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DUFU TECHNOLOGY CORP. BERHAD (581612-A)

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifth Annual General Meeting of the Company will be held at Room 4, Level 1, Vistana Hotel, 213 Jalan Bukit Gambir, Bukit Jambul, 11950 Penang on Wednesday, 27 June 2007 at 9.00 a.m. for the following purposes:-

A G E N D A

1. To receive the Audited Financial Statements for the year ended 31 December 2006 together with the reports of the Directors and Auditors thereon. (Resolution 1)
2. To approve the payment of Directors' Fee of Amount up to RM216,000 for the financial year ending 31 December 2007. (Resolution 2)
3. To re-elect the following Directors retiring under Article 104 of the Articles of Association of the Company, and who, being eligible offer themselves for re-election:-
 - a. Lee, Hui-Ta also known as Li Hui Ta (Resolution 3)
 - b. Hsu, Chin-Shui (Resolution 4)
 - c. Yong Poh Yow (Resolution 5)
 - d. Lee Kah Kheng (Resolution 6)
 - e. Baqir Hussain Bin Hatim Ali (Resolution 7)
 - f. Khoo Lay Tatt (Resolution 8)
4. To re-appoint Messrs. Deloitte KassimChan as Auditors of the Company and to authorize the Board of Directors to fix their remuneration. (Resolution 9)

AS SPECIAL BUSINESS:

5. To consider and, if thought fit, to pass with or without modifications, the following resolution:-

Authority to Issue Shares

“THAT pursuant to Section 132D of the Companies Act, 1965 and approvals from the Bursa Malaysia Securities Berhad and other relevant governmental/regulatory authorities where such authority shall be necessary, the Board of Directors be and is hereby authorised to issue and allot shares in the Company from time to time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Board of Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued shall not exceed ten per centum (10%) of the issued share capital of the Company for the time being, and that the Board of Directors be and is also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad.” (Resolution 10)

6. To transact any other business of which due notice shall have been given in accordance with the Companies Act, 1965.

By Order of the Board
 HOW WEE LING (MAICSA 7033850)
 OOI EAN HOON (MAICSA 7057078)
 Secretaries
 Penang
 Date : 5 June 2007

NOTICE OF ANNUAL GENERAL MEETING

NOTES:

A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.

To be valid this form duly completed must be deposited at the registered office of the Company at 57-2 Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang not less than forty-eight (48) hours before the time for holding the meeting.

A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

If the appointor is a corporation, this form must be executed under its Common Seal or under the hand of its attorney.

EXPLANATORY NOTE ON SPECIAL BUSINESS:

1. Resolution pursuant to the Authority to Issue Shares

The proposed Resolution No. 10 [Item 5], if passed, will empower the Directors of the Company to issue and allot shares up to an amount not exceeding in total 10% (ten per centum) of the issued share capital of the Company from time to time and for such purposes as the Directors consider would be in the interest of the Company. In order to avoid any delay and costs involved in convening a general meeting, it is thus appropriate to seek shareholders' approval. This authority unless revoked or varied by the Company in general meeting will expire at the next Annual General Meeting of the Company.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

RETIREMENT OF DIRECTORS

Pursuant to Paragraph 8.28(2) of the Bursa Securities Listing Requirements, the details of the Six (6) Directors seeking re-election are set out in their respective profiles which appear in the Board of Directors' Profile on pages 6 to 8 of the Annual Report 2006. The details of their respective interests in the securities of the Company are set out in the Analysis of Shareholdings which appear on page 78 of the Annual Report 2006.

DUFU TECHNOLOGY CORP. BERHAD (581612-A)
CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Chairman	Hsu, Chin-Shui
Executive Director / Chief Financial Officer	Lee, Hui-Ta a.k.a Li Hui Ta
Executive Director / Chief Executive Officer	Yong Poh Yow
Independent Director	Lee Kah Kheng
Independent Director	Baqir Hussain Bin Hatim Ali
Non-Independent Non-Executive Director	Khoo Lay Tatt

AUDIT COMMITTEE

Chairman - Independent Non-Executive Director	Baqir Hussain Bin Hatim Ali
Member - Independent Non-Executive Director	Lee Kah Kheng
Member - Executive Director	Lee, Hui Ta a.k.a Li Hui Ta

NOMINATION COMMITTEE

Chairman – Independent Non-Executive Director	Lee Kah Kheng
Member – Independent Non-Executive Director	Baqir Hussain Bin Hatim Ali
Member – Non-Independent Non-Executive Director	Khoo Lay Tatt

REMUNERATION COMMITTEE

Chairman – Independent Non-Executive Director	Lee Kah Kheng
Member – Independent Non-Executive Director	Baqir Hussain Bin Hatim Ali
Member – Executive Chairman	Hsu, Chin-Shui

EXECUTIVE COMMITTEE

Member - Executive Chairman	Hsu, Chin-Shui
Member - Executive Director / Chief Financial Officer	Lee, Hui-Ta a.k.a Li Hui Ta
Member - Executive Director / Chief Executive Officer	Yong Poh Yow

COMPANY SECRETARIES

How Wee Ling (MAICSA 7033850)
Ooi Ean Hoon (MAICSA 7057078)

AUDITORS

Deloitte KassimChan
Chartered Accountants
4th Floor Wisma Wang
251-A Jalan Burma, 10350 Penang
Tel : 04-2288255 Fax : 04-2288355

CORPORATE INFORMATION

REGISTERED OFFICE

57-2 Persiaran Bayan Indah
 Bayan Bay, Sungai Nibong
 11900 Penang
 Tel : 04-6429887 Fax : 04-6456698

HEAD OFFICE

Plot 19, Free Industrial Zone
 Phase IV, Bayan Lepas
 11900 Penang
 Tel: 04- 6161300
 Fax: 04-6161302

REGISTRAR

Epsilon Registration Services Sdn. Bhd.
 (Company No. 629261-T)
 312, 3rd Floor, Block C, Kelana Square
 No. 17, Jalan SS 7/26
 47301 Petaling Jaya
 Selangor Darul Ehsan
 Tel: 03-78062216 / 78031126
 Fax: 03-78061261

PRINCIPAL BANKERS

Public Bank Berhad
 Bandar Bayan Baru Branch
 5,7,9 & 11, Lorong Kampung Jawa
 Bandar Bayan Baru
 11900 Bayan Lepas, Penang

RHB Bank Berhad
 1st Floor, 42 A, B & C, Jalan Tengah
 11950 Bayan Baru, Penang

STOCK EXCHANGE LISTING

Second Board of Bursa Malaysia Securities Berhad
 Sector: Industrial Products
 Stock Name: DUFU
 Stock Code: 7233

BOARD OF DIRECTORS' PROFILE

HSU, CHIN-SHUI

Executive Chairman

Taiwanese

Hsu, Chin-Shui, aged 51, was appointed to the Board on 1 September 2006. He is the Executive Chairman of Dufu and one of the co-founders of DISB. He graduated from Zhen Xiu University in Taiwan in 1977 with a Diploma in Mechanical Engineering. He began his career as a sales representative with Chun Hu Corp. Ltd. in 1977 and was promoted to Sales Manager in 1982. He was overall responsible for the marketing and servicing of the company's products. In 1984, he left the company to co-set up Lee Bai Corp. Ltd. in Taiwan to manufacture quick die change systems for stamping tooling. Together with Lee, Hui-Ta a.k.a Li Hui Ta, he started DISB in 1990 to manufacture precision tooling, precision machining parts for computer-related components. He has more than twenty (20) years of experience in the precision tooling industry and in the Computer Numerical Control ("CNC") precision machining industry. He also sits on the board of several other private limited companies. His primary responsibilities include overseeing the entire Group's corporate exercise and business direction and strategic plans as well as developing new business opportunities.

He is also a member of the Remuneration Committee and Executive Committee of the Company.

He has no family relationship with any other Directors and/or major shareholders of the Company. He has not entered into any transaction, whether directly or indirectly, which has a conflict of interest with the Company. Neither has he been convicted of any offences in the last 10 years.

LEE, HUI-TA a.k.a. LI HUI TA

Executive Director/ Chief Financial Officer

Taiwanese

Lee, Hui-Ta a.k.a Li Hui Ta, aged 48, was appointed to the Board on 1 September 2006. He is the Executive Director and Chief Financial Officer of Dufu. He is one of the co-founders of Dufu. He graduated from Chong Shin University in Taiwan with a Diploma in Mechanical Engineering in 1979 and a Degree in Business Administration in 1988. He commenced his career as an engineering supervisor with He Li Ying Precision Industry, Taiwan in 1981 dealing with precision components and was promoted to Managing Director in 1983 where he was responsible for the daily operations of the company's production. In 1984, he co-set up Lee Bai Corp. Ltd. in Taiwan to manufacture precision quick die change systems for stamping tooling. Together with Hsu, Chin-Shui, he started DISB in 1990 to manufacture precision tooling, precision machining parts for computer-related components. He has more than twenty (20) years of experience in the precision tooling industry and in the CNC precision machining industry. He also sits on the board of several other private limited companies. He is primarily responsible for the financial management of the Group.

He is also a member of the Audit Committee and Executive Committee of the Company.

He has no family relationship with any other Directors and/or major shareholders of the Company. He has not entered into any transaction, whether directly or indirectly, which has a conflict of interest with the Company. Neither has he been convicted of any offences in the last 10 years.

BOARD OF DIRECTORS' PROFILE

YONG POH YOW

Executive Director/ Chief Executive Officer

Singaporean

Yong Poh Yow, aged 46, was appointed to the Board on 1 September 2006. He is the Executive Director and Chief Executive Officer of Dufu. He graduated with a Diploma in Mechanical Engineering from Ngee Ann Polytechnic, Singapore in 1983. He started his career with GE Television as Engineering Assistant in 1983. He left GE Television in 1985 to join Seagate Technology International as Supplier Quality Engineer where he liaised with suppliers on quality improvement. In 1990, he joined DISB as Quality Assurance ("QA") Manager where he was responsible for communicating with the suppliers regarding their quality and also for developing and improving the suppliers' quality. By the same token, he is also in charge of internal quality control at DISB. He was promoted to Operations Director of DISB in 1993 and became a Director and Chief Executive Officer of DISB in 2004. He has hands-on experience in most aspects of precision machining manufacturing.

His primary responsibilities include overseeing the daily operations, marketing and corporate exercises of Dufu. He is also a member of the Executive Committee of the company.

He has no family relationship with any other Directors and/or major shareholders of the Company. He has not entered into any transaction, whether directly or indirectly, which has a conflict of interest with the Company. Neither has he been convicted of any offences in the last 10 years.

KHOO LAY TATT

Non-Independent Non-Executive Director

Malaysian

Khoo Lay Tatt, aged 34, was appointed to the Board on 2 October 2006. He is the Non-Independent Non-Executive Director of Dufu. He graduated from Tunku Abdul Rahman College with an ICSA professional degree and a Diploma in Commerce – Business Management in 1996. Upon graduation, he started his career in May 1996 as Company Secretarial Officer in the Corporate & Legal Division of Ban Hin Lee Bank Berhad ("BHL Bank"). He left BHL Bank as an Executive cum Company Secretary of subsidiary companies of BHL Bank in year 2000. He joined a Secretarial Services firm in Penang as the Assistant Manager and was promoted as the Manager to head the Penang Branch after a month with the said firm. He left the said firm in year 2005 as a Senior Manager. During his tenure, he was involved in numerous Initial Public Offerings ("IPOs") and corporate exercises undertaken by listed companies. Currently, he is a Director of Hicks-Woode Corporate Services (Penang) Sdn. Bhd. He has been acting as Company Secretary for the Dufu Group since year 2000. He is a Chartered Secretary by profession and also a Certified Financial Planner (CFP) and a Certified Member of Financial Planning Association of Malaysia (FPAM). He is also an Associate of the Institute of Chartered Secretaries and Administrators (ICSA/MAICSA).

He is the Company Secretary for a few public listed companies quoted on the Main Board, Second Board and MESDAQ Market of the Bursa Securities. He is also a member of the Nomination Committee of the Company.

He has no family relationship with any other Directors and/or major shareholders of the Company. He has not entered into any transaction, whether directly or indirectly, which has a conflict of interest with the Company. Neither has he been convicted of any offences in the last 10 years.

BOARD OF DIRECTORS' PROFILE**LEE KAH KHENG***Independent Director**Malaysian*

Lee Kah Kheng, aged 43, a Malaysian, was appointed to the Board on 2 October 2006. He is the Independent Non-Executive Director of Dufu. He graduated from Tunku Abdul Rahman College, Kuala Lumpur in 1988 with a professional accountancy qualification accredited by the Malaysian Institute of Certified Public Accountants ("MICPA") and became a member of MICPA in 1993. He was attached to an accounting firm, Hanafiah, Raslan & Mohamad, from 1988 to 1992 as Senior Auditor before moving on to a multinational corporation, Northern Telecom Industry Sdn Bhd (whose principal activity is manufacturing and assembly of telecommunication products) in 1992 as a Cost Accountant. He left in 1994 to join a local corporation, Suiwah Corporation Bhd, which is currently listed on the Second Board of the Bursa Securities and is principally involved in the retail industry, as its Group Financial Controller. He then left in 1997 to join Qdos Flexicircuits Sdn Bhd, a flexible printed circuit board manufacturing company, as Executive Director. In 1999, he was promoted to Group Executive Director of Qdos Holdings Sdn Bhd. In 2000, he left and became a consultant for several companies involved in information and communication technology. He then set up ETI Tech Corporation Berhad in 2002, a Company listed on the MESDAQ Market of the Bursa Securities and was appointed as its Managing Director in the same year.

