,000	60,000	(16,000)	4,644,000
Cheng Joo Wan	-	60,000	-	60,000
Masato Ikeuchi	-	60,000	-	60,000
Ng Kwok Leung, George	12,983,569	60,000	-	13,043,569
Koh Poh Jin	-	60,000	-	60,000
Yong Kit Fai	-	60,000	-	60,000
Dato' Sim Bee Ming	-	60,000	-	60,000
Yuen Kin Pheng	-	60,000	-	60,000
Patrick Bernard Andre Bouju	-	160,000	-	160,000
Benoit Jean-Marie Mauffrey	-	160,000	-	160,000
Albert Yeo Toon Mok	-	60,000	-	60,000
Yutaka Watanabe	-	60,000	-	60,000
<b>Deemed interest</b>				
Seah Bak Kheow *	104,837,405	3,755,800	-	108,593,205

## directors' report

### DIRECTORS' INTERESTS *(cont'd)*

- \* Deemed interested by virtue of his spouse's and children's substantial shareholdings in Memcorp Holdings Limited ("Memcorp"), a company incorporated in the British Virgin Islands, and Memcorp's controlling interest in Futek Incorporated, a company incorporated in Japan and a substantial shareholder of the Company.

By virtue of the above directors' interests in the shares of the Company, they are deemed to have an interest in the shares of all the subsidiary companies to the extent the directors have their interests.

### DIRECTORS' BENEFITS

Since the end of the previous financial period, none of the directors of the Company has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by the directors as disclosed in the financial statements or being fixed salary of full-time employees of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for any benefit which may be deemed to have arisen by virtue of the transactions as disclosed in Note 16 to the Financial Statements.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

### HOLDING COMPANY

Memcorp Holdings Limited, a company incorporated in the British Virgin Islands, is regarded by the directors as the immediate and ultimate holding company of the Company.

### AUDITORS

The auditors, Messrs. Deloitte & Touche, have indicated their willingness to continue in office.

Signed in accordance  
with a resolution of the Directors,



SEAH BAK KHEOW



SEAH BAK SENG

Kuala Lumpur,  
28 June, 2005

## report of the auditors

to the members of fotronics corporation berhad

We have audited the accompanying balance sheets as of 31 March, 2005 and the related statements of income, cash flows and changes in equity for the year then ended. These financial statements are the responsibility of the Company's directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the abovementioned financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to give a true and fair view of:
  - (i) the state of affairs of the Group and of the Company as of 31 March, 2005 and of the results and the cash flows of the Group and of the Company for the year ended on that date; and
  - (ii) the matters required by Section 169 of the Act to be dealt with in the financial statements and consolidated financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and auditors' reports of the subsidiary companies of which we have not acted as auditors, as indicated in Note 11 to the Financial Statements, being the financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements, and we have received satisfactory information and explanations as required by us for these purposes.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment made under Sub-section (3) of Section 174 of the Act.



**DELOITTE & TOUCHE**  
**AF 0834**  
**Chartered Accountants**



**OOI THIAM POH**  
**2495/01/06 (J)**  
**Partner**

28 June, 2005

# income statements

for the year ended 31 March, 2005

(With comparative figures for the period 20 January, 2004 (date of incorporation) to 31 March, 2004)

	Note	The Group		The Company	
		2005 (12 months) RM	2004 (2 months) RM	2005 (12 months) RM	2004 (2 months) RM
Revenue	4	33,243,833	-	2,680,000	-
Other operating income		129,213	-	190,000	-
Changes in inventories of finished goods and work-in-progress		(71,914)	-	-	-
Raw materials and consumables used		(1,764,782)	-	-	-
Directors' remuneration	6	(854,522)	-	(59,000)	-
Staff costs	5	(5,830,601)	-	(109,944)	-
Depreciation of property, plant and equipment	10	(2,630,083)	-	(26,030)	-
Other operating expenses		(9,738,492)	(13,474)	(325,592)	(10,000)
Profit/(Loss) from operations	5	12,482,652	(13,474)	2,349,434	(10,000)
Finance costs	7	(60,562)	-	-	-
Interest income from short-term deposits		141,233	-	109,085	-
<b>Profit/(Loss) before tax</b>		<b>12,563,323</b>	(13,474)	<b>2,458,519</b>	(10,000)
Income tax expense	8	(2,282,391)	-	-	-
<b>Profit/(Loss) after tax</b>		<b>10,280,932</b>	(13,474)	<b>2,458,519</b>	(10,000)
Minority interests		(1,761,050)	-	-	-
<b>Net profit/(loss) for the year/period</b>		<b>8,519,882</b>	(13,474)	<b>2,458,519</b>	(10,000)
<b>Earnings/(Loss) per ordinary share</b>					
Basic (sen)	9	8.76	(67,370)		

# balance sheets

as of 31 March, 2005

		The Group		The Company	
	Note	2005 RM	2004 RM	2005 RM	2004 RM
ASSETS					
Property, plant and equipment	10	24,249,190	-	97,008	-
Investment in subsidiary companies	11	-	-	15,380,402	5
Development expenditure	12 & 16	2,839,537	-	-	-
Deferred tax assets	19	1,241,598	-	-	-
Current Assets					
Inventories	13	2,324,907	-	-	-
Trade receivables	14 & 16	10,683,322	-	-	-
Other receivables and prepaid expenses	14 & 16	1,541,997	-	46,923	-
Amount owing by subsidiary companies	16	-	-	13,535,841	-
Short-term deposits with licensed banks	23	37,350,000	-	36,900,000	-
Cash and bank balances		21,396,708	5	83,424	-
		73,296,934	5	50,566,188	-
Current Liabilities					
Trade payables	15 & 16	3,086,475	-	-	-
Other payables and accrued expenses	15 & 16	2,151,252	13,477	626,719	10,003
Hire-purchase payables - current portion	17	85,065	-	-	-
Bank borrowings - secured	18	1,870,346	-	-	-
Tax liabilities		65,457	-	-	-
		7,258,595	13,477	626,719	10,003
Net Current Assets/(Liabilities)		66,038,339	(13,472)	49,939,469	(10,003)



## balance sheets

as of 31 March, 2005

		The Group		The Company	
	Note	2005 RM	2004 RM	2005 RM	2004 RM
<b>Long-term and Deferred Liabilities</b>					
Hire-purchase payables					
- non-current portion	17	(112,855)	-	-	-
Deferred tax liabilities	19	(2,289,842)	-	-	-
		(2,402,697)	-	-	-
<b>Minority interests</b>		(9,041,845)	-	-	-
<b>Net Assets/(Liabilities)</b>		<b>82,924,122</b>	(13,472)	<b>65,416,879</b>	(9,998)
<b>Represented by:</b>					
Issued capital	20	20,297,860	2	20,297,860	2
Reserves	21	62,626,262	(13,474)	45,119,019	(10,000)
<b>Shareholders' Equity</b>					
<b>/(Capital Deficiency)</b>		<b>82,924,122</b>	(13,472)	<b>65,416,879</b>	(9,998)

## statements of changes in equity

for the year ended 31 March, 2005

(With comparative figures for the period 20 January, 2004 (date of incorporation) to 31 March, 2004)

The Group	Note	Issued capital RM	Share premium RM	Reserve on consolidation RM	Translation reserve account RM	Unappropriated profit/ (Accumulated losses) RM	Total shareholders' equity/ (Capital deficiency) RM
<b>Balance as of</b>							
<b>20 January, 2004</b>							
(date of incorporation)		2	-	-	-	-	2
Net loss for the period		-	-	-	-	(13,474)	(13,474)
<b>Balance as of</b>							
<b>31 March, 2004</b>		2	-	-	-	(13,474)	(13,472)
Issues of shares	20 & 21	20,297,858	45,670,500	-	-	-	65,968,358
Listing expenses	21	-	(3,000,000)	-	-	-	(3,000,000)
Acquisition of subsidiary companies	26	-	-	10,873,272	-	-	10,873,272
Translation adjustments		-	-	-	576,082	-	576,082
Net profit for the year		-	-	-	-	8,519,882	8,519,882
<b>Balance as of</b>							
<b>31 March, 2005</b>		<b>20,297,860</b>	<b>42,670,500</b>	<b>10,873,272</b>	<b>576,082</b>	<b>8,506,408</b>	<b>82,924,122</b>

The Company	Note	Issued capital RM	Share premium RM	Unappropriated profit/ (Accumulated losses) RM	Total shareholders' equity/ (Capital deficiency) RM
<b>Balance as of</b>					
<b>20 January, 2004</b>					
(date of incorporation)		2	-	-	2
Net loss for the period		-	-	(10,000)	(10,000)
<b>Balance as of</b>					
<b>31 March, 2004</b>		2	-	(10,000)	(9,998)
Issues of shares	20 & 21	20,297,858	45,670,500	-	65,968,358
Listing expenses	21	-	(3,000,000)	-	(3,000,000)
Net profit for the year		-	-	2,458,519	2,458,519
<b>Balance as of</b>					
<b>31 March, 2005</b>		<b>20,297,860</b>	<b>42,670,500</b>	<b>2,448,519</b>	<b>65,416,879</b>

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

## cash flow statements

for the year ended 31 March, 2005

(With comparative figures for the period 20 January, 2004 (date of incorporation) to 31 March, 2004)