He is also the Chairman of the Nomination and Remuneration Committee of the Company and a member of the Audit Committee of the Company.

He has no family relationship with any other Directors and/or major shareholders of the Company. He has not entered into any transaction, whether directly or indirectly, which has a conflict of interest with the Company. Neither has he been convicted of any offences in the last 10 years.

BAQIR HUSSAIN BIN HATIM ALI*Independent Director**Malaysian*

Baqir Hussain Bin Hatim Ali, aged 44, a Malaysian, was appointed to the Board on 2 October 2006. He is the Independent Non-Executive Director of Dufu. He graduated from Ungku Omar Polytechnic in 1986 with a Diploma in Accountancy and began his career in the same year with Hanafiah, Raslan & Mohamad as an audit assistant. He left the firm as a Senior Manager in the Assurance and Business Advisory Division in 2002. He has amassed more than 18 years of experience in the field of accountancy including external and internal auditing, mergers and acquisitions, receiverships and liquidations, initial public offerings and tax consultancy. He is a member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants. He is also an Approved Company Auditor and is the founder and Managing Partner of Baqir Hussain & Co., a firm of chartered accountants.

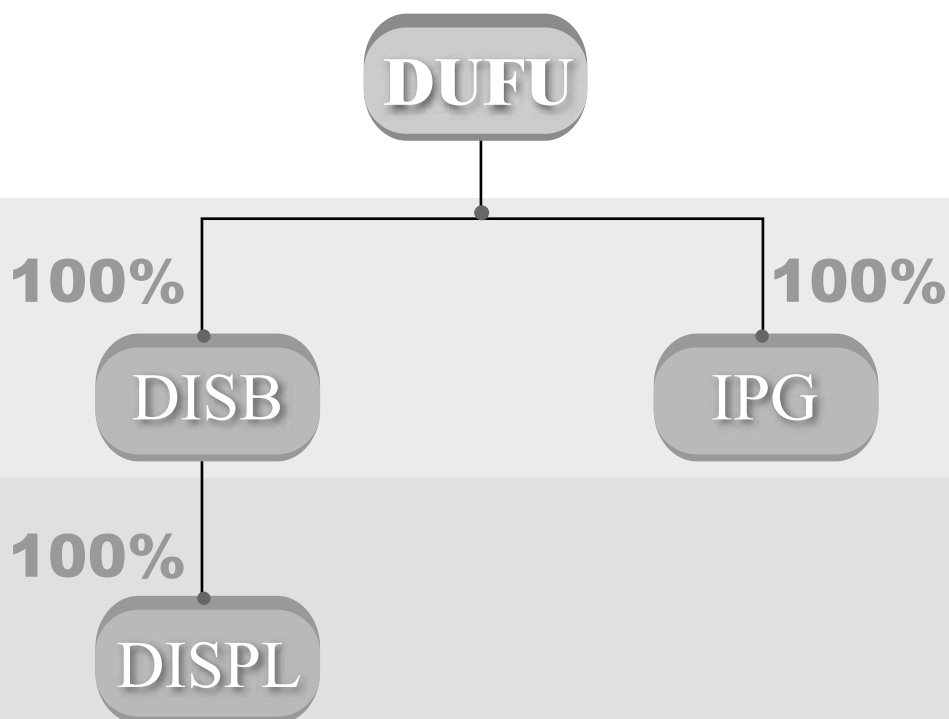
He is an Independent Non-Executive Director of ETI Tech Corporation Berhad, a Company listed on the MESDAQ Market of the Bursa Securities.

He is also the Chairman of the Audit Committee of the Company and a member of the Nomination and Remuneration Committee.

He has no family relationship with any other Directors and/or major shareholders of the Company. He has not entered into any transaction, whether directly or indirectly, which has a conflict of interest with the Company. Neither has he been convicted of any offences in the last 10 years.

GROUP STRUCTURE

DUFU TECHNOLOGY CORP. BERHAD
(581612-A)



Dufu was incorporated in Malaysia under the Companies Act, 1965 on 30 May 2002 as a private limited company under the name of Dufu Technology Corp. Sdn. Bhd. It was subsequently converted into a public limited company on 26 December 2002 and since then assumed its present name.

The details of the subsidiaries of Dufu are summarized below:-

<u>Company</u>	<u>Date / Place of Incorporation</u>	<u>Equity Interest (%)</u>	<u>Principal Activities</u>
Dufu Industries Sdn. Bhd. ("DISB")	22.10.87; Malaysia	100.00	Develop and manufacture of precision machining components for the Hard Disk Drive (HDD) industries, industrial safety and sensor industries, telecommunication industry, computer industry and consumer electronics industry.
I.P.G. Metal Industry (M) Sdn. Bhd. ("IPG")	19.09.89; Malaysia	100.00	Design and manufacture of precision steel moulds and stamping parts and components.
Dufu Industries Services Pte Ltd ("DISPL")	29.05.02; Singapore	100.00	Marketing and engineering support services

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of DUFU TECHNOLOGY CORP. BERHAD, I am pleased to present the Annual Report and Audited Financial Statements of the Group and of the Company for the financial year ended 31 December 2006. This is the first Annual Report after the listing of the Company on the Second Board of Bursa Malaysia Securities Berhad (Bursa Securities) on 28 February 2007.

Financial Performance

Despite the recent competitive business environment and inflationary pressures, the Group's operations and business continued to grow under the favorable economic atmospheres that it operated in and has achieved a set of improved and satisfactory results for financial year 2006. For the financial year under review, the Group registered a revenue and profit after tax of RM90.6 million and RM7.862 million respectively. With this, the Group basic earnings per share is at 12.94 sen. The Group continues to maintain a set of healthy and financially sound balance sheet with net assets of RM40.775 million and surplus cash of RM3.578 million for future expansion and diversification. The overall financial performance of the Group for the financial year 2006 reflects our prudent corporate strategic to remain focused on our core competencies, with continuous effort put in broadening our product mix and revenue base.

Operation Review

In order to stay competitive with the uncertainty and challenging business environment, the Board of Directors together with its management constantly reviews the entire Group's operations and continues its structured approach to pursue the long term growth and prospects by upgrading the engineering capabilities, manufacturing facilities and technical know-how, strategically moving to high-end value added new products, and identifying new business opportunities.

Our existing core businesses, namely manufacturing and assembling of precision machining of vice, computer peripherals and parts for hard disk drive and manufacturing of precision steel moulds and parts have played an important role in bringing the Group to achieve a favorable growth in term of revenue and earning for the financial year 2006. The precision machining division is the major businesses and principal revenue contributor in the Group's revenue during the financial year under review. As such, the Group will continue to aim at its strength to be the main player for the Hard Disk Drive "HDD" industry and at the same time diversify itself to other upcoming industry such as the Industrial Sensors Industry. We will continue its endeavor to secure more business contracts from new and existing customers in the following financial year with its efforts in continuous integration of new capabilities in manufacturing, engineering and distribution and continuing efforts to solicit new business partners in diversified industries.

Prospect and Outlook

Prospect for the HDD market remains very promising with the demand for global shipment expect to rise significantly for the coming years. With this increase, the Group will continue to enjoy robust demand as they benefit from the continuing consumer electronics boom, fuelled by the growing use of HDDs in electronics gadgets and the miniaturization of HDDs.

The IPO exercise raised RM16.94 million in 2007, which RM7 million will be utilized to purchase new machinery. Furthermore the Group invested RM9.1 million in a new building that will double its current floor space. The new plant and additional machines to be acquired will further increase the Group's production capacity for future years.



CHAIRMAN'S STATEMENT

Nevertheless, the Group remains cautious and guarded with the volatility of the industry they involved and uncertainties fueled by factors such as hiking raw materials price and effects of strengthening Ringgit towards the export proceeds. As such, in order to strengthen its position in this competitive business environment, the Group continues to implement its strategic approach to take advantage of the expected outsourcing trend, expand the capacity in tandem with the customers' growth and undertake more cost effective measures and quality deliveries to meet the customers' requirements. Marketing efforts will be stepped up also to grow the customer base and penetrate new markets that will increase the revenue and earning.

Further to this, the Board of Directors together with its management remains committed to continuously pursue excellence and strive to increase shareholders' value by insulating itself from any unforeseen unfavorable impacts and its effort to streamline and rationalize the business and is constantly looking out for new viable businesses opportunities that are synergistic to the businesses of the Group. Barring unforeseen circumstances, the Group expects better performance both in revenue and profitability in the coming year.

Acknowledgment

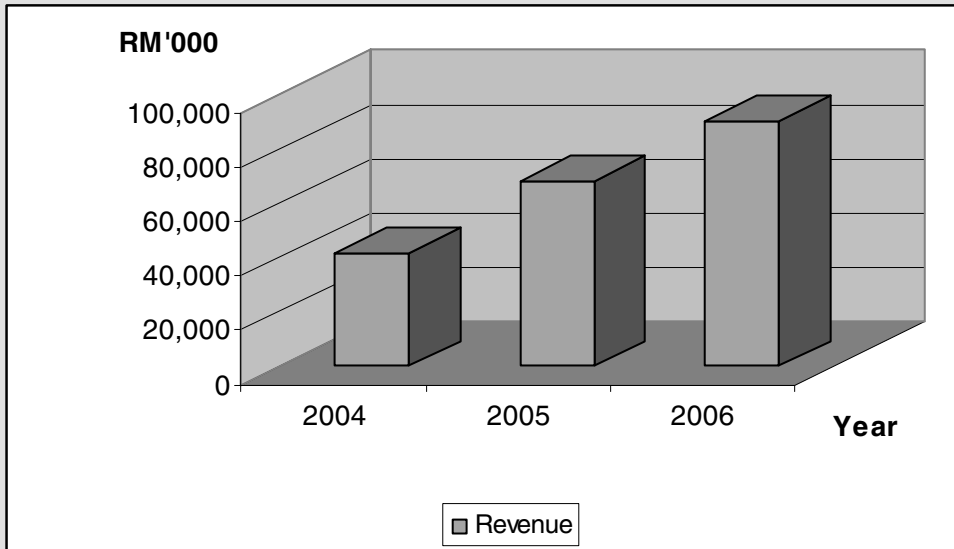
On behalf of the Board of Directors, I would like to express our sincere appreciation to the management and the staff of the Group for their continued efforts, commitment and contribution in instituting the strict strategic and operational measures needed to stand resilient during these challenging times. I would also like to take this opportunity to thank all our valued customers, suppliers, business associates, investors, the regulatory authorities, bankers for their continuous support and confidence in the Group especially during the listing exercise of the Group.

Finally, I wish to thank my fellow Directors for their invaluable guidance, advice and support.

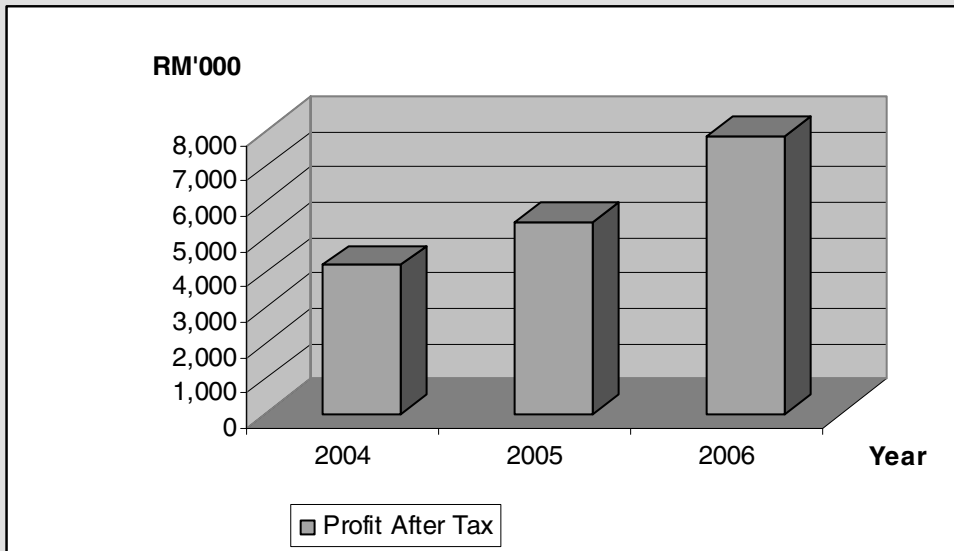
HSU, CHIN-SHUI
Chairman

DUFU TECHNOLOGY CORP. BERHAD (581612-A)
GROUP FINANCIAL HIGHLIGHTS

Revenue



Profit After Tax



AUDIT COMMITTEE REPORT

The Board of Directors is pleased to present the Audit Committee Report for the financial year ended 31 December 2006.

The audit committee was established by a resolution of the Board on 1 November 2006

The Committee comprised of the following:-

Chairman: En. Baqir Hussain Bin Hatim Ali - Independent Non-Executive Director
 Members: Lee Kah Kheng - Independent Non-Executive Director
 Lee, Hui-Ta a.k.a Li Hui Ta.- Chief Financial Officer

TERMS OF REFERENCE OF AUDIT COMMITTEE

1. Objectives

The Principal objective of the Audit Committee is to assist the Board of Directors in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the Group. In addition, the Committee shall:-

- Evaluate the quality of the audit conducted by the internal and external auditors;
- Provide assurance that the financial information presented by management is relevant, reliably and timely;
- Oversee compliance with laws and regulations and observance of a proper code of conduct; and
- Determine the adequacy of the Group's control environment.

2. Composition:-

- a) The Audit Committee shall be appointed by the Board of Directors from amongst their members and comprising not less than three (3) members, of whom the majority shall be the Independent Non-Executive directors.
- b) At least one of the members of the Audit Committee must be a member of the Malaysian Institute of Accountants, or if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years of working experience or either must have passed the examinations specified in Part I of the schedule of Accountants Act, 1967, or must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountant Act, 1967.
- c) The members of the Audit Committee shall elect a chairman among their number who shall be an Independent Non-Executive director. No alternate director shall be appointed as a member of the Audit Committee.
- d) If a member of the Audit Committee, for whatsoever reason ceases to be a member with a result that the number of members is reduced below three (3), the Board of Directors shall, within three (3) months of the events, appoints such number of new members as may be required to make the minimum number of three (3) members.

3. Authority:-

- a) The Audit Committee is authorized by the Board of Directors shall have the authority to investigate any matter within its terms of reference and shall have unlimited access to both the internal and external auditors, as well as the employees of the Group. All employees are directed to co-operate with any request made by the Committee.
- b) The Committee shall have unlimited access to all information and documents relevant to its activities, to the internal and external auditors, and to senior management of the Group.
- c) The Committee shall have the authority to obtain independent legal or other professional advice as it considers necessary.

AUDIT COMMITTEE REPORT

- d) The Committee shall be able to convene meetings with the external auditors, excluding the attendance of the executive members of the Committee, whenever deemed necessary.
- e) The Audit Committee shall have the power to establish Sub-Audit Committee(s) to carry out certain investigation on behalf of the Committee in such manner, as the Committee deem fit and necessary.

4. Meetings

The Committee is at liberty to determine the frequency of the meetings as least four times annually. The quorum shall consists of two (2) members, where the majority of members present must be independent directors.

Attendance of the Meetings

- a) the external auditors may be invited to attend the meetings. The Committee may invite any person to be in attendance to assist in its deliberations. The other directors and employees attend any particular audit committee meeting only at the audit committee's invitation, specific to the relevant meeting.
- b) the Company Secretary shall be the Secretary of the Committee and shall be responsible for drawing up the agenda with concurrence of the chairperson and circulating it, supporting by explanatory documentation to committee members prior to each meeting.

5. Duties

The duties of the Audit Committee include the followings:-

- a) to consider the appointment or re-appointment of external auditors, the audit fee and matter relating to the resignation or dismissal of auditors, if any;
- b) to review with the external auditors the audit plan, their evaluation of the system of internal accounting controls, their letter to management and the management's response;
- c) to review the quarterly and annual financial statements before submission to the Board of Directors for approval., focusing particularly on:-
 - Changes in accounting policies and practices;
 - Significant and unusual events;
 - Significant adjustments resulting from the audit
 - The going concern assumption;
 - Compliance with accounting standard and other legal requirements
- d) to discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss (in the absence of management where necessary);
- e) to do the followings where an internal audit function exists;
 - Review the adequacy of the scope, function and resources of the internal audit function and that it has the necessary authority to carry out its work;
 - Review the internal audit programme and results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function;
 - Review any appraisal or assessment of the performance of members of the internal audit function;
 - Approve any appointment or termination of senior staff members of the internal audit function;
 - Review the resignation of internal audit staff members and provide the staff member the opportunity to submit his reasons for resigning; and
 - To consider major findings of Internal investigations and management's response.

AUDIT COMMITTEE REPORT

- f) to consider any related party transaction and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity; and
- g) to consider other topics as defined by the Board.

6. Reporting

The Audit Committee is authorized to regulate its own procedures and in particular the calling of meetings, the notice to be given of such meetings, the voting and proceeding thereat, the keeping of minutes and the custody, production and inspection of such meetings.

The minutes of meetings shall be circulated by the Secretary of the Committee to the Committee members and all the other Board members.

ACTIVITIES OF THE AUDIT COMMITTEE

Since Dufu was only listed on the Second Board of the Bursa Securities on 28 February 2007, there was no Audit Committee Meeting held during the financial year under review.

INTERNAL AUDIT FUNCTION

The Board will engage an external professional firm to carry out internal audit function for the Group. The internal auditors report directly to the Audit Committee.

The primary role of the internal auditors is to inter-alia, assist the Audit Committee on an ongoing basis to:

- review the risk management framework
- evaluate the state of compliance with the Bursa Securities Listing Requirements, Malaysian Code on Corporate Governance (“the Code”) and other statutory requirements
- provide independent, systematic and objective evaluation on the state of internal control within the Group
- review recurrent related party transactions
- perform such other functions as requested by the Audit Committee



STATEMENT ON CORPORATE GOVERNANCE

Board's Commitments

Dufu was successfully listed on the Second Board of Bursa Malaysia Securities Berhad ('Bursa Securities') on 28 February 2007. As a listed Company, the Board of Directors of Dufu ('the Board') is committed to comply with the Malaysian Code on Corporate Governance ('the Code') which sets out the principles and recommended best practices for all public listed companies.

The Board has assessed the level of corporate governance practiced in the Group and confirms that unless otherwise stated in this statement, the Group has complied with all the principles and recommended best practices throughout the financial year ended 31 December 2006 except that the Board has not appointed a Senior Independent, Non-Executive Director to whom shareholders may address their grievances and concerns. However, the Board will collectively be responsible to address all grievances and concerns brought up by the shareholders.

A) The Board

The Board recognised its stewardship responsibility to lead the Group towards the highest level of corporate governance, strategic decisions and standard of conducts.

i) Board Balance

The present Board of Directors, headed by the chairman is comprised of:

- 3 Non-Independent Executive Directors
- 1 Non-Independent, Non-Executive Director, and
- 2 Independent Non-Executive Directors

The composition of the Board is in compliance with the Bursa Securities Listing Requirements and the Code. It also balance to reflect the interests of the major shareholders, management and minority shareholders. Collectively, the Directors bring a wide range of business and financial experience relevant to the direction of the Group.

There is a clear division of responsibilities between the Chairman and the Chief Executive Officer ('CEO') to ensure that there is a balance of power and authority. The Chairman is responsible for running the Board and ensuring that all Directors receive sufficient and relevant information on financial and non-financial matters to enable them to participate actively in Board decisions whilst the CEO has overall responsibilities over the operating units, organization effectiveness and implementation of Board's policies and decisions.

The Board is well balanced with the presence of Independent Non-Executive Directors who are of caliber and collectively provide independent assessments and judgments in the decision making process of the Board.

ii) Board Meetings

The Board governs the operations of the Group. The Board will meet regularly, at least once in a quarter, with additional meetings held as necessary to formulate and adopt strategic business plan for the Group, to evaluate the impact of risks affecting the operations of the Group and to formulate appropriate risk managing system.

Agenda and documents relevant to the Board meetings are circulated in advance to the Directors for their review before the meetings to ensure the effectiveness of the Board meetings. Any additional information requested by the Directors will be provided in timely manners.

STATEMENT ON CORPORATE GOVERNANCE

Since Dufu was only listed on the Second Board of the Bursa Securities subsequent to year end on 28 February 2007, there was no Board of Directors meetings held during the financial year under review.

iii) Supply of information

The Chairman ensures that all Directors have full and timely access to information with an agenda on matters requiring Board's consideration issued with appropriate notice and in advance of each meeting to enable Directors to obtain further explanations during the meeting, where necessary.

The Directors meet to review and approve all corporate announcements, including the announcement of the quarterly interim financial reports, before releasing them to the Bursa Securities.

All Directors have direct access to the advice and services of the Company Secretaries. The Company Secretaries, whose appointment and removal is the responsibility of the Board collectively, are qualified professionals with the necessary experience to advise the Board.

When necessary, the Directors could request for the service of independent professional advisors at the cost of the Company.

In leading and controlling the operations of the Group, the Board is assisted by the Board of Directors of each individual subsidiary that is primarily responsible to carry out decisions made by the Board. The Executive Directors of the Company also participate in management meeting of certain subsidiaries to ensure that decisions made by the Board are disseminated and delegated effectively to the management of the subsidiaries.

iv) Directors' Training

All the Directors have attended and successfully completed the Mandatory Accreditation Programme (MAP) conducted by Bursatra Sdn. Bhd. to enhance their skills in the area of corporate governance.

The Board of Directors will assume the onus of determining or overseeing the training needs for Directors. In this respect, the Directors are encouraged to attend various external professional programmes deemed necessary in order to keep abreast with the latest developments in the market place, advances in corporate governance and to further enhance their skill and knowledge to enable them to discharge their duties as Directors in an effective manner.

v) Appointment and Re-election of Director

a) *Appointment of Directors*

The Code requires a formal and transparent procedure to be established for appointment of new Directors to the Board. The Code also endorses the establishment of a Nomination Committee, comprised exclusively of Non-Executive Directors, a majority of whom are Independent to propose new nominees to the Board and to assess Directors on an on-going basis.

The Nomination Committee was established by a resolution of the Board on 1 November 2006.

STATEMENT ON CORPORATE GOVERNANCE

The Committee comprised of the following:-

Chairman: Lee Kah Kheng – Independent Non-Executive Director

Members: Baqir Hussain Bin Hatim Ali – Independent Non-Executive Director
Khoo Lay Tatt – Non- Independent Non-Executive Director

The Nomination Committee consists exclusively of Non-Executive Directors, majority of whom are independent.

The Nomination Committee is empowered by the Board and its terms of reference to, inter-alia, to review the structure, size and composition of the Board and make recommendation to the Board with regard to any adjustments that are deemed necessary; to recommend to the Board, the minimum requirements for the Board, ie. required mix of skills, experience, qualification and other core competencies required of a Director inclusive of CEO; to review the adequacy if committee structures of the Board committee, assess and recommend to the Board the terms of reference of Board Committees.

The Board, through the Nomination Committee, appraises the composition of the Board and believes that the current composition brings the required mix of skills and core competencies for the Board to discharge its duties effectively. New appointees will be considered and evaluated by the Nomination Committee. The Nomination Committee will then recommend the candidates to be approved and appointed by the Board. The Company Secretary will ensure that all appointments are properly made, and that legal and regulatory obligations are met.

b) Re-election of Directors

In accordance with the Company's Articles of Association, all Directors are subject to election at the Annual General Meeting ("AGM") following their appointment.

The Articles also provide that at least one-third of the remaining Directors be subject to re-election by rotation at each AGM.

The current terms of all Directors are less than three years. This is in compliance with the provision of the requirement of the Code that all Directors are required to submit themselves for re-election at regular intervals and at least every three years.

The Nomination Committee will also review the effectiveness of the Board as a whole and further assess the contribution of each individual director who is seeking for re-election by rotation at each AGM.

vi) Directors' Remuneration

It is vital for the Group to attract and retain Directors of the necessary caliber to run the Group successfully. In line with requirements of the Code, the Group has established a remuneration policy for the Directors.

The Remuneration Committee was established by a resolution of the Board on 1 November 2006.

STATEMENT ON CORPORATE GOVERNANCE

The Committee comprised of the following:-

Chairman: Lee Kah Kheng – Independent Non-Executive Director
 Members: Baqir Hussain Bin Hatim Ali – Independent Non-Executive Director
 Hsu, Chin-Shui – Executive Chairman

The Remuneration Committee consists mainly of Non-executive Director, the majority of whom is independent.

The Remuneration Committee is responsible for, inter-alia, recommending the Board the remuneration policy for, including the establishment of a formal and transparent methodology in determining the remuneration of, Executive Directors, Non-Executive Directors and Senior Management and to review changes to the policy and methodology as necessary; review the existing level of remuneration of Executive Directors and to recommend their remuneration to the Board based on the Company's and their individual performance to ensure they commensurate with the scope of responsibilities held.

The policy practiced on Directors' remuneration by the Remuneration Committee is to provide the remuneration packages necessary to attract, retain and motivate Directors of the quality required to manage the business of the Group and to align the interest of the Directors with those of the shareholders.

Details of Directors' remuneration for the year financial ended 31 December 2006 were as follows:

1. Aggregate remuneration of the Directors categorized into appropriate components:

Category	<u>Fee</u> (RM)	<u>Salaries</u> (RM)	<u>Bonus</u> (RM)	<u>Allowances</u> (RM)	<u>Total</u> (RM)
Executive Directors					
- Company	0	0	0	0	0
- Subsidiaries*	0	521,000	46,000	55,000	622,000
Non-Executive Directors					
- Company	0	0	0	0	0
- Subsidiaries*	0	0	0	0	0
Total	0	521,000	46,000	55,000	622,000

* Subject to Shareholders' approval at the forthcoming Annual General Meeting.

2. The number of Directors whose total remuneration fall within the following bands:

Range of Remuneration	Number of Directors	
	Executive	Non-Executive
Below RM50,000	0	0
RM200,001 to RM250,000	1	0
RM250,001 to RM300,000	2	0

STATEMENT ON CORPORATE GOVERNANCE

Executive Committee

The Executive Committee (“Exco”) comprises of the Executive Directors’ as follows:

Members : Hsu, Chin-Shui
 Lee, Hui-Ta a.k.a Li Hui Ta
 Yong Poh Yow

The Exco’s functions are to assist the CEO to manage the Group’s day-to-day operations. The Exco was set up to formulate operations plans and oversee the execution of these plans. The Exco meets regularly to discuss operational issues.