	The Group		The Company	
	2005	2004	2005	2004
	(12 months)	(2 months)	(12 months)	(2 months)
	RM	RM	RM	RM
<b>CASH FLOWS FROM/(USED IN)</b>				
<b>OPERATING ACTIVITIES</b>				
Profit/(Loss) before tax	12,563,323	(13,474)	2,458,519	(10,000)
Adjustments for:				
Depreciation of property, plant and equipment	2,630,083	-	26,030	-
Finance costs	60,562	-	-	-
Write-off of:				
Bad debts	25,000	-	-	-
Property, plant and equipment	4,040	-	-	-
Interest income	(141,233)	-	(109,085)	-
Gain on disposal of property, plant and equipment	(8,246)	-	-	-
Operating Profit/(Loss)				
Before Working Capital Changes	15,133,529	(13,474)	2,375,464	(10,000)
Increase in:				
Inventories	(54,142)	-	-	-
Trade receivables	(1,105,394)	-	-	-
Other receivables and prepaid expenses	(811,751)	-	(46,923)	-
Amount owing by subsidiary companies	-	-	(13,535,841)	-
Increase/(Decrease) in:				
Trade payables	(2,813,377)	-	-	-
Other payables and accrued expenses	1,417,386	13,477	616,716	10,003
Cash Generated From/(Used In) Operations	11,766,251	3	(10,590,584)	3
Income tax paid	(521,397)	-	-	-
Net Cash From/(Used In) Operating Activities	11,244,854	3	(10,590,584)	3

## cash flow statements

for the year ended 31 March, 2005

(With comparative figures for the period 20 January, 2004 (date of incorporation) to 31 March, 2004)

Note	The Group		The Company	
	2005 (12 months) RM	2004 (2 months) RM	2005 (12 months) RM	2004 (2 months) RM
<b>CASH FLOWS FROM/(USED IN)</b>				
<b>INVESTING ACTIVITIES</b>				
Acquisition of subsidiary companies (Note a)	13,796,103	-	(157,039)	(5)
Interest received	141,233	-	109,085	-
Proceeds from disposal of property, plant and equipment	8,645	-	-	-
Purchase of property, plant and equipment (Note b)	(10,614,480)	-	(123,038)	-
Development expenditure incurred	(2,839,537)	-	-	-
Net Cash From/(Used In) Investing Activities	491,964	-	(170,992)	(5)
<b>CASH FLOWS FROM/(USED IN)</b>				
<b>FINANCING ACTIVITIES</b>				
Proceeds from issue of shares	50,745,000	2	50,745,000	2
Share issue expenses	(3,000,000)	-	(3,000,000)	-
Net repayments of bank borrowings, excluding bank overdrafts	(1,670,781)	-	-	-
Interest paid	(60,562)	-	-	-
Payment of hire-purchase payables	(27,118)	-	-	-
Net Cash From Financing Activities	45,986,539	2	47,745,000	2
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	57,723,357	5	36,983,424	-
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/DATE OF INCORPORATION</b>	5	-	-	-
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD</b>	57,723,362	5	36,983,424	-

## cash flow statements

(With comparative figures for the period 20 January, 2004 (date of incorporation) to 31 March, 2004)

### Note a

Analysis of assets and liabilities of subsidiary companies acquired are as follows:

	The Group 2005 RM
Property, plant and equipment	15,683,582
Deferred tax assets	1,415,973
Inventories	2,270,765
Trade receivables	9,602,928
Other receivables and prepaid expenses	730,246
Cash and cash equivalents	13,796,103
Trade payables	(5,899,852)
Other payables and accrued expenses	(894,206)
Hire-purchase payables	(75,317)
Bank borrowings, excluding bank overdrafts	(2,517,781)
Tax liabilities	(727,263)
Deferred tax liabilities	(7,753)
Minority interests	(7,280,795)
	<hr/>
Net assets acquired	26,096,630
Reserve on consolidation	(10,873,272)
	<hr/>
Total purchase consideration	15,223,358
Less : Purchase consideration satisfied through the issue of ordinary shares	(15,223,358)
Less : Cash and bank balances	(14,243,390)
Add : Bank overdrafts	447,287
	<hr/>
Cash flow on acquisition, net of cash and cash equivalents acquired	<u>(13,796,103)</u>

### Note b

During the financial year, the Group acquired property, plant and equipment at an aggregate cost of RM10,764,201 (2004: RM Nil), of which RM149,721 (2004: RM Nil) was acquired under hire-purchase arrangements. Cash payments by the Group for acquisition of property, plant and equipment amounted to RM10,614,480 (2004: RM Nil).

# notes to the financial statements

## 1. GENERAL INFORMATION

The Company is a public limited company and listed on the MESDAQ Market of Bursa Malaysia Securities Berhad.

The principal activities of the Company are investment holding and provision of management administrative services to its subsidiary companies.

The principal activities of the subsidiary companies are disclosed in Note 11.

There have been no significant changes in the nature of the activities of the Company and its subsidiary companies during the financial year other than that as disclosed in Notes 11 and 26.

The total number of employees of the Group and of the Company at the end of the financial year are 1,037 (2004: Nil) and 2 (2004: Nil), respectively.

The registered office of the Company is located at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur.

The principal place of business of the Company is located at Suite 3A.1, Level 3A, Wisma E & C, 2 Lorong Dungun Kiri, Damansara Heights, 50490 Kuala Lumpur.

## 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Group and of the Company were approved by the Board of Directors for issuance on 28 June, 2005.

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention.

### Basis of Consolidation

The consolidated financial statements include the audited financial statements of the Company and of all subsidiary companies made up to the end of the financial year. Subsidiary companies are those companies in which the Group owns, directly or indirectly, more than 50% of the equity share capital and has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Subsidiary companies are consolidated using the acquisition method of accounting. On acquisition, the assets and liabilities of the relevant subsidiary companies are measured at their fair values at the date of acquisition. The interest of minority shareholder is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

## notes to the financial statements

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### Basis of Consolidation (cont'd)

The results of subsidiary companies acquired or disposed off during the financial year are included in the consolidated financial statements from the effective date of acquisition or up to the effective date of disposal, as applicable.

All significant intercompany transactions and balances are eliminated on consolidation.

Reserve on consolidation represents the excess of the Group's interest in the fair values of the identifiable net assets of the subsidiary companies acquired at the effective date of acquisition over the cost of investment.

#### Revenue

Revenue of the Company consists of dividend income and management fee received or receivable from subsidiary companies.

Revenue of the Group consists of gross invoiced value of goods sold less discounts and returns.

Revenue from sales of goods is recognised upon delivery of products and when the risks and rewards of ownership have passed.

Revenue from provision of management administrative services is recognised when the services are rendered.

Dividend from subsidiary companies is recognised when the shareholder's right to receive payment is established.

#### Foreign Currency Conversion

Transactions in foreign currencies are converted into Ringgit Malaysia at the exchange rates prevailing at the transaction dates, or where settlement has not yet been made at the end of the financial year, at the approximate exchange rates prevailing at that date. All foreign exchange gains or losses are taken up in the income statements.

For the purpose of consolidation, the financial statements of the foreign incorporated subsidiary companies have been translated into Ringgit Malaysia as follows:

Assets and liabilities	-	at year-end rate
Share capital and reserves	-	at historical rate
Revenue and expenses	-	at average rate for the year



## notes to the financial statements

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### Foreign Currency Conversion (cont'd)

The closing rates per unit of Ringgit Malaysia used in converting foreign currency amounts and the translation of foreign incorporated subsidiary companies' financial statements are as follows:

<u>Foreign currency</u>	<b>2005</b>	<b>2004</b>
Chinese Renminbi	<b>2.1771</b>	n/a
Hong Kong Dollar	<b>2.0525</b>	n/a
Singapore Dollar	<b>0.4341</b>	0.4418
Japanese Yen	<b>28.2100</b>	n/a
United States Dollar	<b>0.2632</b>	n/a
Euro	<b>0.2036</b>	n/a

All translation gains or losses are taken up and reflected in the translation reserve account under shareholders' equity. Such translation gains or losses are recognised as income or expenses in the income statements, in the period in which the operations are disposed off.

#### Employee Benefits

Wages, salaries, paid annual leave, bonuses and other non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group and of the Company.

The Company and certain subsidiary companies make statutory contributions to approved provident funds which are charged to the income statements in the period in which they relate. Once the contributions have been paid, there are no further payment obligations. The approved provident funds are in accordance with local practices in which the Company and certain subsidiary companies operate and are defined contribution plans.

#### Income Tax

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

Deferred tax is accounted for in respect of temporary differences arising from differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are generally recognised for all deductible temporary differences, unutilised tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilised.

## notes to the financial statements

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### Impairment of Assets

The carrying amounts of property, plant and equipment, investment in subsidiary companies and development expenditure are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the assets' recoverable amounts are estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. All impairment losses are recognised in the income statements.

An impairment loss is only reversed 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.

#### Property, Plant and Equipment and Depreciation

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

Gain or loss arising from the disposal of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognised in the income statements.

Depreciation of property, plant and equipment is computed on the straight-line method at the following annual rates based on the estimated useful lives of the various assets:

Long-term leasehold land	Period of lease of 84 years
Building	2%
Plant, machinery and factory equipment	10% - 30%
Office equipment, furniture and fittings	5% - 20%
Motor vehicles	20%

#### Property, Plant and Equipment Acquired Under Hire-Purchase Arrangements

Property, plant and equipment acquired under hire-purchase arrangements are capitalised in the financial statements and the corresponding obligations are treated as liabilities. Finance charges are allocated to the income statements to give a constant periodic rate of interest on the remaining hire-purchase liabilities.

#### Investment in Subsidiary Companies

Investment in subsidiary companies, which is eliminated on consolidation, is stated at cost less any impairment losses in the Company's financial statements.

#### Development Expenditure

Development expenditure is charged to the income statements in the year in which it is incurred except where a clearly defined project is undertaken and it is reasonably anticipated that the development expenditure will give rise to future economic benefits. Such development expenditure are recognised as an intangible asset and amortised on a straight-line basis over five years in which benefits are expected to be derived commencing from the period in which the developed product is available for sale or use.

## notes to the financial statements

### 3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

#### **Inventories**

Inventories are stated at the lower of cost (determined principally on the "first-in, first-out" basis) and net realisable value. The cost of raw materials and consumables include the purchase price and incidental cost incurred in bringing the inventories to their present location and condition. The cost of work-in-progress and finished goods include the cost of raw materials, direct labour and a proportion of production overheads.

Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion. In arriving at net realisable value, due allowance is made for damaged, obsolete or slow-moving inventories.

#### **Receivables**

Trade and other receivables are stated at nominal value as reduced by the appropriate allowances for estimated irrecoverable amounts. Allowance for doubtful debts is made based on estimate of possible losses which may arise from non-collection of certain receivable accounts.

#### **Provisions**

Provisions are made when the Group and the Company have a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made.

#### **Financial Assets**

The Group's principal financial assets are trade and other receivables, short-term deposits with licensed banks and cash and bank balances. The Company's principal financial assets also include amount owing by subsidiary companies.

#### **Financial Liabilities and Equity Instruments**

Debts and equity instruments are classified as either liabilities or equity in accordance with the substance of the contractual arrangement.

The Group's significant financial liabilities include trade and other payables, hire-purchase payables and bank borrowings, which are stated at their nominal values.

Bank borrowings are recorded at the proceeds received net of direct issue costs. Finance charges, including premium payable on settlement, are accounted for on an accrual basis.

Equity instruments are recorded at the proceeds received net of direct issue costs.

#### **Cash Flow Statements**

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

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

## notes to the financial statements

### 4. REVENUE

	The Group		The Company	
	2005	2004	2005	2004
	(12 months)	(2 months)	(12 months)	(2 months)
	RM	RM	RM	RM
Sales of precision manufactured and assembled products	31,957,143	-	-	-
Marketing and distribution of trading merchandise	1,286,690	-	-	-
Income from subsidiary companies:				
Dividend income	-	-	2,600,000	-
Management fee	-	-	80,000	-
	33,243,833	-	2,680,000	-

### 5. PROFIT/(LOSS) FROM OPERATIONS

Profit/(Loss) from operations is arrived at:

	The Group		The Company	
	2005	2004	2005	2004
	(12 months)	(2 months)	(12 months)	(2 months)
	RM	RM	RM	RM
<b>After Charging:</b>				
Rental of:				
Premises	1,069,180	-	65,837	-
Equipment	13,467	-	-	-
Clerical support fee payable to a substantial shareholder (Note 16)	394,595	-	-	-
Technical fee payable to a substantial shareholder (Note 16)	190,000	-	190,000	-
Management fee payable to a related party (Note 16)	213,654	-	-	-
Audit fees	101,564	2,132	40,000	1,000
Write-off of:				
Bad debts	25,000	-	-	-
Property, plant and equipment	4,040	-	-	-
Preliminary expenses	-	5,713	-	5,000

## notes to the financial statements

### 5. PROFIT/(LOSS) FROM OPERATIONS (cont'd)

	The Group		The Company	
	2005	2004	2005	2004
	(12 months)	(2 months)	(12 months)	(2 months)
	RM	RM	RM	RM
<b>And Crediting:</b>				
Technical fee receivable from subsidiary companies	-	-	190,000	-
Realised foreign exchange gain - net	73,805	-	-	-
Gain on disposal of property, plant and equipment - net	8,246	-	-	-

Staff costs include salaries, statutory contributions to approved provident funds, bonuses and all other staff related expenses.

Included in staff costs are statutory contributions to approved provident funds made by the Group and the Company amounting to RM591,455 (2004: RM Nil) and RM8,400 (2004: RM Nil), respectively.

### 6. DIRECTORS' REMUNERATION

	The Group		The Company	
	2005	2004	2005	2004
	(12 months)	(2 months)	(12 months)	(2 months)
	RM	RM	RM	RM
<b>Executive Directors</b>				
The Company:				
Salaries and other emoluments	46,000	-	46,000	-
Fees	-	-	-	-
Subsidiary Companies:				
Salaries and other emoluments	795,522	-	-	-
Fees	-	-	-	-
<b>Non-Executive Directors</b>				
The Company:				
Salaries and other emoluments	13,000	-	13,000	-
Fees	-	-	-	-
	854,522	-	59,000	-

## notes to the financial statements

### 6. DIRECTORS' REMUNERATION *(cont'd)*

Directors' remuneration includes salaries, statutory contributions to approved provident funds, allowances and all other director related expenses for all executive and non-executive directors of the Company except for Messrs. Masato Ikeuchi and Yutaka Watanabe, executive directors of the Company and of Futek Incorporated, a substantial shareholder, and Mr. Ng Kwok Leung, George, an executive director of the Company and of a foreign subsidiary company. The said directors did not receive any direct remuneration packages for their executive roles other than any benefit which may be deemed to have arisen by virtue of trade and non-trade transactions with Futek Incorporated, a company incorporated in Japan, and management fee payable to George Ng & Co Ltd, a company incorporated in Hong Kong SAR and in which Mr. Ng Kwok Leung, George, is a director and shareholder, as disclosed in Note 16.

Included in directors' remuneration are statutory contributions to approved provident funds made by the Group and the Company amounting to RM48,587 (2004: RM Nil) and RM Nil (2004: RM Nil), respectively.

### 7. FINANCE COSTS

	The Group	
	2005 (12 months) RM	2004 (2 months) RM
Interest on:		
Trust receipts and bankers' acceptances	35,465	-
Bank overdrafts	21,060	-
Hire-purchase payables	4,037	-
	<b>60,562</b>	-

## notes to the financial statements

## 8. INCOME TAX EXPENSE

	The Group		The Company	
	2005	2004	2005	2004
	(12 months)	(2 months)	(12 months)	(2 months)
	RM	RM	RM	RM
Estimated tax payable:				
Current year: Foreign	39,115	-	-	-
Overprovision in prior years: Malaysian	(179,524)	-	-	-
	(140,409)	-	-	-
Deferred tax assets: (Note 19)				
Current year	183,039	-	-	-
Underprovision in prior years	(8,664)	-	-	-
	174,375	-	-	-
Deferred tax liabilities: (Note 19)				
Current year	1,546,562	-	-	-
Underprovision in prior years	701,863	-	-	-
	2,248,425	-	-	-
	2,282,391	-	-	-



## notes to the financial statements

### 8. INCOME TAX EXPENSE *(cont'd)*

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

	The Group		The Company	
	2005	2004	2005	2004
	(12 months)	(2 months)	(12 months)	(2 months)
	RM	RM	RM	RM
Profit/(Loss) before tax	<b>12,563,323</b>	(13,474)	<b>2,458,519</b>	(10,000)
Tax at the applicable statutory tax rate of 28% (2004: 28%)	<b>3,517,730</b>	(3,773)	<b>688,385</b>	(2,800)
Tax effects of:				
Lower tax rate applicable to Malaysian small and medium scale industries	<b>8,736</b>	-	-	-
Differences between Malaysian and foreign tax rates	<b>(1,080,120)</b>	278	-	-
Foreign income not subject to tax	<b>(741,205)</b>	-	<b>(728,000)</b>	-
Expenses not deductible for tax purposes	<b>63,575</b>	3,495	<b>39,615</b>	2,800
Income tax expense for the year/period	<b>1,768,716</b>	-	-	-

As of 31 March, 2005, the Company has tax-exempt income account amounting to approximately RM2,600,000 (2004: RM Nil) arising from tax-exempt dividend income received from foreign subsidiary companies. The said tax-exempt income account is available for distribution as tax-exempt dividends.