B) Accountability and Audit

Audit Committee

The composition, terms of reference, and the function of audit committee is discussed on Page 13 to 15 of the Annual Report 2006.

i) Financial Reporting

In presenting the annual financial statements and quarterly announcement of interim financial results to the shareholders, the Board aims to provide and present a balanced and understandable assessment of the Group’s financial performance and prospects. The Board is assisted by the Audit Committee to oversee the Group’s financial reporting processes and the quality of its financial reporting. At the same time, the Audit Committee is assisting the Board in ensuring the accuracy, adequacy and completeness of the financial information that to be disclosed. The financial reports will be reviewed and approved by the Audit Committee prior to tabling them to the Board for approval. A statement by the Board of its responsibilities for preparing the financial statements is set out on page 22 of the Annual Report 2006.

ii) Internal Control

The Board is fully aware of its responsibility to safeguard and enhance the value of shareholders in the Group. Since the listing of the Company, the Board has continuously placed emphasis on the need for maintaining a sound system of internal control.

Information pertaining to the Company’s internal control is presented in the Statement on Internal Controls laid out on page 23 to 24 of the Annual Report 2006.

iii) Relationship with the Auditors

The Board maintains a transparent relationship with external auditors. It is intended that Independent members of the Audit Committee will meet the external auditors at least once a year to discuss the conduct and concerns arising from their audit without the presence of the Executive Director and management.

STATEMENT ON CORPORATE GOVERNANCE

C) Relationship with Shareholders and Investors

In line with the recommendation by the Bursa Securities Listing Requirement and the Code, material information is disseminated to shareholders and investors on a timely basis. These information, which could be assessed through Bursa Securities website at www.bursamalaysia.com., include:

1. Quarterly announcements
2. Annual reports
3. Circular to shareholders
4. Other important announcements

The Group also maintains a website at www.dufu.com.my which provides information, qualitative and quantitative, on the Group's operations and corporate developments.

In addition to the above, time will be allocated for during Annual General Meeting for dialogue with shareholders to address issues concerning the Group.

This statement was made in accordance with a resolution of the Board dated 17 May 2007.

STATEMENT ON DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS

The Board has the overall responsibility to prepare the financial statements for each financial year as required by the Companies Act, 1965. The financial statements should be prepared in accordance with the applicable Malaysian Accounting Standards Board ("MASB") approved accounting standards in Malaysia, the provisions of the Companies Act, 1965 and the relevant provisions of the Bursa Securities Listing Requirements so as to present a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of their results and cash flows for the year then ended.

In this regard, the Directors will, with the assistance of the Audit Committee:

- Ensured that suitable accounting policies are used and applied consistently
- Ensured that new and revised Financial Reporting Standards and Issues Committee Interpretations issued by MASB that are relevant to the Group's operations and effective for accounting periods beginning on 1 January, 2006 are fully adopted
- Ensured proper accounting records are kept
- Ensured adequate system of internal control exist to safeguard the assets of the Group to prevent and detect fraud and other irregularities
- Ensured that the financial statements presents a balanced and understandable assessment of the financial position and prospect of the Group and of the Company Made appropriate enquiries to
- the senior management of the Group to ensure that the Group have adequate resources to continue in operational existence in the foreseeable future
- Ensured that the accounting estimates included in the financial statements are reasonable and prudent

The financial statements for the year ended 31 December 2006 had been approved by the Board on 4 April 2007.

This statement was made in accordance with a resolution of Board dated 17 May 2007.

STATEMENT ON INTERNAL CONTROL

Introduction

This statement is made pursuant to Paragraph 15.27(b) of the Bursa Securities Listing Requirements, which requires public listed companies to include a statement in their annual reports on the state of internal control within the Group.

The Malaysian Code on Corporate Governance stipulates that the Board of Directors of listed companies should maintain a sound system of internal controls to safeguard shareholders' investments and the Group' assets.

This Statement of Internal Control has been prepared in accordance with the "Statement on Internal Control: Guidance for Directors of Public Listed Companies" (the "Guidance") issued by the Task Force on Internal Control.

Responsibility

The Board recognizes the importance of maintaining a sound system of internal control covering controls relating to risk management, financial, operational and compliance to achieve the following objectives:

- a) Safeguard the shareholders' interest and assets of the Group
- b) Identify and manage risks affecting the Group
- c) Ensure compliance with regulatory requirements
- d) Ensure the effectiveness and efficiency of operations to achieve objectives of the Group
- e) Ensure the integrity and reliability of financial information

The system of internal control is designed to cater for the Group's needs and manage the risks to which the Group exposed. It should be noted that such system is designed to manage rather than eliminate the risk of failure to achieve objective and can only provide reasonable but not absolute assurance against material misstatements or losses.

The Board is satisfied that there is an ongoing process for identifying, evaluating and managing the significant risks affecting the Group through the system of internal control.

System of Internal Control

The Groups' system of internal control is comprised of the following key elements:

- a) Organisation structure of each business unit clearly defines operational and financial responsibilities
- b) Key responsibilities are properly segregated
- c) Authority level is properly defined
- d) Executive Directors meet regularly to address key business risks and operational issues
- e) Operational procedures are governed by standard operating manuals which are reviewed and updated regularly
- f) Effective financial reporting system is in place to ensure timely generation of financial information for management's review

The Board confirms that the above is in place throughout the financial year under review and up to the date of approval of this annual report and financial statements. The Board is of the opinion that the existing system of internal control accords with the "Guidance" and that it is adequate to achieve the Group's objectives stated above.

STATEMENT ON INTERNAL CONTROL

Conclusion

The Board remains committed towards operating a sound system of internal control and therefore recognize that the system must continuously evolve to support the Group's businesses and the size of the Group's operations. As such, the Board, in striving for continuous improvement will put in place an appropriate actions and plans, when necessary, to further enhance the Group's system of internal control.

This statement was made in accordance with a resolution of the Board dated 17 May 2007.



DISCLOSURE REQUIREMENTS PURSUANT TO THE LISTING REQUIREMENTS OF THE BURSA MALAYSIA SECURITIES BERHAD

UTILISATION OF PROCEEDS

Gross proceeds of approximately RM16,940,000 was raised subsequent to the financial under review from the Initial Public Offering ("IPO"). The proceeds shall accrue to the Company who will bear all expenses relating to the listing. The proceeds are intended to be fully used by the Group in the following manner:

	RM'000	Timeframe for use (from the listing date, i.e. 28 February 2007)
(i) Purchase of plant and equipment	7,000	Within 3 years
(ii) Part settlement of hire purchase payables	5,000	Within 1 year
(iii) Working capital	2,940	Within 2 years
(iv) Estimated share issue expenses	2,000	Within 1 year
Total	<u>16,940</u>	

SHARE BUYBACKS

During the financial year under review, there were no share buyback by the Company.

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

During the financial under review, the Company has not issued any options, warrants or convertible securities.

AMERICAN DEPOSITORY RECEIPT (ADR) OR GLOBAL DEPOSITORY RECEIPT (GDR) PROGRAMME

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

IMPOSITION OF SANCTIONS AND/OR PENALTIES

There were no material sanction and/or penalties imposed on the Company and its subsidiary companies, Directors or management by the regulatory bodies.

NON-AUDIT FEES

Non-audit fees paid and payable to the external auditors during the financial year was amounted to RM259,626.

REVALUATION POLICY

The policy on revaluation of properties is as disclosed in the financial statements.

DISCLOSURE REQUIREMENTS PURSUANT TO THE LISTING REQUIREMENTS OF THE BURSA MALAYSIA SECURITIES BERHAD

MATERIAL CONTRACT

There were no other material contracts entered into by the Company and its subsidiary companies involving directors' and substantial shareholders' interests either still subsisting as at 31 December 2006 or entered into since the end of the previous financial year.

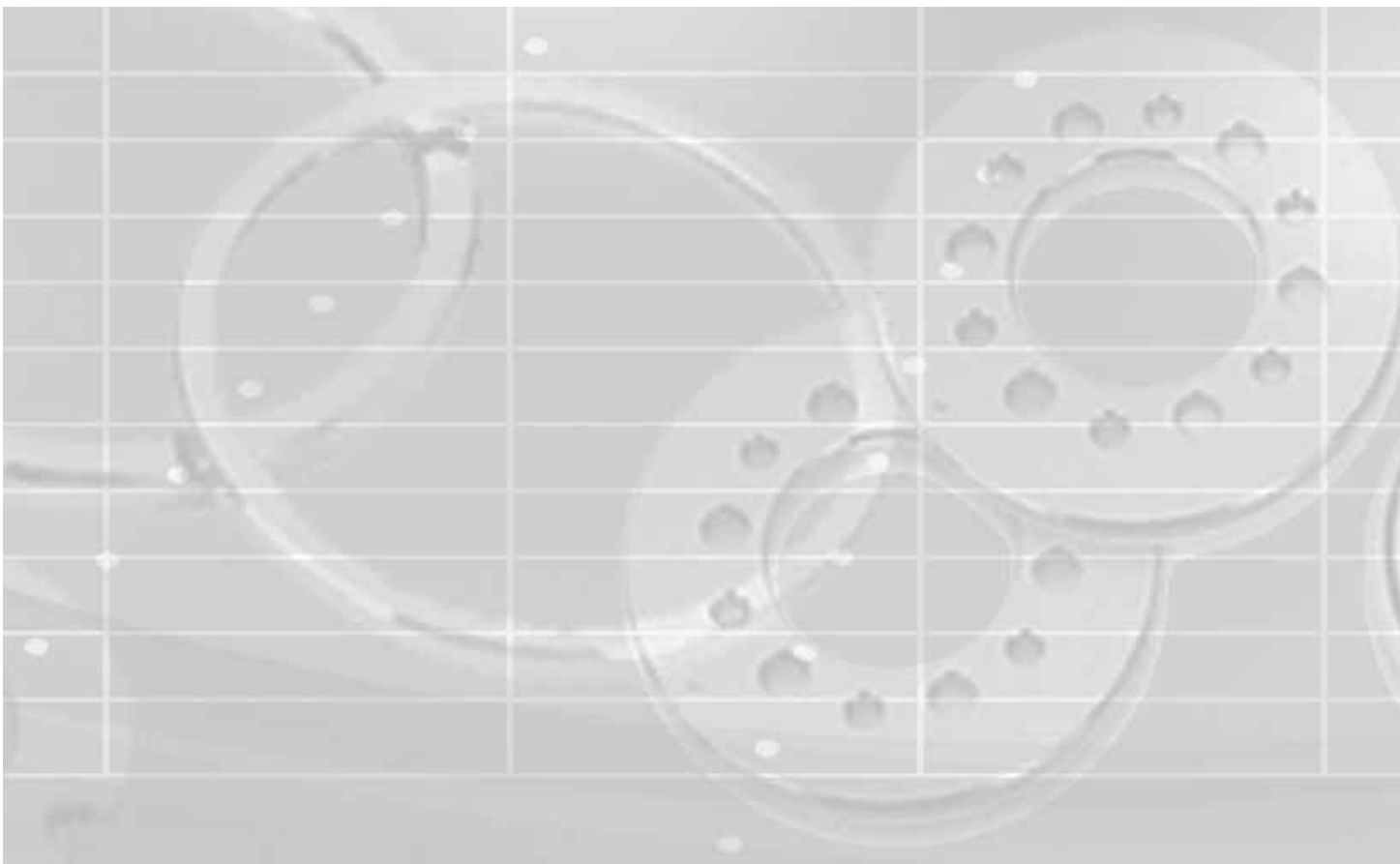
PROFIT ESTIMATE, FORECAST OR PROJECTION

The audited profit after tax of RM7.862 million is higher than the forecasted profit after tax of RM7.804 million in the Prospectus issued on 31 January 2007.

The audited consolidated results during the financial year of the Group did not deviate by more than 10% of the unaudited consolidated results of the Group as announced via the BURSALINK, www.bursamalaysia.com on 26 February 2007.

PROFIT GUARANTEES

There were no profit guarantees given by the Company for the financial year.



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DUFU TECHNOLOGY CORP. BERHAD (581612-A)
DIRECTORS' REPORT

DIRECTORS' REPORT

The directors of **DUFU TECHNOLOGY CORP. BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended December 31, 2006.

PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding and providing management services. The principal activities of the subsidiary companies are as stated in Note 12 to the financial statements. There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year.

RESULTS OF OPERATIONS

	The Group RM	The Company RM
Profit/ (loss) for the year	<u>7,861,756</u>	<u>(19,021)</u>

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 year. The directors also do not recommend any dividend payment in respect of the current financial year.

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

During the financial year, the issued and paid-up ordinary share capital of the Company be subdivided from two (2) ordinary shares of RM1 each into four (4) ordinary shares of RM0.50 each on the basis of two (2) new ordinary shares of RM0.50 each for every one (1) existing ordinary share of RM1 each held.

DIRECTORS' REPORT

The issued and paid-up ordinary share capital of the Company was increased from RM2 divided into 4 ordinary shares of RM0.50 each to RM32,900,000 divided into 65,800,000 ordinary shares of RM0.50 each by way of:

- a) issue of 58,220,000 new ordinary shares of RM0.50 each at par pursuant to the acquisition of Dufu Industries Sdn. Bhd.; and
- b) issue of 7,579,996 new ordinary shares of RM0.50 each at par pursuant to the acquisition of I.P.G. Metal Industry (M) Sdn. Bhd..

The new ordinary shares rank pari passu with the then existing ordinary shares of the Company.