## notes to the financial statements

### 9. EARNINGS/(LOSS) PER ORDINARY SHARE

	The Group	
	2005 (12 months) RM	2004 (2 months) RM
<b>Basic</b>		
Net profit/(loss) attributable to ordinary shareholders	8,519,882	(13,474)
	<b>2005 Units</b>	<b>2004 Units</b>
Number of ordinary shares at beginning of year/date of incorporation	20	20
Effect of share issues for acquisition of subsidiary companies in August 2004	88,802,922	-
Effect of public issue in January 2005	8,457,500	-
Weighted average number of ordinary shares	97,260,442	20
Basic earnings/(loss) per ordinary share (sen)	8.76	(67,370)

### 10. PROPERTY, PLANT AND EQUIPMENT

The Group	Long-term leasehold land RM	Building RM	Plant, machinery and factory equipment RM	Office equipment, furniture and fittings RM	Motor vehicles RM	Total RM
<b>Cost</b>						
At beginning of year	-	-	-	-	-	-
Arising from acquisition of subsidiary companies	776,000	390,015	20,781,720	3,119,296	583,419	25,650,450
Additions	-	-	9,817,458	567,105	379,638	10,764,201
Disposals	-	-	(44,669)	(12,531)	-	(57,200)
Write-offs	-	-	-	(40,492)	-	(40,492)
Translation adjustments	-	-	601,155	27,328	3,518	632,001
At end of year	776,000	390,015	31,155,664	3,660,706	966,575	36,948,960

## notes to the financial statements

## 10. PROPERTY, PLANT AND EQUIPMENT (cont'd)

The Group	Long-term leasehold land RM	Building RM	Plant, machinery and factory equipment RM	Office equipment, furniture and fittings RM	Motor vehicles RM	Total RM
<b>Accumulated Depreciation</b>						
At beginning of year	-	-	-	-	-	-
Arising from acquisition of subsidiary companies	136,216	115,055	7,915,455	1,407,504	392,638	9,966,868
Charge for the year	6,157	5,200	2,127,689	382,925	108,112	2,630,083
Disposals	-	-	(44,661)	(12,140)	-	(56,801)
Write-offs	-	-	-	(36,452)	-	(36,452)
Translation adjustments	-	-	179,279	16,067	726	196,072
At end of year	142,373	120,255	10,177,762	1,757,904	501,476	12,699,770
<b>Net Book Value</b>						
As of 31 March, 2005	633,627	269,760	20,977,902	1,902,802	465,099	24,249,190
As of 31 March, 2004	-	-	-	-	-	-

The Company	At beginning of year RM	Additions/ (Charge for the year) RM	Disposal RM	At end of year RM
<b>Office Equipment, Furniture and Fittings</b>				
Cost	-	123,038	-	123,038
Accumulated Depreciation	-	(26,030)	-	(26,030)
Net Book Value	-	97,008	-	97,008

## notes to the financial statements

### 10. PROPERTY, PLANT AND EQUIPMENT *(cont'd)*

The cost of property, plant and equipment of the Group which have been fully depreciated but are still in use, are as follows:

	The Group	
	2005	2004
	RM	RM
Plant, machinery and factory equipment	2,989,847	-
Office equipment, furniture and fittings	222,907	-
Motor vehicles	142,800	-
	<b>3,355,554</b>	<b>-</b>

Included in property, plant and equipment of the Group are motor vehicles and plant, machinery and factory equipment acquired under hire-purchase arrangements with net book values amounting to RM271,529 (2004: RM Nil) and RM33,303 (2004: RM Nil), respectively.

Net book value of property, plant and equipment of the Group pledged as security for bank overdrafts and other credit facilities granted to the Group as mentioned in Note 18 are as follows:

	The Group	
	2005	2004
	RM	RM
Long-term leasehold land	633,627	-
Building	269,760	-
Plant, machinery and factory equipment	1,799,531	-
	<b>2,702,918</b>	<b>-</b>

As of 31 March, 2005, the remaining lease period of the long-term leasehold land of the Group is 69 years.

### 11. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2005	2004
	RM	RM
Unquoted shares - at cost	15,380,402	5

## notes to the financial statements

### 11. INVESTMENT IN SUBSIDIARY COMPANIES *(cont'd)*

Details of the subsidiary companies are as follows:

Name of Subsidiary Company	Country of Incorporation	Principal Activities	Effective Equity Interest	
			2005 %	2004 %
Direct				
Fotronics Incorporated (S) Pte Ltd #	Republic of Singapore	Commenced operations during the current financial year in precision manufacturing and assembling of parts and components for the data storage industry	100	100
Futek Malaysia Sdn Bhd ("FMSB")	Malaysia	Assembling of magnetic recording heads and drums, marketing and distribution of audio visual equipment, and investment holding	100	-
M-Precision Centre Pte Ltd ("MPC") #	Republic of Singapore	Precision manufacturing and assembling of parts and components for the magnetic recording and aerospace industries	100	-
Vtrek Precision Centre (HK) Pte Limited ("Vtrek HK") #	Hong Kong SAR	Marketing and distribution of micro-optic components, and investment holding	60	-
Indirect				
Future Technology Sdn Bhd (held through FMSB)	Malaysia	Marketing and distribution of audio visual equipment and parts	100	-
Vtrek Precision Industrial Co Ltd # (held through Vtrek HK)	People's Republic of China	Precision assembling of micro-optic components	60	-

# The financial statements of these companies are not audited by Deloitte & Touche, the auditors of the Company.

During the current financial year, the Company acquired certain subsidiary companies as disclosed under Note 26.

## notes to the financial statements

### 11. INVESTMENT IN SUBSIDIARY COMPANIES (cont'd)

Post-acquisition results of subsidiary companies acquired:

	The Group 2005 (12 months) RM
Revenue	21,943,742
Operating expenses	(12,083,036)
Finance costs	(60,290)
Profit before tax	9,800,416
Income tax expense	(1,694,504)
Profit after tax	8,105,912
Minority interests	(1,761,050)
Increase in Group's profit attributable to shareholders	6,344,862

The effects of these acquisitions on the financial position of the Group as at year end are as follows:

	The Group 2005 RM
Property, plant and equipment	14,611,430
Deferred tax assets	1,241,598
Inventories	2,324,907
Trade receivables	6,199,982
Other receivables and prepaid expenses	542,596
Short-term deposits with licensed banks	450,000
Cash and bank balances	18,588,247
Trade payables	(1,754,088)
Other payables and accrued expenses	(1,233,290)
Hire-purchase payables	(52,356)
Bank borrowings	(1,870,346)
Tax liabilities	(65,457)
Deferred tax liabilities	(1,693,167)
Minority interests	(9,041,845)
Group's share of net assets	28,248,211

## notes to the financial statements

### 12. DEVELOPMENT EXPENDITURE

	The Group	
	2005	2004
	RM	RM
<b>Cost</b>		
At beginning of year/date of incorporation	-	-
Incurred during the year (Note 16)	2,839,537	-
At end of year/period	2,839,537	-
<b>Cumulative Amortisation</b>		
At beginning and end of year/At date of incorporation and end of period	-	-
	2,839,537	-

Development expenditure relates to costs capitalised by a foreign subsidiary company in developing new products. As of 31 March, 2005, development activities of the new products are still on going. The directors anticipate that the products being developed will commence commercial productions during the next financial year.

### 13. INVENTORIES

	The Group	
	2005	2004
	RM	RM
<b>At cost:</b>		
Raw materials and consumables	645,712	-
Work-in-progress	449,499	-
Finished goods	1,229,696	-
	2,324,907	-

## notes to the financial statements

### 14. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAID EXPENSES

Trade receivables consist of amount owing by:

	The Group	
	2005	2004
	RM	RM
Third parties	3,361,625	-
Related party (Note 16)	7,321,697	-
	<b>10,683,322</b>	<b>-</b>

The normal credit period granted by the Group to its trade customers on sales of goods ranges from 30 to 90 days (2004: Nil).

The currencies profile of trade receivables is as follows:

	The Group	
	2005	2004
	RM	RM
United States Dollar	9,970,515	-
Singapore Dollar	375,852	-
Ringgit Malaysia	324,567	-
Euro	12,388	-
	<b>10,683,322</b>	<b>-</b>

Other receivables and prepaid expenses consist of:

	The Group		The Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Other receivables:				
Third parties	551,911	-	22,398	-
Related party (Note 16)	502,717	-	-	-
Refundable deposits	369,848	-	16,075	-
Prepaid expenses	117,521	-	8,450	-
	<b>1,541,997</b>	<b>-</b>	<b>46,923</b>	<b>-</b>



## notes to the financial statements

### 14. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAID EXPENSES (cont'd)

The currencies profile of other receivables is as follows:

	The Group		The Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
United States Dollar	502,717	-	-	-
Singapore Dollar	409,510	-	-	-
Ringgit Malaysia	142,401	-	22,398	-
	<b>1,054,628</b>	<b>-</b>	<b>22,398</b>	<b>-</b>

Other receivables related to third parties of the Group comprise mainly goods and services tax refundable amounting to RM389,932 (2004: RM Nil).

### 15. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

Trade payables comprise amounts outstanding for trade purchases. The average credit period granted to the Group for trade purchases ranges from 30 to 90 days (2004: Nil).

Trade payables consist of amount owing to:

	The Group	
	2005	2004
	RM	RM
Third parties	3,020,204	-
Related party (Note 16)	66,271	-
	<b>3,086,475</b>	<b>-</b>

The currencies profile of trade payables is as follows:

	The Group	
	2005	2004
	RM	RM
United States Dollar	1,262,972	-
Singapore Dollar	1,168,283	-
Ringgit Malaysia	585,654	-
Japanese Yen	66,271	-
Hong Kong Dollar	3,295	-
	<b>3,086,475</b>	<b>-</b>

## notes to the financial statements

### 15. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES *(cont'd)*

Other payables and accrued expenses consist of:

	The Group		The Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Other payables:				
Third parties	574,741	9,716	464,235	9,003
Related party (Note 16)	84,280	-	-	-
Accrued staff costs	1,168,885	-	45,261	-
Other accrued expenses	323,346	3,761	117,223	1,000
	<b>2,151,252</b>	<b>13,477</b>	<b>626,719</b>	<b>10,003</b>

The currencies profile of other payables is as follows:

	The Group		The Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Singapore Dollar	82,412	-	-	-
Ringgit Malaysia	492,329	9,716	464,235	9,003
Hong Kong Dollar	84,280	-	-	-
	<b>659,021</b>	<b>9,716</b>	<b>464,235</b>	<b>9,003</b>

Other payables related to third parties of the Group and the Company comprise mainly professional fees payable by the Company amounting to RM457,450 (2004: RM Nil). The credit period granted to the Company is 30 days (2004: Nil).

### 16. HOLDING COMPANY AND RELATED PARTY TRANSACTIONS

Memcorp Holdings Limited ("Memcorp"), a company incorporated in the British Virgin Islands, is regarded by the directors as the immediate and ultimate holding company of the Company.

Amount owing by subsidiary companies, which arose mainly from advances, payments on behalf, management fee receivable and technical fee receivable, is unsecured, interest-free and has no fixed repayment terms.

## notes to the financial statements

### 16. HOLDING COMPANY AND RELATED PARTY TRANSACTIONS (cont'd)

The related parties and their relationship with the Company and its subsidiary companies are as follows:

Name of Related Party	Relationship
Futek Incorporated, a company incorporated in Japan	A subsidiary company of Memcorp and a substantial shareholder of the Company. Also a company in which certain directors of the Company, Messrs. Seah Bak Kheow, Masato Ikeuchi, Yutaka Watanabe and Koh Poh Jin are also directors. Mr. Seah Bak Kheow is also deemed interested in the company by virtue of his spouse's and children's substantial shareholdings in Memcorp.
George Ng & Co Ltd, a company incorporated in Hong Kong SAR	A company in which Mr. Ng Kwok Leung, George, a director of the Company, is also a director and shareholder.

Related parties balances as of the end of the financial year are as follows:

	The Group	
	2005 RM	2004 RM
<b>Futek Incorporated</b>		
Trade receivables (Note 14)	7,321,697	-
Other receivables (Note 14)	502,717	-
Trade payables (Note 15)	(66,271)	-
	<hr/>	
<b>George Ng &amp; Co Ltd</b>		
Other payables (Note 15)	(84,280)	-
	<hr/>	

The related parties balances are unsecured, interest-free and with a credit period ranging from 30 to 90 days (2004: Nil).

## notes to the financial statements

### 16. HOLDING COMPANY AND RELATED PARTY TRANSACTIONS (cont'd)

The Group and the Company have undertaken the following significant transactions with the related parties during the financial year:

	The Group		The Company	
	2005 (12 months) RM	2004 (2 months) RM	2005 (12 months) RM	2004 (2 months) RM
<b>Futek Incorporated</b>				
Sales of goods	16,050,064	-	-	-
Purchases of goods	2,271,750	-	-	-
Purchases of property, plant and equipment	3,964,796	-	-	-
Development cost payable (Note 12)	2,839,537	-	-	-
Clerical support fee payable (Note 5)	394,595	-	-	-
Technical fee payable (Note 5)	190,000	-	190,000	-
<b>George Ng &amp; Co Ltd</b>				
Management fee payable (Note 5 & 6)	213,654	-	-	-

The directors of the Company are of the opinion that the above transactions have been entered into in the normal course of business and have been established under terms that are no less favourable than those arranged with independent third parties.

### 17. HIRE-PURCHASE PAYABLES

	The Group	
	2005 RM	2004 RM
Total outstanding	215,462	-
Less: Interest-in-suspense	(17,542)	-
Principal outstanding	197,920	-
Less: Amount due within 12 months (shown under current liabilities)	(85,065)	-
Non-current portion	112,855	-

## notes to the financial statements

### 17. HIRE-PURCHASE PAYABLES (cont'd)

The non-current portion is payable as follows:

	The Group	
	2005	2004
	RM	RM
Financial year ending 31 March,:		
2007	67,075	-
2008	45,780	-
	<hr/>	<hr/>
	112,855	-
	<hr/>	<hr/>

The effective borrowing rates of the hire-purchase obligations range from 2.2% to 4.4% (2004: Nil) per annum.

### 18. BANK BORROWINGS - SECURED

	The Group	
	2005	2004
	RM	RM
Bank overdrafts (Note 23)	1,023,346	-
Trust receipts and bankers' acceptances	847,000	-
	<hr/>	<hr/>
	1,870,346	-
	<hr/>	<hr/>

As of 31 March, 2005, the Group has bank overdrafts and other credit facilities totalling approximately RM14,921,000 (2004: RM Nil) obtained from local and foreign licensed banks. These credit facilities bear interest at rates ranging from 7.3% to 7.5% (2004: Nil) per annum and are secured by:

- (i) certain property, plant and equipment of the Group as mentioned in Note 10;
- (ii) guarantees by certain directors of the Company; and
- (iii) corporate guarantee from the Company amounting to RM3,000,000 (2004: RM Nil)

## notes to the financial statements

### 18. BANK BORROWINGS - SECURED (cont'd)

The currencies profile of bank borrowings is as follows:

	The Group	
	2005	2004
	RM	RM
Ringgit Malaysia	1,230,520	-
Singapore Dollar	639,826	-
	<b>1,870,346</b>	<b>-</b>

### 19. DEFERRED TAX ASSETS/(LIABILITIES)

#### Deferred Tax Assets

	The Group	
	2005	2004
	RM	RM
At beginning of year/date of incorporation	-	-
Arising from acquisition of subsidiary companies	1,415,973	-
Transfer to income statements (Note 8)	(174,375)	-
	<b>1,241,598</b>	<b>-</b>

Deferred tax assets, which are in respect of local subsidiary companies, represent the tax effects of the following:

	The Group Deferred Tax Assets/(Liabilities)	
	2005	2004
	RM	RM
Temporary differences in respect of property, plant and equipment	(13,158)	-
Unabsorbed capital allowances	910,411	-
Unutilised tax losses	344,345	-
	<b>1,241,598</b>	<b>-</b>

The unutilised tax losses and unabsorbed capital allowances are subject to agreement with the tax authorities.

## notes to the financial statements

### 19. DEFERRED TAX ASSETS/(LIABILITIES) (cont'd)

#### Deferred Tax Liabilities

	The Group	
	2005	2004
	RM	RM
At beginning of year/date of incorporation	-	-
Arising from acquisition of subsidiary companies	(7,753)	-
Transfer from income statements (Note 8)	(2,248,425)	-
Translation adjustments	(33,664)	-
	<hr/>	
At end of year/period	(2,289,842)	-
	<hr/>	

Deferred tax liabilities, which are in respect of foreign subsidiary companies, represent the tax effects of the following:

	The Group Deferred Tax Assets/(Liabilities)	
	2005	2004
	RM	RM
Temporary differences in respect of:		
Property, plant and equipment	(2,403,477)	-
Development expenditure	(574,356)	-
Unabsorbed capital allowances	687,991	-
	<hr/>	
	(2,289,842)	-
	<hr/>	

The unabsorbed capital allowances are subject to agreement with the tax authorities.

## notes to the financial statements

### 20. SHARE CAPITAL

	The Group and The Company	
	2005	2004
	RM	RM
<b>Authorised:</b>		
Ordinary shares of RM0.10 each		
At beginning of year/date of incorporation:		
1,000,000 as of 1 April, 2004 and 20 January, 2004	100,000	100,000
Created during the year/period:		
999,000,000 for the year ended 31 March, 2005;		
Nil for the period ended 31 March, 2004	99,900,000	-
At end of year/period:		
1,000,000,000 as of 31 March, 2005;		
1,000,000 as of 31 March, 2004	100,000,000	100,000
<b>Issued and fully paid:</b>		
Ordinary shares of RM0.10 each		
At beginning of year/date of incorporation:		
20 as of 1 April, 2004 and 20 January, 2004	2	2
Issued during the year/period:		
202,978,580 for the year ended 31 March, 2005;		
Nil for the period ended 31 March, 2004	20,297,858	-
At end of year/period:		
202,978,600 as of 31 March, 2005;		
20 as of 31 March, 2004	20,297,860	2

As approved by the shareholders at an Extraordinary General Meeting held on 16 August, 2004, the authorised share capital of the Company was increased from RM100,000, comprising 1,000,000 ordinary shares of RM0.10 each, to RM100,000,000, comprising 1,000,000,000 ordinary shares of RM0.10 each, by the creation of an additional 999,000,000 ordinary shares of RM0.10 each.

As approved by the shareholders at an Extraordinary General Meeting held on 9 September, 2004, the issued and paid-up share capital of the Company was increased from RM2, comprising 20 ordinary shares of RM0.10 each, to RM20,297,860, comprising 202,978,600 ordinary shares of RM0.10 each, by way of:

- (a) An issue of 12,856,630 new ordinary shares of RM0.10 each in the Company at an issue price of RM0.10 per share to finance the acquisition of 6,000,000 ordinary shares of RM1.00 each, representing 100% equity interest in FMSB, for a total purchase consideration of RM1,285,663;



## notes to the financial statements

### 20. SHARE CAPITAL (cont'd)

- (b) An issue of 139,376,950 new ordinary shares of RM0.10 each in the Company at an issue price of RM0.10 per share to finance the acquisition of 5,000,000 ordinary shares of SGD1.00 each, representing 100% equity interest in MPC, for a total purchase consideration of RM13,937,695; and
- (c) A public issue of 50,745,000 new ordinary shares of RM0.10 each in the Company at an issue price of RM1.00 per share in conjunction with the listing of the Company on the MESDAQ Market of Bursa Malaysia Securities Berhad.