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

OTHER FINANCIAL INFORMATION

Before the income statements and 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 have satisfied themselves that all known bad debts had 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 have been written down to their estimated realisable values.

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

- (a) which would render the amount written off for bad debts 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 and 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.

DUFU TECHNOLOGY CORP. BERHAD (581612-A)
DIRECTORS' REPORT

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 their 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.

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

On August 28, 2006, the Securities Commission had approved the following corporate exercise:

- (a) (i) acquisition of the entire issued and fully paid-up share capital of Dufu Industries Sdn. Bhd. comprising 5,000,000 ordinary shares of RM1.00 each for a total purchase consideration of RM29,110,000 satisfied by the issuance of 58,220,000 ordinary shares of RM0.50 each at par; and
- (ii) acquisition of the entire issued and fully paid-up share capital of I.P.G. Metal Industry (M) Sdn. Bhd. comprising 2,000,000 ordinary shares of RM1.00 each for a total purchase consideration of RM3,789,998 satisfied by the issuance of 7,579,996 ordinary shares of RM0.50 each at par.
- (b) public issue of 24,200,000 ordinary shares of RM0.50 each at an issue price of RM0.70 per share;
- (c) offer for sale of 9,800,000 ordinary shares of RM0.50 each at an offer price of RM0.70 per share payable in full upon application comprising:
 - (i) 1,000,000 ordinary shares of RM0.50 each for application by eligible employees of the Group; and
 - (ii) 8,800,000 ordinary shares of RM0.50 each to Bumiputera investors approved by the Ministry of International Trade and Industry;
- (d) establishment of an Employee Share Option Scheme ("ESOS") for eligible employees and directors of the Group. The number of options to be offered under the ESOS shall not exceed 15% of the issued and paid-up share capital of the Group at any one time during the duration of the ESOS; and
- (e) listing of and quotation for the entire enlarged issued and paid-up share capital of the Company comprising 90,000,000 ordinary shares of RM0.50 each on the Official List of the Second Board of Bursa Malaysia Securities Berhad.

The acquisitions of Dufu Industries Sdn. Bhd. and I.P.G. Metal Industry (M) Sdn. Bhd. were completed on August 30, 2006.

DIRECTORS' REPORT

SIGNIFICANT EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

Significant events subsequent to the balance sheet date are disclosed in Note 28 to the financial statements.

DIRECTORS

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

Lee, Hui-Ta also known as Li Hui Ta	(appointed on September 1, 2006)
Hsu, Chin-Shui	(appointed on September 1, 2006)
Yong Poh Yow	(appointed on September 1, 2006)
Lee Kah Kheng	(appointed on October 2, 2006)
Baqir Hussain Bin Hatim Ali	(appointed on October 2, 2006)
Khoo Lay Tatt	(appointed on October 2, 2006)
Ooi Ean Hoon	(resigned on September 1, 2006)
How Wee Ling	(resigned on September 1, 2006)

DIRECTORS' INTEREST

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:

	No. of ordinary shares of RM0.50 each			Balance as of 31.12.2006
	Balance as of date of appointment	Bought	Sold	
Lee, Hui-Ta also known as Li Hui Ta	25,524,998	2	-	25,525,000
Hsu, Chin-Shui	25,524,998	2	-	25,525,000
Yong Poh Yow	5,364,000	-	-	5,364,000

By virtue of their interests in the shares of the Company, Mr. Lee, Hui-Ta also known as Li Hui Ta and Mr. Hsu, Chin-Shui are also deemed to have an interest in the shares of all the subsidiary companies to the extent that the Company has an interest.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive any benefit (other than those disclosed as directors' remuneration in the financial statements) 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.

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.

DUFU TECHNOLOGY CORP. BERHAD (581612-A)
DIRECTORS' REPORT

AUDITORS

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

Signed on behalf of the Board
in accordance with a resolution of the Directors,

**LEE, HUI-TA ALSO
KNOWN AS LI HUI TA**

HSU, CHIN-SHUI

Penang,

April 4, 2007

REPORT OF THE AUDITORS TO THE MEMBER OF DUFU TECHNOLOGY CORP. BERHAD (Incorporated in Malaysia)

We have audited the accompanying balance sheets as of December 31, 2006 and the related statements of income, changes in equity and cash flows 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 financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable MASB 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 December 31, 2006 and of their results and cash flows 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 the auditors' report of the subsidiary company, Dufu Industries Services Pte. Ltd., of which we have not acted as auditors, being financial statements that have been included in the consolidated financial statements.

(FORWARD)

REPORT OF THE AUDITORS TO THE MEMBER OF DUFU TECHNOLOGY CORP. BERHAD (Incorporated in Malaysia)

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 KASSIMCHAN
AF 0080
Chartered Accountants

LEE CHENG HEOH
2225/04/08(J)
Partner

Penang,

April 4, 2007

INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	The Group		The Company	
		2006 RM	2005 RM	2006 RM	2005 RM
Revenue		90,600,688	62,301,462	-	-
Investment revenue		143,863	257,877	-	-
Negative goodwill recognised	12	345,703	-	-	-
Other gains and losses		1,494,447	983,767	-	-
Changes in inventories of finished goods and work-in-progress		3,890,575	(1,965,465)	-	-
Raw materials used		(18,080,605)	(9,730,275)	-	-
Purchase of trading and semi-finished goods		(37,992,119)	(24,201,845)	-	-
Directors' remuneration		(621,531)	(518,958)	-	-
Employee benefits expense	6	(10,860,034)	(8,404,769)	-	-
Depreciation of property, plant and equipment		(5,100,412)	(3,950,635)	-	-
Finance costs		(1,278,379)	(955,055)	-	-
Other expenses		<u>(13,808,495)</u>	<u>(8,826,422)</u>	<u>(19,021)</u>	<u>(7,972)</u>
Profit/ (loss) before tax	7	8,733,701	4,989,682	(19,021)	(7,972)
Income tax expense	8	<u>(871,945)</u>	<u>(332,506)</u>	-	-
Profit/ (loss) for the year		<u><u>7,861,756</u></u>	<u><u>4,657,176</u></u>	<u><u>(19,021)</u></u>	<u><u>(7,972)</u></u>
Basic earnings per share	9	<u><u>12.94 sen</u></u>	<u><u>8.00 sen</u></u>		

The accompanying notes form an integral part of the financial statements.

BALANCE SHEETS

AS OF 31 DECEMBER 2006

	Note	The Group		The Company	
		2006 RM	2005 RM	2006 RM	2005 RM
ASSETS					
Non-current assets					
Property, plant and equipment	10	49,029,614	30,931,200	-	-
Goodwill	11	25,252	-	-	-
Investment in subsidiary companies	12	-	-	32,899,998	-
Investment in club memberships, at cost		61,000	61,000	-	-
Total non-current assets		<u>49,115,866</u>	<u>30,992,200</u>	<u>32,899,998</u>	<u>-</u>
Current assets					
Inventories	13	17,251,582	10,295,781	-	-
Trade and other receivables	14	23,006,503	16,705,562	-	-
Other assets	15	1,588,256	1,090,789	699,754	41,550
Fixed deposits with a licensed bank	16	500,000	-	-	-
Cash and bank balances	16	3,077,575	708,728	4,679	4,804
Total current assets		<u>45,423,916</u>	<u>28,800,860</u>	<u>704,433</u>	<u>46,354</u>
Total assets		<u>94,539,782</u>	<u>59,793,060</u>	<u>33,604,431</u>	<u>46,354</u>

(FORWARD)

BALANCE SHEETS

AS OF 31 DECEMBER 2006

	Note	The Group		The Company	
		2006 RM	2005 RM	2006 RM	2005 RM
EQUITY AND LIABILITIES					
Capital and reserves attributable to equity holders of the Company					
Share capital	17	32,900,000	5,000,000	32,900,000	2
Retained earnings/ (accumulated losses)		29,537,823	21,577,517	(41,759)	(22,738)
Other reserves	18	(21,662,508)	2,543,738	-	-
Total equity		<u>40,775,315</u>	<u>29,121,255</u>	<u>32,858,241</u>	<u>(22,736)</u>
Non-current liabilities					
Long-term loans	19	10,466,566	5,467,500	-	-
Hire-purchase payables	20	9,076,595	3,760,020	-	-
Deferred tax liabilities	21	2,100,715	2,008,039	-	-
Total non-current liabilities		<u>21,643,876</u>	<u>11,235,559</u>	<u>-</u>	<u>-</u>
Current liabilities					
Trade and other payables	22	19,310,452	11,975,462	746,190	69,090
Bank borrowings	23	5,736,173	3,026,789	-	-
Long-term loans	19	1,056,966	1,382,912	-	-
Hire-purchase payables	20	5,875,730	2,940,632	-	-
Current tax liabilities		141,270	110,451	-	-
Total current liabilities		<u>32,120,591</u>	<u>19,436,246</u>	<u>746,190</u>	<u>69,090</u>
Total liabilities		<u>53,764,467</u>	<u>30,671,805</u>	<u>746,190</u>	<u>69,090</u>
Total equity and liabilities		<u>94,539,782</u>	<u>59,793,060</u>	<u>33,604,431</u>	<u>46,354</u>

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2006

The Group

	Share Capital RM	Revaluation Reserve RM	Foreign Currency Translation Reserve RM	Retained Earnings RM	Total RM
Balance as of January 1, 2005	<u>5,000,000</u>	<u>2,651,129</u>	<u>(1,725)</u>	<u>16,821,791</u>	<u>24,471,195</u>
Net income recognised directly in equity:					
Transfer of revaluation surplus	-	(98,550)	-	98,550	-
Exchange loss on translation of net investment in a foreign subsidiary company	-	-	(7,116)	-	(7,116)
Profit for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,657,176</u>	<u>4,657,176</u>
Total recognised income and expense	<u>-</u>	<u>(98,550)</u>	<u>(7,116)</u>	<u>4,755,726</u>	<u>4,650,060</u>
Balance as of December 31, 2005	<u><u>5,000,000</u></u>	<u><u>2,552,579</u></u>	<u><u>(8,841)</u></u>	<u><u>21,577,517</u></u>	<u><u>29,121,255</u></u>

(FORWARD)

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2006

The Group

	Note	Share Capital RM	Reverse Acquisition Reserve RM	Revaluation Reserve RM	Foreign Currency Translation Reserve RM	Retained Earnings RM	Total RM
Balance January 1, 2006		5,000,000	-	2,552,579	(8,841)	21,577,517	29,121,255
Net income recognised directly in equity:							
Transfer of revaluation surplus		-	-	(98,550)	-	98,550	-
Exchange gain on translation of net investment in a foreign subsidiary company		-	-	-	2,306	-	2,306
Profit for the year		-	-	-	-	7,861,756	7,861,756
Total recognised income and expense		-	-	(98,550)	2,306	7,960,306	7,864,062
Adjustment arising from reverse acquisition	17	24,110,002	(24,110,002)	-	-	-	-
Issue of shares	17	3,789,998	-	-	-	-	3,789,998
Balance as of December 31, 2006		<u>32,900,000</u>	<u>(24,110,002)</u>	<u>2,454,029</u>	<u>(6,535)</u>	<u>29,537,823</u>	<u>40,775,315</u>

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2006

The Company

	Note	Share Capital RM	Accumulated Losses RM	Total RM
Balance as of January 1, 2005		2	(14,766)	(14,764)
Loss for the year, representing total recognised income and expense		-	(7,972)	(7,972)
Balance as of December 31, 2005		<u>2</u>	<u>(22,738)</u>	<u>(22,736)</u>
Balance as of January 1, 2006		2	(22,738)	(22,736)
Issue of shares	17	32,899,998	-	32,899,998
Loss for the year, representing total recognised income and expense		-	(19,021)	(19,021)
Balance as of December 31, 2006		<u>32,900,000</u>	<u>(41,759)</u>	<u>32,858,241</u>

The accompanying notes form an integral part of the financial statements.