The resulting share premium of RM45,670,500 arising from the issue of shares as mentioned in (c) above was credited to the share premium account as disclosed in Note 21.

The new ordinary shares issued rank pari passu in all respects with the then existing ordinary shares of the Company.

### 21. RESERVES

	The Group		The Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
<b>Non-Distributable</b>				
Share premium	42,670,500	-	42,670,500	-
Reserve on consolidation	10,873,272	-	-	-
Translation reserve account	576,082	-	-	-
	<b>54,119,854</b>	<b>-</b>	<b>42,670,500</b>	<b>-</b>
<b>Distributable</b>				
Unappropriated profit/ (Accumulated losses)	8,506,408	(13,474)	2,448,519	(10,000)
	<b>62,626,262</b>	<b>(13,474)</b>	<b>45,119,019</b>	<b>(10,000)</b>

## notes to the financial statements

### 21. RESERVES (cont'd)

#### Share Premium

	The Group and The Company	
	2005	2004
	RM	RM
At beginning of year/date of incorporation	-	-
Arising from public issue of 50,745,000 new ordinary shares of RM0.10 each at a premium of RM0.90 per share during the year	45,670,500	-
Listing expenses	(3,000,000)	-
At end of year/period	42,670,500	-

#### Reserve on Consolidation

Reserve on consolidation represents the excess of the Group's interest in the fair values attributable to the identifiable net assets of certain subsidiary companies at the effective date of acquisition over the cost of investment.

#### Translation Reserve Account

Exchange differences arising from translation of foreign controlled entities are taken to translation reserve account, as described in the accounting policies.

#### Unappropriated Profit

Distributable reserves are those available for distribution by way of dividends. Based on the tax-exempt income account as mentioned in Note 8, the unappropriated profit of the Company as of 31 March, 2005 is available for distribution by way of cash dividends without any additional tax liability being incurred.

### 22. FINANCIAL INSTRUMENTS

#### Financial Risk Management Objectives and Policies

The operations of the Group are subject to a variety of financial risks, including foreign currency risk, interest rate risk, credit risk, liquidity risk and cash flow risk. The Group has taken measures to minimise its exposure to risks and/or costs associated with the financing, investing and operating activities of the Group.

## notes to the financial statements

### 22. FINANCIAL INSTRUMENTS *(cont'd)*

#### Financial Risk Management Objectives and Policies *(cont'd)*

##### (i) Foreign currency risk

The Group undertakes trade transactions with foreign trade customers and suppliers operating outside Malaysia where the amounts outstanding, denominated primarily in United States Dollar and Singapore Dollar, are exposed to currency translation risks. However, the imposition of currency controls via the pegging of Ringgit Malaysia to United States Dollar at fixed exchange rate of USD1.00 to RM3.80 by Bank Negara Malaysia since September 1998 has minimised the foreign currency risk.

The Group did not engage in any transactions involving financial derivatives instruments during the financial year.

##### (ii) Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on bank borrowings and short-term deposits. Interest rates of hire-purchase payables are fixed at the inception of the financing arrangements. The interest rates of hire-purchase payables, bank borrowings and short-term deposits are disclosed in Notes 17, 18 and 23, respectively.

##### (iii) Credit risk

The Group is exposed to credit risk mainly from trade receivables. The Group extends credit to its customers based on careful evaluation of the customers' financial condition and credit history.

The Group is dependent on a few key customers, the composition of which may vary from year to year. In line with the Group's effort to enter into transactions with a diversity of credit-worthy parties, the Group continues to diversify its customer base to mitigate the significant concentration of credit risk.

A significant portion of the Group's sales is to a related party, as disclosed in Note 16, and to a multinational third party. During the current financial year, sales by the Group to the said multinational third party amounted to RM12,967,057 (2004: RM Nil).

##### (iv) Liquidity risk

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities and to maintain sufficient credit facilities, as disclosed in Note 18, for contingent funding requirement of working capital.

##### (v) Cash flow risk

The Group reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flows associated with its monetary financial instruments.

## notes to the financial statements

### 22. FINANCIAL INSTRUMENTS *(cont'd)*

#### Fair Values of Financial Assets and Liabilities

The carrying amount and the estimated fair value of hire-purchase payables of the Group are as follows:

	The Group 2005		The Group 2004	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Hire-purchase payables (Note 17)	197,920	189,879	-	-

The fair value of hire-purchase payables is estimated using discounted cash flow analysis based on current financing rates for similar types of financing arrangements.

The carrying amounts of other financial assets and liabilities approximate their fair values due to the immediate or short-term maturity of these financial instruments.

### 23. CASH AND CASH EQUIVALENTS

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

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Short-term deposits with licensed banks	37,350,000	-	36,900,000	-
Cash and bank balances	21,396,708	5	83,424	-
Bank overdrafts (Note 18)	(1,023,346)	-	-	-
	57,723,362	5	36,983,424	-

The short-term deposits with licensed banks earn interest at rates ranging from 2.2% to 3.0% (2004: Nil) per annum and have an average maturity period of 7 days (2004: Nil).

## notes to the financial statements

### 23. CASH AND CASH EQUIVALENTS *(cont'd)*

The currencies profile of cash and cash equivalents is as follows:

	The Group		The Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Ringgit Malaysia	37,664,040	-	36,983,424	-
United States Dollar	14,206,631	-	-	-
Chinese Renminbi	3,971,894	-	-	-
Singapore Dollar	1,720,816	5	-	-
Hong Kong Dollar	156,947	-	-	-
Japanese Yen	3,034	-	-	-
	<b>57,723,362</b>	<b>5</b>	<b>36,983,424</b>	<b>-</b>

### 24. SEGMENTAL INFORMATION

Segmental information is presented in respect of the Group's geographical segments by location of assets. No information on business segments is presented as the Group is predominantly involved in the business of precision manufacturing. In addition, segmental information for the period ended 31 March, 2004 has not been presented as the Group did not have any commercial operation other than investment holding activities by the Company.

Inter-segment transactions are determined based on negotiated terms. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

## notes to the financial statements

## 24. SEGMENTAL INFORMATION (cont'd)

Financial Year Ended 31 March, 2005	Malaysia RM	South East Asia other than Malaysia RM	North Asia RM	Eliminations RM	Consolidated RM
<b>Revenue</b>					
External sales	1,114,539	19,162,237	12,967,057	-	33,243,833
Inter-segment sales	4,771,670	7,077,454	-	(11,849,124)	-
Total revenue	5,886,209	26,239,691	12,967,057	(11,849,124)	33,243,833
<b>Financial Results</b>					
Segment results	647,520	7,750,764	4,437,934	-	12,836,218
Unallocated expenses					(353,566)
Profit from operations					12,482,652
Finance costs					(60,562)
Interest income from short-term deposits					141,233
Profit before tax					12,563,323
Income tax expense					(2,282,391)
Profit after tax					10,280,932
Minority interests					(1,761,050)
Net profit for the year					8,519,882

## notes to the financial statements

## 24. SEGMENTAL INFORMATION (cont'd)

Financial Year Ended 31 March, 2005	Malaysia RM	South East Asia other than Malaysia RM	North Asia RM	Eliminations RM	Consolidated RM
<b>Consolidated Balance Sheet</b>					
Segment assets	63,167,033	43,074,486	23,357,226	(27,971,486)	101,627,259
Investment in subsidiary companies	15,380,402	-	-	(15,380,402)	-
Consolidated assets					<u>101,627,259</u>
<b>Liabilities</b>					
Segment liabilities	9,121,674	27,669,741	841,363	(27,971,486)	<u>9,661,292</u>
Consolidated liabilities					<u>9,661,292</u>
<b>Other Information</b>					
Capital expenditure	134,860	10,427,261	202,080	-	10,764,201
Depreciation	57,503	1,308,802	1,263,778	-	<u>2,630,083</u>

Financial Year Ended 31 March, 2005	Malaysia RM	South East Asia other than Malaysia RM	North Asia RM	Others RM	Consolidated RM
<b>External Sales by Location of Customers</b>					
Third parties	701,417	1,331,743	15,135,695	24,914	17,193,769
Related party	-	-	16,050,064	-	16,050,064
	<u>701,417</u>	<u>1,331,743</u>	<u>31,185,759</u>	<u>24,914</u>	<u>33,243,833</u>

## notes to the financial statements

### 25. CONTINGENT LIABILITY - UNSECURED

The Company has provided an unsecured corporate guarantee amounting to RM3,000,000 (2004: RM Nil) to a local licensed bank for overdrafts and other credit facilities granted to a local subsidiary company. Accordingly, the Company is contingently liable to the local licensed bank to the extent of the amount of credit facilities utilised by the local subsidiary company, which amounted to approximately RM1,230,000 (2004: RM Nil) as of 31 March, 2005.

### 26. SIGNIFICANT EVENTS

On 31 January, 2005, the entire issued and paid-up share capital of the Company, comprising 202,978,600 ordinary shares of RM0.10 each, was quoted on the MESDAQ Market of Bursa Malaysia Securities Berhad. The Company's listing scheme involved, inter-alia, the following:

- (a) Acquisition of 6,000,000 ordinary shares of RM1.00 each, representing 100% equity interest in FMSB, for a total purchase consideration of RM1,285,663 which are satisfied by the issuance of 12,856,630 new ordinary shares of RM0.10 each in the Company at an issue price of RM0.10 per share;
- (b) Acquisition of 5,000,000 ordinary shares of SGD1.00 each, representing 100% equity interest in MPC, for a total purchase consideration of RM13,937,695 which are satisfied by the issuance of 139,376,950 new ordinary shares of RM0.10 each in the Company at an issue price of RM0.10 per share;
- (c) Acquisition from MPC of 3,306,000 ordinary shares of HKD1.00 each, representing 60% equity interest in Vtrek HK, for a total purchase consideration of RM157,039 which are satisfied by cash upon completion of the acquisition of MPC;
- (d) A public issue of 50,745,000 new ordinary shares of RM0.10 each in the Company at an issue price of RM1.00 per share; and
- (e) The establishment of Employees' Share Option Scheme ("ESOS") which involves the issue of new ordinary shares in the Company of up to 10% of the issued and paid-up share capital of the Company at any point in time to directors and eligible employees of the Group. The directors intend to implement the ESOS during the next financial year.

### 27. COMMITMENTS

As of 31 March, 2005, a foreign subsidiary company has lease commitments in respect of rental of premises amounting to RM2,307,638 (2004: RM Nil), of which RM988,988 is payable within 1 year and the balance of RM1,318,650 is payable within 2 to 5 years.



## statement by directors

The directors of **FOTRONICS CORPORATION BERHAD** state that, in their opinion, the accompanying balance sheets and statements of income, cash flows and changes in equity, are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as of 31 March, 2005 and of the results of the businesses and the cash flows of the Group and of the Company for the year ended on that date.

Signed in accordance with a resolution of the Directors,



**SEAH BAK KHEOW**



**SEAH BAK SENG**

Kuala Lumpur  
28 June, 2005

## statutory declaration

### DECLARATION BY THE OFFICER PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE COMPANY

I, **TAN GIM HONG**, the Officer primarily responsible for the financial management of **FOTRONICS CORPORATION BERHAD**, do solemnly and sincerely declare that the accompanying balance sheets and statements of income, cash flows and changes in equity are, in my opinion, 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.



**TAN GIM HONG**

Subscribed and solemnly declared by the  
abovenamed **TAN GIM HONG** at  
**KUALA LUMPUR** this 28th day of June, 2005.

Before me,



**COMMISSIONER FOR OATHS**

# statistics of shareholdings

as at 10 August 2005

Authorised Share Capital	:	RM100,000,000/-
Issued and Paid-Up Capital	:	RM20,297,860/-
Class of Shares	:	Ordinary Shares of RM0.10 each
On show of hands	:	One vote per shareholder/proxy present
On a poll	:	One vote per Ordinary Share held

## ANALYSIS OF SHAREHOLDINGS

### A. DISTRIBUTION OF SHAREHOLDINGS

Range of Shareholdings	Number of Shareholders	%	Number of Shares	%
Less than 100	2	0.22	100	0.00
100 - 999	14	1.53	2,900	0.00
1,000 - 4,999	395	43.07	896,700	0.44
5,000 - 10,000	207	22.57	1,448,300	0.71
10,001 - 100,000	204	22.25	7,440,086	3.67
100,001 to 1,000,000	66	7.20	26,604,852	13.11
Above 1,000,000	29	3.16	166,585,662	82.07
<b>Total</b>	<b>917</b>	<b>100.00</b>	<b>202,978,600</b>	<b>100.00</b>

### B. TWENTY (20) LARGEST SECURITIES ACCOUNT HOLDERS

No.	Shareholders	Number of Shares	%
1.	Memcorp Holdings Limited	65,687,835	32.36
2.	SJ Sec Nominees (Asing) Sdn. Bhd. <i>Pledged Securities Account for Memcorp Holdings Limited</i>	9,940,000	4.90
3.	Ng Kwok Leung, George	9,272,185	4.57
4.	Futek Incorporated	9,181,531	4.52
5.	Bumiputra-Commerce Nominees (Asing) Sdn. Bhd. <i>Pledged Securities Account for Memcorp Holdings Limited</i>	8,000,000	3.94
6.	A. A. Anthony Nominees (Tempatan) Sdn. Bhd. <i>Multi-Purpose Credit Sdn. Bhd. for Major Liberty Sdn. Bhd.</i>	5,000,000	2.46
7.	Memcorp Holdings Limited	4,195,800	2.07
8.	HDM Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Low Han Teong</i>	4,100,000	2.02
9.	Apex Return Sdn. Bhd.	4,035,214	1.99
10.	Yauw Enterprise Pte. Ltd.	3,913,740	1.93
11.	Ng Kwok Leung, George	3,771,384	1.86
12.	Futek Incorporated	3,675,119	1.81
13.	Ke-Zan Nominees (Asing) Sdn. Bhd. <i>Kim Eng Securities Pte. Ltd. for Neo Ah Chap</i>	3,590,000	1.77

## statistics of shareholdings

as at 10 August 2005

### B. TWENTY (20) LARGEST SECURITIES ACCOUNT HOLDERS (cont'd)

No.	Shareholders	Number of Shares	%
14.	Seah Bak Seng	3,285,079	1.62
15.	Amanah Raya Berhad for SBB Dana Al-Faiz	3,020,700	1.49
16.	Ng Chooi Keng	3,002,420	1.48
17.	Mayban Nominees (Asing) Sdn. Bhd. Ferrell Asset Management Pte. Ltd. for Shu Ang Moh	2,841,000	1.40
18.	Mayban Nominees (Asing) Sdn. Bhd. Ferrell Asset Management Pte. Ltd. for Shu Moh Chye	2,841,000	1.40
19.	DB (Malaysia) Nominee (Asing) Sdn. Bhd. Deutsche Bank AG London for Aeneas Portfolio Company, L.P.	2,750,000	1.35
20.	Yip Yau Meng	2,100,000	1.03
		<b>154,203,007</b>	<b>75.97</b>

### C. SUBSTANTIAL SHAREHOLDERS (as shown in the Register of Substantial Shareholders)

No.	Name	Direct		Indirect	
		No. of Shares	%	No. of Shares	%
1.	Futek Incorporated	12,856,650	6.33	-	-
2.	Memcorp Holdings Limited	87,823,635	43.27	12,856,650 <sup>(b)</sup>	6.33
3.	Seah Bak Kheow	60,000	0.03	100,680,285 <sup>(a)</sup>	49.60
4.	Ng Kwok Leung, George	13,043,569	6.43	-	-
5.	Yip Yan Foon	-	-	100,680,285 <sup>(c)</sup>	49.60
6.	Seah Wee Kiat, Willie	60,000	0.03	100,680,285 <sup>(d)</sup>	49.60
7.	Seah Wee Ping	60,000	0.03	100,680,285 <sup>(d)</sup>	49.60
8.	Seah Sze Wei, Cheryl	-	-	100,680,285 <sup>(d)</sup>	49.60
9.	Seah Sze Min, Charmaine	-	-	100,680,285 <sup>(d)</sup>	49.60

<sup>(a)</sup> Deemed interested by virtue of his spouse's and children's substantial shareholdings in Memcorp Holdings Limited ("Memcorp") and Memcorp's substantial shareholdings in Futek Incorporated ("Finc").

<sup>(b)</sup> Deemed interested by virtue of its substantial shareholding in Finc.

<sup>(c)</sup> Deemed interested by virtue of her substantial shareholding and her children's substantial shareholdings in Memcorp.

<sup>(d)</sup> Deemed interested by virtue of his/her substantial shareholdings in Memcorp and his/her mother's substantial shareholdings in Memcorp.

## statistics of shareholdings

as at 10 August 2005

### D. DIRECTORS' SHAREHOLDINGS

(as shown in the Register of Directors' Shareholding)

No.	Name	Direct		Indirect	
		No. of Shares	%	No. of Shares	%
1.	Seah Bak Kheow	60,000	0.03	100,680,285*	49.60
2.	Seah Bak Seng	4,644,000	2.29	-	-
3.	Cheng Joo Wan	560,000	0.28	-	-
4.	Masato Ikeuchi	60,000	0.03	-	-
5.	Yutaka Watanabe (Alternate Director to Masato Ikeuchi)	60,000	0.03	-	-
6.	Ng Kwok Leung, George	13,043,569	6.43	-	-
7.	Koh Poh Jin	60,000	0.03	-	-
8.	Yong Kit Fai	60,000	0.03	-	-
9.	Dato' Sim Bee Ming	60,000	0.03	-	-
10.	Yuen Kin Pheng	60,000	0.03	-	-
11.	Patrick Bernard Andre Bouju	160,000	0.08	-	-
12.	Benoit Jean-Marie Mauffrey	160,000	0.08	-	-
13.	Albert Yeo Toon Mok	60,000	0.03	-	-

\* Deemed interested by virtue of his spouse's and children's substantial shareholdings in Memcorp Holdings Limited ("Memcorp") and Memcorp's substantial shareholdings in Futek Incorporated ("Flnc").