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/ (loss) for the year	7,861,756	4,657,176	(19,021)	(7,972)
Adjustments for:				
Depreciation of property, plant and equipment	5,100,412	3,950,635	-	-
Interest expenses	1,278,379	955,055	-	-
Income tax expense	871,945	332,506	-	-
Unrealised loss on foreign exchange	51,846	-	-	-
Bad debts written off	2	704	-	-
Negative goodwill written-off	(345,703)	-	-	-
Allowance for slow moving inventories no longer required	(283,736)	(249)	-	-
Gain on disposal of property, plant and equipment	(56,468)	(22,074)	-	-
Interest income	(1,673)	(1,629)	-	-
Allowance for slow moving inventories	-	171,635	-	-
	14,476,760	10,043,759	(19,021)	(7,972)
Movement in working capital: (Increase)/ decrease in:				
Inventories	(4,755,202)	1,286,066	-	-
Trade and other receivables	(3,949,715)	(6,994,574)	-	-
Other assets	139,149	(840,360)	(658,204)	-
Increase/ (decrease) in trade and other payables	4,469,644	2,194,337	(53,090)	7,892
Cash generated from/ (used in) operations	10,380,636	5,689,228	(730,315)	(80)
Tax paid	(874,835)	(689,928)	-	-
Tax refunded	-	335	-	-
Net cash generated from/ (used in) operating activities	9,505,801	4,999,635	(730,315)	(80)

(FORWARD)

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	The Group		The Company	
		2006 RM	2005 RM	2006 RM	2005 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from disposal of property, plant and equipment		288,522	898,647	-	-
Interest received		1,673	1,629	-	-
Purchase of property, plant and equipment	10	(8,366,083)	(2,520,371)	-	-
Acquisition of subsidiary companies	12	(107,585)	-	-	-
Net cash used in investing activities		<u>(8,183,473)</u>	<u>(1,620,095)</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from long-term loans		5,953,644	600,000	-	-
Increase/ (decrease) in bank borrowings		2,174,000	(1,458,000)	-	-
Proceeds from hire-purchase payables	10	300,640	-	-	-
Repayment of hire-purchase payables		(4,527,093)	(2,753,886)	-	-
Repayment of long-term loans		(1,280,524)	(1,393,628)	-	-
Interest paid		(1,268,838)	(966,289)	-	-
Fixed deposits held as security value		(500,000)	-	-	-
Decrease in amount owing to a director		-	(503,687)	-	-
Advances from a subsidiary company		-	-	730,190	-
Net cash generated from/ (used in) financing activities		<u>851,829</u>	<u>(6,475,490)</u>	<u>730,190</u>	<u>-</u>
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		2,174,157	(3,095,950)	(125)	(80)
Effects of foreign exchange rate changes		2,306	(7,116)	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>(2,318,061)</u>	<u>785,005</u>	<u>4,804</u>	<u>4,884</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	16	<u>(141,598)</u>	<u>(2,318,061)</u>	<u>4,679</u>	<u>4,804</u>

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

1. INTRODUCTION

On March 13, 2006, the Company entered into conditional share sale agreement with the shareholders of Dufu Industries Sdn. Bhd. and I.P.G. Metal Industry (M) Sdn. Bhd. for the acquisition of the entire share capital of Dufu Industries Sdn. Bhd. and I.P.G. Metal Industry (M) Sdn. Bhd.. Upon the completion of the acquisitions, the Company became the legal parent company of Dufu Industries Sdn. Bhd.. Due to the relative values of the Companies, the former Dufu Industries Sdn. Bhd.'s shareholders became the majority shareholders through the issue of 58,220,000 new ordinary shares of RM0.50 each in the Company, controlling about 100% of the share capital of the Company at this time. Further, the Company's continuing operations and executive management are those of Dufu Industries Sdn. Bhd.. Accordingly, the substance of the business combination is that Dufu Industries Sdn. Bhd. acquired the Company in a reverse acquisition.

On August 30, 2006, the reverse acquisition of the Company by Dufu Industries Sdn. Bhd. was completed. Due to application of the Financial Reporting Standard 3, Business Combination (FRS 3) rules relating to reverse acquisition, Dufu Industries Sdn. Bhd. became the acquirer of the Group for accounting purposes. Therefore the comparative financial figures set out Dufu Industries Sdn. Bhd.'s numbers as the Group's comparative numbers for 2005.

2. GENERAL INFORMATION

The Company is principally involved in investment holding and the provision of management services. The principal activities of the subsidiary companies are as stated in Note 12. There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia.

The Company's registered office and principal place of business are at 57-2, Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang, Malaysia and 19, Hilir Sungai Keluang 2, Taman Perindustrian Bayan Lepas, Fasa IV, 11900 Bayan Lepas, Penang, Malaysia respectively.

The financial statements of the Group and of the Company were authorised for issue by the Board of Directors in accordance with a resolution of the directors on April 4, 2007.

3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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 Malaysian Accounting Standards Board ("MASB") approved accounting standards in Malaysia.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

4. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements of the Group expressed in Ringgit Malaysia (“RM”) have been prepared under the historical cost convention unless stated otherwise in the accounting policies mentioned below.

During the financial year, the Group has adopted all the new and revised Financial Reporting Standards (“FRSs”) and Issues Committee (“IC”) Interpretations issued by MASB that are relevant to its operations and effective for accounting periods beginning on January 1, 2006.

The adoption of these new and revised FRSs and IC Interpretations has no material effect on the financial statements of the Group other than for the adoption of FRS 3 as explained under Note 1.

Standards and IC Interpretations that are not yet effective and have not been early adopted are as follows:

- (a) FRS 117 Leases (Effective for annual periods beginning on or after October 1, 2006). This standard requires the classification of leasehold land as prepaid lease payments. The Group will apply this standard from financial periods beginning on January 1, 2007.
- (b) FRS 124 Related Party Disclosures (Effective for annual periods beginning on or after October 1, 2006). This standard will affect the identification of related parties and some other related party disclosures. The Group will apply this standard from financial periods beginning January 1, 2007.
- (c) FRS 139 Financial Instruments: Recognition and Measurement (Effective date yet to be determined by MASB). This new standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted only under strict circumstances. The Group will apply this standard when effective.
- (d) Amendments to FRS 121 The Effects of Changes in Foreign Exchange Rates - Net investments in a Foreign Operation (Effective for annual periods beginning on or after July 1, 2007). The amendment requires that when a monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, an exchange difference arises in the reporting entity’s separate financial statements and in the foreign operation’s individual financial statements and such exchange difference shall be recognised in profit or loss in the period in which they arise. The Group will apply this standard from financial periods beginning January 1, 2008.
- (e) IC Interpretation 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities (Effective for annual periods beginning on or after July 1, 2007). This Interpretation addresses how the effect of the changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or a change in the discount rate, shall be accounted for.

The impact of the adoption of FRS 117, FRS 124 and FRS 139 on the effective date, on the financial statements of the Group and of the Company is not disclosed by virtue of the exemption given by these FRSs. IC Interpretation 1 and amendments to FRS 121 are expected to have no significant impact on the financial statements of the Group and of the Company upon their initial application.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

Standards and IC Interpretations that are not yet effective and not relevant to the Group's operations are as follows:

- (a) FRS 6 Exploration for and Evaluation of Mineral Resources (Effective for annual periods beginning on or after January 1, 2007).
- (b) Amendment to FRS 119₂₀₀₄ Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures (Effective for annual periods beginning on or after January 1, 2007).
- (c) IC Interpretation 2 Members' Shares in Co-operative Entities and Similar Instruments (Effective for annual periods beginning on or after July 1, 2007).
- (d) IC Interpretation 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (Effective for annual periods beginning on or after July 1, 2007).
- (e) IC Interpretation 6 Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment (Effective for annual periods beginning on or after July 1, 2007).
- (f) IC Interpretation 7 Applying the Restatement Approach under FRS 129₂₀₀₄ Financial Reporting in Hyperinflationary Economies (Effective for annual periods beginning on or after July 1, 2007).
- (g) IC Interpretation 8 Scope of FRS 2 (Effective for annual periods beginning on or after July 1, 2007).

Business combination and basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiary companies). Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The result of subsidiary companies acquired or disposed of during the year are included in the consolidated income statements from the effective date of acquisition or up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiary companies to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances and resulting unrealised gains are eliminated on consolidation. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

Acquisition of subsidiary companies are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 3 Business Combinations are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with FRS 5 Non-current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss as negative goodwill recognised.

Revenue and revenue recognition

Revenue of the Group represents gross invoiced values of sales less return and discounts.

Revenue from the sale of goods shall be recognised when all the following conditions have been satisfied:

- (i) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (ii) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (iii) the amount of revenue can be measured reliably;
- (iv) it is probable that the economic benefits associated with the transaction will flow to the Group; and
- (v) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rental income is accrued on a time basis, by reference to the agreements entered.

Interest income is recognised on a time proportion basis that takes into account the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will be accrued to the Group.

Other operating income are recognised on an accrual basis.

Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statements because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by 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, unused tax losses and unused tax credits to the extent that it is probable that all future taxable profit will be available against which the deferred tax assets can be utilised. Deferred tax assets and liabilities are not recognised on temporary differences arising from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in the income statements, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

Foreign currency conversion

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Ringgit Malaysia, which is the functional currency of the Company, and the presentation currency of the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rate prevailing on the balance sheet date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, are included in profit or loss for the period. For non-monetary items that are measured in terms of historical cost in foreign currency, any exchange component of that gain or loss is recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Ringgit Malaysia using exchange rates prevailing on the balance sheet date. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Employee benefit costs

i. Short-term benefits

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

ii. Defined contribution plans

As required by law, companies in Malaysia and Singapore make contributions to the state pension scheme, the employees' provident fund and central provident fund respectively. Such contributions are recognised as expenses in the income statements as incurred.

Borrowing costs

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

Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less accumulated depreciation. Depreciation of property, plant and equipment except for construction in progress and assets under installation which are not depreciated, is computed on the straight-line method in order to write-off the cost of each asset to its residual value over its estimated useful life.

The annual depreciation rates are as follows:

Short leasehold land	1.75%
Buildings	6.67%
Plant and machinery	10%
Computers	12% & 33.33%
Tools and implements	10% & 20%
Electrical installation	10%
Air conditioners	12%
Office equipment	12% & 20%
Furniture and fittings	8% - 20%
Renovation	10%
Motor vehicles	10% - 20%

As of December 31, 2006, the unexpired lease period of the Group short leasehold land is 45 years.

The Group carried certain of its land and buildings at revalued amounts and placed reliance on the transitional provisions of International Accounting Standards 16 (Revised) as adopted by Malaysian Accounting Standards Board which provides exemption from the need to make regular revaluations for such assets. Effective from September 23, 1997, no further revaluations were carried out. The aggregate carrying amount of such assets as of December 31, 2006 amounted to RM5,289,544 and this amount will be depreciated over the remaining useful lives of the relevant assets.

An increase in the carrying amount arising from revaluation of property, plant and equipment is credited to the revaluation reserve account as revaluation surplus. Any deficit arising from revaluation is charged against the revaluation reserve account to the extent of a previous surplus held in the revaluation reserve account for the same asset. In all other cases, a decrease in the carrying amount is charged to income statements. An increase in revaluation directly related to a previous decrease in carrying amount for that same asset that was recognised as an expense, is credited to income statements to the extent that it offsets the previously recorded decrease.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

Gain or loss arising from the disposal of an asset is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset, and is recognised in the income statements. On disposal of revalued assets or crystallisation of deferred tax liabilities on revalued assets, the amounts in revaluation reserve account relating to such assets are transferred to retained earnings account.

The carrying amounts of property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. An impairment loss is recognised whenever the carrying amount of an item of property, plant and equipment exceeds its recoverable amount. The impairment loss is charged to the income statements unless it reverses a previous revaluation in which case it is treated as a revaluation decrease.

Goodwill

Goodwill arising on the acquisition of a subsidiary company represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary company recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Negative goodwill on consolidation is recognised in the income statements at the date of acquisition.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary company, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Investments in subsidiary companies

Subsidiary companies are those companies in which the Group has power to exercise control over their financial and operating policies so as to obtain benefits from their activities.

Investments in subsidiary companies, which are eliminated on consolidation, are stated in the Company's financial statements at cost.

When there is an indication of impairment in the value of the investment, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

Other investments

Other investments in golf club memberships are stated at cost. Allowance for diminution in value is made only when the directors consider that there is a permanent diminution in the value of the investments.

Inventories

Inventories are valued at the lower of cost and net realisable value. 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. Cost is determined on the weighted average method.

Cost of raw materials, tools and instruments consists of the purchase price plus the cost of bringing the inventories to their present location and condition. The cost of work-in-progress and finished goods consists of cost of raw materials, direct labour and an appropriate proportion of manufacturing overheads.

Receivables

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

Borrowings

All borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing borrowings are subsequently measured at amortised cost using the effective interest method.

Payables

Payables are stated at the fair value of the consideration to be paid in the future for goods and services received.

Leased assets

Assets under leases which in substance transfer the risks and benefits of ownership of the assets are capitalised under property, plant and equipment. The assets and the corresponding lease obligations are recorded at the fair value of the leased assets which approximates the present value of the minimum lease payments, at the beginning of the respective lease terms.

Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statements over the term of the relevant lease period so as to give a constant periodic rate of charge on the remaining balance of the obligations for each accounting period. All other leases which do not meet such criteria are classified as operating leases and the related rentals are charged to the income statements as incurred.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances, bank overdrafts and highly liquid investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Financial instruments

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

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

Contingent liabilities

A contingent liability is disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote except for cases where the amount involved is material, and the directors are of the opinion that disclosure is appropriate.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

There are no key assumptions concerning the future, and other sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

NOTES TO THE FINANCIAL STATEMENTS

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6. EMPLOYEE BENEFITS EXPENSE

	The Group	
	2006 RM	2005 RM
Employee benefits expense:		
Employees' provident fund and central provident fund contributions	653,010	527,048
Other staff costs	<u>10,207,024</u>	<u>7,877,721</u>
	<u>10,860,034</u>	<u>8,404,769</u>

Employee benefits expense include salaries, bonuses, employees' provident fund and central provident fund contributions and all other staff related expenses.