## list of properties

Title No./ Location	Approximate Land Area/ Built-up Area	Description/ Existing Use	Tenure	Date of Acquisition	NBV as at 31.03.2005 RM	Age of building (years)
H.S. (D) 7582 Lot P.T. 16 Jalan 51A/227 Seksyen 51A Town of Petaling Jaya District of Petaling Selangor Darul Ehsana	16,000 square feet / 11,800 square feet	Industrial Land / Semi Detached Factory	99 years expiring on 13 March 2074	27.06.1990	903,387	14

## notice of annual general meeting

**NOTICE IS HEREBY GIVEN** that the Second Annual General Meeting of the Company will be held at the Banquet Hall, Kuala Lumpur Golf and Country Club, No. 10, Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on Tuesday, 27 September 2005 at 11.00 a.m. for the following purposes:-

### AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 March 2005 together with the Reports of the Directors and the Auditors thereon. **(Resolution 1)**
2. To approve the declaration of a first and final tax exempt dividend of 10% for the financial year ended 31 March 2005. **(Resolution 2)**
3. To re-elect the following Directors who retire pursuant to Article 92 of the Company's Articles of Association:-
  - (i) Mr. Seah Bak Seng; **(Resolution 3)**
  - (ii) Mr. Masato Ikeuchi; **(Resolution 4)**
  - (iii) Mr. Patrick Bernard Andre Bouju; and **(Resolution 5)**
  - (iv) Mr. Albert Yeo Toon Mok. **(Resolution 6)**
4. To re-appoint Messrs. Deloitte & Touche as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. **(Resolution 7)**
5. **As Special Business**  
To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions:-

### ORDINARY RESOLUTION 1

- **AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965** **(Resolution 8)**

"THAT pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby empowered to issue and allot shares in the Company, at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

## notice of annual general meeting

### ORDINARY RESOLUTION 2

#### - PROPOSED SHAREHOLDERS' RATIFICATION AND MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING IN NATURE

(Resolution 9)

"That approval be and is hereby given to the Directors to enter into and give effect to recurrent transactions of a revenue or trading nature which are necessary for Fotronics Group's day to day operations in the ordinary course of business on terms not more favourable to the Related Parties than those generally available to the public and not detrimental to minority shareholders of the Company and such approval shall continue to be in force until:

- a) the conclusion of the next annual general meeting of Fotronics Corporation Berhad following the general meeting at which this Proposed Shareholders' Ratification and Mandate is passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
- b) the expiration of the period within which the next annual general meeting after the date it 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 resolution passed by shareholders in general meeting,

whichever is the earlier, and that for the avoidance of doubt, all such transactions entered into, as per Section 2.3 of the Circular to Shareholders in relation to the Proposed Shareholders' Ratification and Mandate for Recurrent Related Party Transaction of a Revenue or Trading Nature dated 5 September 2005, prior to the date of this resolution be and is hereby confirmed and approved.

And further that the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Mandate."

## notice of annual general meeting

### NOTICE OF DIVIDEND ENTITLEMENT

**NOTICE IS HEREBY GIVEN** that the First and Final Tax Exempt Dividend of 10% will be paid on 24 October 2005 to depositors who are registered in the Record of Depositors at the close of business on 10 October 2005, if approved by members at the Second Annual General Meeting on 27 September 2005.

A Depositor shall qualify for entitlement to the dividends only in respect of:-

- (a) Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 10 October 2005 in respect of ordinary transfers; and
- (b) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

By Order of the Board

**Chua Siew Chuan** (MAICSA 0777689)  
Company Secretary

Kuala Lumpur  
Dated : 5 September 2005

### Explanatory Notes To Special Business:

1. Authority to issue shares pursuant to Section 132D of the Companies Act, 1965

The above Ordinary Resolution 1, if passed, will empower the Directors of the Company to issue and allot shares at any time in their absolute discretion without convening a general meeting provided that the aggregate number of shares issued does not exceed 10% of the issued share capital of the Company for the time being.

2. Proposed Shareholders' Ratification and Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

The proposed adoption of Ordinary Resolution 2 is intended to confirm and ratify the recurrent related party transactions of a revenue or trading nature which were entered into from the date of listing, 31 January, 2005 up to the date of this meeting. It is also intended to seek for new shareholders' mandate to enter into recurrent related party transactions to facilitate transactions in the normal course of business of the Company and its subsidiaries which are transacted from time to time with the specified



## notice of annual general meeting

classes of related parties, provided that they are carried out on an arm's length basis and on the Group's normal commercial terms and are not prejudicial to the shareholders on terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders.

By obtaining the Shareholders' Mandate on an annual basis, the necessity to convene separate general meetings from time to time to seek shareholders' approval as and when such recurrent related party transactions occur would not arise. This would reduce substantial administrative time, inconvenience and expenses associated with the convening of such meetings, without compromising the corporate objectives of the Group or adversely affecting the business opportunities available to the Group.

**Notes:**

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting.
3. Where a holder appoints two or more proxies, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
4. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
5. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur not less than 48 hours before the time for holding the Meeting or at any adjournment thereof.

## statement accompanying the notice of annual general meeting

1. Directors who are standing for re-election at the Second Annual General Meeting of the Company are as follows:-

- (a) Mr. Seah Bak Seng;
- (b) Mr. Masato Ikeuchi;
- (c) Mr. Patrick Bernard Andre Bouju; and
- (d) Mr. Albert Yeo Toon Mok.

2. Details of the Directors standing for re-election are as follows:-

**SEAH BAK SENG**

Executive Director

<Please refer to his profile in page 5 of the Annual Report>

**PATRICK BERNARD ANDRE BOUJU**

Independent Non-Executive Director

<Please refer to his profile in page 10 of the Annual Report>

**MASATO IKEUCHI**

Executive Director

<Please refer to his profile in page 7 of the Annual Report>

**ALBERT YEO TOON MOK**

Independent Non-Executive Director

<Please refer to his profile in page 11 of the Annual Report>

3. During the financial year ended 31 March, 2005, two (2) Board meetings were held and the attendance of the Board members were as follows:-

**Directors**

**Attendance**

Seah Bak Kheow	2/2
Seah Bak Seng	2/2
Cheng Joo Wan	2/2
Masato Ikeuchi	2/2
Ng Kwok Leung, George	2/2
Koh Poh Jin	1/2
Yong Kit Fai	2/2
Dato' Sim Bee Ming	1/2
Yuen Kin Pheng	1/2
Patrick Bernard Andre Bouju	2/2
Benoit Jean-Marie Mauffrey	2/2
Albert Yeo Toon Mok	2/2

4. Details and type, place, date and hour of the Second Annual General Meeting are as follows:-

Type : Second Annual General Meeting

Date : 27 September 2005

Time : 11.00 a.m.

Place : Banquet Hall

Kuala Lumpur Golf and Country Club

No. 10, Jalan 1/70D

Off Jalan Bukit Kiara

60000 Kuala Lumpur

# FOTRONICS CORPORATION BERHAD

(Company No. 640352-A)  
(Incorporated in Malaysia)

## PROXY FORM

Number Of Shares Held

\*I/We.....  
(Full Name In Capital Letters)

of.....  
(Full Address)

being a Member of FOTRONICS CORPORATION BERHAD, do hereby appoint .....  
(Full Name In Capital Letters)

of .....  
(Full Address)

or failing him/her, .....  
(Full Name In Capital Letters)

of .....  
(Full Address)

or failing him/her, the CHAIRMAN OF THE MEETING, as \*my/our proxy to attend and vote for \*me/us and on \*my/our behalf at the Second Annual General Meeting of the Company to be held at the Banquet Hall, Kuala Lumpur Golf and Country Club, No. 10, Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on Tuesday, 27 September 2005 at 11.00 a.m. and at any adjournment thereof.

The proportions of my/our holding to be represented by my/our proxies are as follows:-

First Proxy "A"	%
Second Proxy "B"	%
	<u>100%</u>

Please indicate with an "X" in the space provided below how you wish your votes to be casted. If no specific direction as to voting is given, the Proxy will vote or abstain from voting at his discretion.

No.	Resolutions	For	Against
1.	To receive the Audited Financial Statements for the financial year ended 31 March 2005 together with the Reports of the Directors and the Auditors thereon.		
2.	To declare a first and final tax exempt dividend of 10% for the financial year ended 31 March 2005.		
3.	To re-elect the Director, Mr. Seah Bak Seng who retires pursuant to Article 92 of the Company's Articles of Association.		
4.	To re-elect the Director, Mr. Masato Ikeuchi who retires pursuant to Article 92 of the Company's Articles of Association.		
5.	To re-elect the Director, Mr. Patrick Bernard Andre Bouju who retires pursuant to Article 92 of the Company's Articles of Association.		
6.	To re-elect the Director, Mr. Albert Yeo Toon Mok who retires pursuant to Article 92 of the Company's Articles of Association.		
7.	To re-appoint Messrs. Deloitte & Touche as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.		
8.	<b>Special Business</b> Ordinary Resolution 1 - Authority to issue shares pursuant to Section 132D of the Companies Act, 1965.		
9.	<b>Special Business</b> Ordinary Resolution 2 - Proposed Shareholders' Ratification and Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		

\* Strike out whichever not applicable.

As witness my/our hand this ..... day of ..... 2005

.....  
Signature of Member/Common Seal

### Notes:

- A member of the Company entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
- A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting.
- Where a holder appoints two or more proxies, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
- The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
- The instrument appointing a proxy must be deposited at the Registered Office of the Company at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur not less than 48 hours before the time for holding the Meeting or at any adjournment thereof.

Then fold here

Affix  
Stamp

The Company Secretary  
**FOTRONICS CORPORATION BERHAD**

(Company No.: 640352-A)  
Level 7, Menara Milenium  
Jalan Damanlela  
Pusat Bandar Damansara  
Damansara Heights  
50490 Kuala Lumpur

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