7. PROFIT/ (LOSS) BEFORE TAX

Profit/ (loss) before tax is arrived at:

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
After charging:				
Interest on:				
Hire-purchase	525,803	329,287	-	-
Long-term loans	493,480	433,615	-	-
Bank overdraft	154,103	118,566	-	-
Bank borrowings	104,993	73,587	-	-
Realised loss on foreign exchange	871,171	280,173	-	-
Directors' remuneration:				
Directors of subsidiary companies:				
Fee	-	-	-	-
Employees' provident fund contributions	45,625	17,280	-	-
Other emoluments	575,906	501,678	-	-
Rental of hostel	112,596	91,474	-	-
Audit fee:				
Current year:				
Statutory	69,250	44,990	15,000	800
Special	31,000	-	2,000	-
(Over)/ underprovision in prior year	(7,900)	2,700	200	-

(FORWARD)

NOTES TO THE FINANCIAL STATEMENTS

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	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Rental of premises	80,135	82,272	-	-
Unrealised loss on foreign exchange	51,846	-	-	-
Bad debts written off	2	704	-	-
Allowance for slow moving inventories	-	171,635	-	-
Rental of office equipment	-	2,468	-	-
And crediting:				
Allowance for slow moving inventories no longer required	283,736	249	-	-
Rental income	142,190	256,248	-	-
Gain on disposal of property, plant and equipment	56,468	22,074	-	-
Realised gain on foreign exchange	25,661	388,935	-	-
Interest income	1,673	1,629	-	-

8. INCOME TAX EXPENSE

	The Group	
	2006 RM	2005 RM
Current year:		
Current tax expense:		
Malaysian	811,089	506,925
Foreign	70,448	-
	881,537	506,925
Deferred tax (Note 21):		
Relating to the origination and reversal of temporary differences in current year	(19,324)	(12,084)
Change in tax rate	(36,000)	-
	(55,324)	(12,084)
	826,213	494,841
Under/ (Over)provision in prior years:		
Current tax	23,732	(335)
Deferred tax	22,000	(162,000)
	871,945	332,506

The Group is operating in the jurisdictions of Malaysia and Singapore. The applicable domestic statutory income tax rates are 20% and 28% for Malaysia and 20% for Singapore.

NOTES TO THE FINANCIAL STATEMENTS

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The current corporate income tax rate for the year ended December 31, 2006 for Malaysia is 28%. Small and medium scale companies with paid-up capital of RM2.5 million and below are subject to income tax at the rate of 20% on chargeable income of up to RM500,000. For chargeable income in excess of RM500,000, the corporate income tax rate is at 28%. In September 2006, the Malaysian government announced in the yearly budget a reduction in the corporate income tax rate to 27% for the year of assessment 2007 and 26% for the year of assessment 2008.

The numerical reconciliations between the income tax expense and the product of accounting profit/ (loss) multiplied by the applicable tax rates are as follows:

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Accounting profit/(loss)	8,733,701	4,989,682	(19,021)	(7,972)
Statutory income tax rate	28%	28%	28%	20%
Tax amount at the statutory income tax rate	2,445,436	1,397,000	(5,300)	(1,600)
Tax effect on:				
Non-deductible expenses	152,716	231,626	5,300	1,600
Non-taxable income	(24,174)	(82,154)	-	-
Tax saving from claim on reinvestment allowance	(1,652,000)	(1,025,000)	-	-
Tax saving from double deduction on handicapped employees	(18,000)	(15,000)	-	-
Effect of different tax rate in a subsidiary company	(27,765)	(11,631)	-	-
Change in tax rate	(50,000)	-	-	-
	826,213	494,841	-	-
Under/ (Over)provision in prior years:				
Current tax	23,732	(335)	-	-
Deferred tax	22,000	(162,000)	-	-
Income tax expense	871,945	332,506	-	-

The applicable tax rate of 28% used in the above numerical reconciliations of tax of the Group is determined based on the statutory income tax rate prevailing for the Company for the year ended December 31, 2006 and the statutory income tax rate prevailing for Dufu Industries Sdn. Bhd. for the year ended December 31, 2005.

As of December 31, 2006, the approximate amount of unabsorbed capital allowances and unutilised reinvestment allowances which are subject to agreement by the tax authorities are as follows:

	The Group	
	2006 RM	2005 RM
Unabsorbed capital allowances	794,000	590,000
Unutilised reinvestment allowances	-	2,532,000

NOTES TO THE FINANCIAL STATEMENTS

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9. EARNINGS PER SHARE

Earnings per share is calculated by dividing profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	The Group	
	2006	2005
Profit attributable to ordinary equity holders of the Company (RM)	7,861,756	4,657,176
Weighted average number of ordinary shares in issue (units)	60,746,666	58,220,000
Basic earnings per share (sen)	12.94	8.00

The earnings per share for the comparative period before the acquisition date is calculated by dividing the profit of Dufu Industries Sdn. Bhd. by the number of ordinary shares issued by the Company to the owners of the legal subsidiary, Dufu Industries Sdn. Bhd. in the reverse acquisition.

10. PROPERTY, PLANT AND EQUIPMENT

The Group

Cost or valuation	Beginning of year RM	Additions RM	Disposals RM	Reclassification RM	End of year RM
2005:					
At 1997 valuation:					
Short leasehold land	4,800,000	-	-	-	4,800,000
Building	3,200,000	-	-	-	3,200,000
At cost:					
Buildings	3,638,345	551,533	-	-	4,189,878
Plant and machinery	27,840,636	5,327,170	(2,450,471)	174,500	30,891,835
Computers	669,017	68,974	-	-	737,991
Tools and implements	2,267,772	367,859	-	(174,500)	2,461,131
Electrical installation	1,362,427	255,591	-	-	1,618,018
Air conditioners	347,492	37,154	-	-	384,646
Office equipment	149,560	39,221	-	-	188,781
Furniture and fittings	180,766	71,555	-	-	252,321
Renovation	364,502	38,230	-	-	402,732
Motor vehicles	387,447	668,761	-	-	1,056,208
Assets under installation	-	450,000	-	-	450,000
	45,207,964	7,876,048	(2,450,471)	-	50,633,541

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

Cost or valuation	Beginning of year RM	Arising from acquisition of subsidiary company RM	Additions RM	Disposals RM	Reclassification RM	End of year RM
2006:						
At 1997 valuation:						
Short leasehold land	4,800,000	-	-	-	-	4,800,000
Building	3,200,000	-	-	-	-	3,200,000
At cost:						
Buildings	4,189,878	-	-	-	-	4,189,878
Plant and machinery	30,891,835	6,004,866	8,989,262	(719,450)	450,000	45,616,513
Computers	737,991	-	34,772	-	-	772,763
Tools and implements	2,461,131	-	257,081	-	-	2,718,212
Electrical installation	1,618,018	-	-	-	-	1,618,018
Air conditioners	384,646	-	61,535	-	-	446,181
Office equipment	188,781	-	47,702	-	-	236,483
Furniture and fittings	252,321	392,793	34,714	-	-	679,828
Renovation	402,732	36,600	21,570	-	-	460,902
Motor vehicles	1,056,208	271,870	901,417	-	-	2,229,495
Construction in progress	-	-	6,376,698	-	-	6,376,698
Assets under installation	450,000	-	-	-	(450,000)	-
	<u>50,633,541</u>	<u>6,706,129</u>	<u>16,724,751</u>	<u>(719,450)</u>	<u>-</u>	<u>73,344,971</u>

The Group

Accumulated depreciation	Beginning of year RM	Charge for the year RM	Disposals RM	Reclassification RM	End of year RM
2005:					
At 1997 valuation:					
Short leasehold land	610,526	84,210	-	-	694,736
Building	1,504,844	213,334	-	-	1,718,178
At cost:					
Buildings	214,194	265,344	-	-	479,538
Plant and machinery	12,559,990	2,703,396	(1,573,898)	1,788	13,691,276
Computers	362,591	93,159	-	-	455,750
Tools and implements	819,205	220,447	-	(1,788)	1,037,864
Electrical installation	445,436	136,232	-	-	581,668
Air conditioners	213,544	34,789	-	-	248,333
Office equipment	90,618	17,118	-	-	107,736
Furniture and fittings	94,282	16,811	-	-	111,093
Renovation	182,640	36,028	-	-	218,668
Motor vehicles	227,734	129,767	-	-	357,501
	<u>17,325,604</u>	<u>3,950,635</u>	<u>(1,573,898)</u>	<u>-</u>	<u>19,702,341</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

Accumulated depreciation	Beginning of year RM	Charge for the year RM	Disposals RM	Reclassification RM	End of year RM
2006:					
At 1997 valuation:					
Short leasehold land	694,736	84,210	-	-	778,946
Building	1,718,178	213,332	-	-	1,931,510
At cost:					
Buildings	479,538	279,326	-	-	758,864
Plant and machinery	13,691,276	3,640,911	(487,396)	-	16,844,791
Computers	455,750	94,210	-	-	549,960
Tools and implements	1,037,864	253,887	-	-	1,291,751
Electrical installation	581,668	140,153	-	-	721,821
Air conditioners	248,333	32,073	-	-	280,406
Office equipment	107,736	21,288	-	-	129,024
Furniture and fittings	111,093	37,900	-	-	148,993
Renovation	218,668	41,585	-	-	260,253
Motor vehicles	357,501	261,537	-	-	619,038
	<u>19,702,341</u>	<u>5,100,412</u>	<u>(487,396)</u>	<u>-</u>	<u>24,315,357</u>

	The Group	
	2006 RM	2005 RM
Net book value		
At 1997 valuation:		
Short leasehold land	4,021,054	4,105,264
Building	1,268,490	1,481,822
At cost:		
Buildings	3,431,014	3,710,340
Plant and machinery	28,771,722	17,200,559
Computers	222,803	282,241
Tools and implements	1,426,461	1,423,267
Electrical installation	896,197	1,036,350
Air conditioners	165,775	136,313
Office equipment	107,459	81,045
Furniture and fittings	530,835	141,228
Renovation	200,649	184,064
Motor vehicles	1,610,457	698,707
Construction in progress	6,376,698	-
Assets under installation	-	450,000
	<u>49,029,614</u>	<u>30,931,200</u>

The revaluation of the Group's short leasehold land and building in 1997 was based on the report of an independent firm of professional valuers using open market values on existing use basis. The surplus arising from the revaluations was credited to revaluation reserve.

NOTES TO THE FINANCIAL STATEMENTS

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Had the short leasehold land and building been carried at the historical costs, the carrying amounts of the revalued short leasehold land and building will be as follows:

	The Group	
	2006	2005
	RM	RM
At cost		
Short leasehold land	1,342,448	1,342,448
Building	<u>2,367,295</u>	<u>2,367,295</u>
	<u>3,709,743</u>	<u>3,709,743</u>
Accumulated depreciation:		
Short leasehold land	354,664	330,691
Building	<u>1,828,287</u>	<u>1,659,195</u>
	<u>2,182,951</u>	<u>1,989,886</u>
Carrying amounts	<u><u>1,526,792</u></u>	<u><u>1,719,857</u></u>

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM16,724,751 (2005: RM7,876,048) of which RM8,358,668 (2005: RM5,355,677) was acquired by means of hire-purchase while the balance of RM8,366,083 (2005: RM2,520,371) was paid by cash.

Certain plant and machinery of the Group which was acquired in prior year with an aggregate cost of RM314,000 was used to obtain hire-purchase finance of RM300,640 during the year.

As of December 31, 2006, the net carrying amount of property, plant and equipment of the Group acquired under hire-purchase arrangements of which instalments are still outstanding are as follows:

	The Group	
	2006	2005
	RM	RM
Plant and machinery	19,083,419	9,049,741
Motor vehicles	1,543,943	592,026
Tools and implements	<u>-</u>	<u>129,421</u>
	<u><u>20,627,362</u></u>	<u><u>9,771,188</u></u>

As of December 31, 2006, certain property, plant and equipment of the Group with a total carrying value of RM42,365,168 (2005: RM30,322,942) are charged to a local licenced bank as securities for banking facilities granted to the Group as mentioned in Note 23.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

11. GOODWILL

	The Group	
	2006 RM	2005 RM
At beginning of year	-	-
Goodwill arising from reverse acquisition of the Company by Dufu Industries Sdn. Bhd.	<u>25,252</u>	<u>-</u>
At end of year	<u><u>25,252</u></u>	<u><u>-</u></u>

12. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2006 RM	2005 RM
Unquoted shares, at cost	<u>32,899,998</u>	<u>-</u>

The subsidiary companies are as follows:

	Country of incorporation	Principal activity	Percentage of ownership	
			2006	2005
Direct holdings				
Dufu Industries Sdn. Bhd.	Malaysia	Design, develop, manufacture, assemble and trade of die components and precision machining of vice, computer peripherals and parts, for hard disk drive.	100%	-
I.P.G. Metal Industry (M) Sdn. Bhd.	Malaysia	Manufacture of precision steel moulds and parts and components for electronic equipment	100%	-
Indirect holdings				
Dufu Industries Services Pte. Ltd.*#	Singapore	Processing and trading of high quality computer disk-drive related components.	100%	-

* This company is wholly owned by Dufu Industries Sdn. Bhd.

The financial statements of this subsidiary company were audited by auditors other than the auditors of the Company.

NOTES TO THE FINANCIAL STATEMENTS

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On March 13, 2006, the Company entered into conditional share sale agreement with the shareholders of Dufu Industries Sdn. Bhd. and I.P.G. Metal Industry (M) Sdn. Bhd..

The Company acquired 100% of the issued and fully paid-up capital of Dufu Industries Sdn. Bhd. and I.P.G. Metal Industry (M) Sdn. Bhd. for a purchase consideration of RM29,110,000 and RM3,789,998 respectively satisfied by the issuance of 58,220,000 and 7,579,996 new ordinary shares of RM0.50 each in the Company at par respectively. The purchase considerations for the acquisitions were determined based on Dufu Industries Sdn. Bhd. and I.P.G. Metal Industry (M) Sdn. Bhd.'s net tangible assets as of December 31, 2005. The acquisitions were completed on August 30, 2006.

Upon the completion of the acquisition of Dufu Industries Sdn. Bhd., the Company became the legal parent company of Dufu Industries Sdn. Bhd.. Due to the relative values of the Companies, the former Dufu Industries Sdn. Bhd.'s shareholders became the majority shareholders through the issue of 58,220,000 new ordinary shares of RM0.50 each in the Company, controlling about 100% of the share capital of the Company at this time. Further, the Company's continuing operations and executive management are those of Dufu Industries Sdn. Bhd.. Accordingly, the substance of the business combination is that Dufu Industries Sdn. Bhd. acquired the Company in a reverse acquisition.

The cost of this business combination was determined in accordance with FRS 3 Business Combination on the basis of the fair value of the Company as of August 30, 2006 and the number of new shares Dufu Industries Sdn. Bhd. would have had to issue to the shareholders of the Company to provide the same percentage ownership interest of the combined entity.

The fair value of the Company amounted to (RM25,252) as of August 30, 2006. As the shareholders of Dufu Industries Sdn. Bhd. got an interest in the combined entity of about 100%, Dufu Industries Sdn. Bhd. would not have to issue any share to the shareholders of the Company. Thus, the cost of business combination is NIL.

The assets and liabilities arising from the reverse acquisition are as follows:

	Unaudited August 30, 2006 RM
Net assets acquired:	
Other assets	459,080
Cash and bank balances	4,704
Trade and other payables	<u>(489,036)</u>
Share of net assets acquired	(25,252)
Add: Goodwill on consolidation	<u>25,252</u>
Total purchase consideration	<u><u>-</u></u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

The assets and liabilities arising from the acquisition of I.P.G. Metal Industry (M) Sdn. Bhd. are as follows:

	Unaudited August 30, 2006 RM
Net assets acquired:	
Property, plant and equipment	6,706,129
Inventories	1,916,863
Trade and other receivables	2,403,074
Other assets	177,536
Fixed deposit with a licenced bank	500,000
Cash and bank balances	182,649
Trade and other payables	(2,366,769)
Hire-purchase payables	(4,119,458)
Bank borrowings	(1,137,938)
Current tax liabilities	(385)
Deferred tax liabilities	(126,000)
	<hr/>
Shares of net assets acquired	4,135,701
Less: Negative goodwill on consolidation	(345,703)
	<hr/>
Total purchase consideration	<u>3,789,998</u>
Net cash outflow arising on acquisitions:	
Total cash considerations	-
Add: Cash and cash equivalents acquired	107,585
	<hr/>
Acquisition of subsidiary companies, net of cash and cash equivalents acquired	<u>107,585</u>

The effect of these acquisitions on the financial results of the Group for the financial year ended December 31, 2006 was as follows:

	The Group 2006 RM
Post-acquisition results of subsidiary companies acquired:	
Revenue	3,841,086
Other gains and losses	325,450
Changes in inventories of finished goods and work-in-progress	(517,970)
Raw materials consumed	(871,577)
Purchased of trading and semi-finished goods	(89,553)
Employee benefits expense	(982,860)
Depreciation of property, plant and equipment	(330,387)
Other expenses	(1,014,664)
Finance costs	(85,210)
	<hr/>
Profit before tax	274,315
Income tax expense	(34,500)
	<hr/>
Increase in Group's profit attributable to shareholders	<u>239,815</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

13. INVENTORIES

	The Group	
	2006	2005
	RM	RM
Raw materials	4,672,738	2,196,472
Work-in-progress	1,015,525	945,332
Finished goods	10,569,261	5,946,183
Tools and instruments	994,058	1,207,794
	<u>17,251,582</u>	<u>10,295,781</u>

The cost of inventories recognised as an expense during the year was RM75,331,222 (2005: RM51,886,871).

The Group reversed RM283,736 (2005: RM249) in respect of an inventory write-down made in prior years that was subsequently not required as the Group has scrapped of these inventories. The cost of inventories recognised as an expense in 2005 included RM171,635 in respect of write-down of inventories to net realisable value.

As of December 31, 2006, certain inventories of the Group with a total carrying value of RM8,244,789 (2005: RM6,053,030) are pledged to a local licenced bank as securities for banking facilities granted to the Group as mentioned in Note 23.

14. TRADE AND OTHER RECEIVABLES

	The Group	
	2006	2005
	RM	RM
Trade receivables	22,541,216	16,414,222
Other receivables	465,287	291,340
	<u>23,006,503</u>	<u>16,705,562</u>

Analysis of trade and other receivables by currencies:

	The Group	
	2006	2005
	RM	RM
United States Dollar	17,103,848	14,765,633
Ringgit Malaysia	5,146,211	1,912,544
Singapore Dollar	756,444	27,385
	<u>23,006,503</u>	<u>16,705,562</u>

Trade receivables comprise amounts receivable for the sale of goods. The credit periods granted on sales of goods range from 30 to 90 days (2005: 30 to 90 days).

NOTES TO THE FINANCIAL STATEMENTS

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15. OTHER ASSETS

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Prepaid expenses	1,481,747	340,325	699,754	41,550
Deposits	106,509	750,464	-	-
	<u>1,588,256</u>	<u>1,090,789</u>	<u>699,754</u>	<u>41,550</u>

16. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statements comprise the following balance sheets items:

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Fixed deposits with a licenced bank	500,000	-	-	-
Cash and bank balances	3,077,575	708,728	4,679	4,804
Bank overdraft (Note 23)	(3,219,173)	(3,026,789)	-	-
	358,402	(2,318,061)	4,679	4,804
Less: Fixed deposits held as security value	(500,000)	-	-	-
	<u>(141,598)</u>	<u>(2,318,061)</u>	<u>4,679</u>	<u>4,804</u>

The fixed deposits held as security value are pledged to a local bank for banking facilities granted to the Group as mentioned in Note 23.

The fixed deposits with a licenced bank bear interest at a rate of 3.7% per annum and are maturing in August 2007.

Analysis of cash and cash equivalents by currencies:

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
United States Dollar	2,719,328	430,387	-	-
Singapore Dollar	275,628	275,381	-	-
Ringgit Malaysia	(3,136,554)	(3,023,829)	4,679	4,804
	<u>(141,598)</u>	<u>(2,318,061)</u>	<u>4,679</u>	<u>4,804</u>

NOTES TO THE FINANCIAL STATEMENTS

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17. SHARE CAPITAL

	The Group and the Company			
	2006		2005	
	No. of shares of RM1 each before sub- division and RM0.50 each after sub- division	RM	No. of shares of RM1 each	RM
Authorised				
Shares:				
At beginning of year	*100,000	100,000	100,000	100,000
Sub-division	**100,000	-	-	-
Created during the year	**199,800,000	99,900,000	-	-
At end of year	<u>**200,000,000</u>	<u>100,000,000</u>	<u>100,000</u>	<u>100,000</u>

	The Group			
	2006		2005	
	No. of ordinary shares	RM	No. of ordinary shares	RM
Issued and fully paid				
At beginning of year				
Ordinary shares of RM1 each	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>
Adjustment arising from the reverse acquisition [#] :				
Issued equity instruments of the Company prior to the acquisition	4	2	-	-
New ordinary shares of RM0.50 each issued by the Company pursuant to the acquisition of Dufu Industries Sdn. Bhd.	58,220,000	29,110,000	-	-
Reversal of Dufu Industries Sdn. Bhd.'s shares pursuant to reverse acquisition	<u>(5,000,000)</u>	<u>(5,000,000)</u>	<u>-</u>	<u>-</u>
Adjustment taken to other reserves (Note 18)	<u>53,220,004</u>	<u>24,110,002</u>	<u>-</u>	<u>-</u>
New ordinary shares of RM0.50 each issued pursuant to the acquisition of I.P.G. Industry Metal (M) Sdn. Bhd.	<u>7,579,996</u>	<u>3,789,998</u>	<u>-</u>	<u>-</u>
At end of year	<u><u>#65,800,000</u></u>	<u><u>32,900,000</u></u>	<u><u>5,000,000</u></u>	<u><u>5,000,000</u></u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

	The Company			
	2006			2005
	No. of ordinary shares of RM1 each before sub-division and RM0.50 each after sub- division	RM	No. of ordinary shares of RM1 each	RM
Issued and fully paid				
At beginning of year	*2	2	2	2
Sub-division	**2	-	-	-
	**4	2	2	2
Issued during the year				
Allotment in exchange of shares in subsidiary companies	**65,799,996	32,899,998	-	-
At end of year	**65,800,000	32,900,000	2	2

* shares of RM1 each
** shares of RM0.50 each

Upon the completion of the acquisition of Dufu Industries Sdn. Bhd., the Company became the legal parent company of Dufu Industries Sdn. Bhd.. Due to the relative values of the Companies, the former Dufu Industries Sdn. Bhd.'s shareholders became the majority shareholders through the issue of 58,220,000 new ordinary shares of RM0.50 each, controlling about 100% of the share capital of the Company at this time. Further, the Company's continuing operations and executive management are those of Dufu Industries Sdn. Bhd.. Accordingly, the substance of the business combination is that Dufu Industries Sdn. Bhd. acquired the Company in a reverse acquisition.

In accordance with FRS 3, the amount recognised as issued equity instruments in the consolidated financial statements are determined by adding to the issued equity of Dufu Industries Sdn. Bhd. immediately before the business combination the cost of the combination. However, the equity structure appearing in the consolidated financial statements (ie. the number and type of equity instruments issued) shall reflect the equity structure of the Company, including the equity instruments issued by the Company to effect the combination.

As approved in an Extraordinary General Meeting held on January 24, 2006, the issued and paid-up ordinary share capital of the Company be sub-divided from two (2) ordinary shares of RM1 each into four (4) ordinary shares of RM0.50 each on the basis of two (2) new ordinary shares of RM0.50 each for every one (1) existing ordinary share of RM1 each held.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

The issued and paid-up ordinary share capital of the Company was increased from RM2 divided into 4 ordinary shares of RM0.50 each to RM32,900,000 divided into 65,800,000 ordinary shares of RM0.50 each by way of:

- a) issue of 58,220,000 new ordinary shares of RM0.50 each at par pursuant to the acquisition of Dufu Industries Sdn. Bhd.; and
- b) issue of 7,579,996 new ordinary shares of RM0.50 each at par pursuant to the acquisition of I.P.G. Metal Industry (M) Sdn. Bhd..

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

18. OTHER RESERVES

	The Group	
	2006 RM	2005 RM
Reverse acquisition reserve (Note 17)	(24,110,002)	-
Revaluation reserve	2,454,029	2,552,579
Foreign currency translation reserve	(6,535)	(8,841)
	(21,662,508)	2,543,738

The revaluation reserve is used to record increase and decrease in revaluation of non-current assets, as described in the accounting policies. This amount arose from the revaluation of the Group's leasehold land and building as disclosed in Note 10 net of the related deferred tax liabilities.

The foreign currency translation reserve is used to record exchange differences arising on translation of a foreign subsidiary company.

19. LONG-TERM LOANS

	The Group	
	2006 RM	2005 RM
Secured:		
Amount outstanding	11,523,532	6,850,412
Less: Portion due within one year	(1,056,966)	(1,382,912)
Portion due after one year	10,466,566	5,467,500

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

The portion due after one year is repayable as follows:

	The Group	
	2006	2005
	RM	RM
Later than 1 year and not later than 2 years	1,042,553	1,062,540
Later than 2 years and not later than 5 years	2,914,957	2,192,356
Later than 5 years	<u>6,509,056</u>	<u>2,212,604</u>
	<u>10,466,566</u>	<u>5,467,500</u>

The long-term loans obtained from a local licenced bank bear interest at rates ranging from 0% to 1% per annum above the lending bank's base lending rate and are secured by charges as mentioned in Note 23.

The effective interest rates for the long-term loans range from 5.75% to 7.75% (2005: 3.88% to 7.25%).

20. HIRE-PURCHASE PAYABLES

	The Group	
	2006	2005
	RM	RM
Total amount outstanding	16,843,301	7,493,631
Less: Interest-in-suspense outstanding	<u>(1,890,976)</u>	<u>(792,979)</u>
Principal outstanding	14,952,325	6,700,652
Less: Portion due within one year	<u>(5,875,730)</u>	<u>(2,940,632)</u>
Portion due after one year	<u>9,076,595</u>	<u>3,760,020</u>

Portion due after one year is repayable as follows:

	The Group	
	2006	2005
	RM	RM
Later than 1 year and not later than 2 years	4,964,023	2,185,120
Later than 2 years and not later than 5 years	4,058,708	1,535,399
Later than 5 years	<u>53,864</u>	<u>39,501</u>
	<u>9,076,595</u>	<u>3,760,020</u>

It is the Group's policy to acquire certain of their property, plant and equipment under hire-purchase arrangement. The terms of hire-purchase range from 3 to 8.5 years. The effective borrowing rates range from 4.55% to 9.77% (2005: 2.6% to 8.5%) per annum. Interest rate is fixed at the inception of the hire-purchase arrangements.

The Group's hire-purchase payables are secured by the financial institutions' charges over the assets under hire-purchase.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

21. DEFERRED TAX LIABILITIES

	The Group	
	2006 RM	2005 RM
At beginning of year	2,008,039	2,182,123
Arising from acquisition of subsidiary company	126,000	-
Transfer to income statements (Note 8)	<u>(33,324)</u>	<u>(174,084)</u>
At end of year	<u>2,100,715</u>	<u>2,008,039</u>

A deferred tax income of RM 38,324 (2005: 38,324) was recognised by the Group by a transfer from the deferred tax liabilities of the Group to the income statements. This relates to the difference between the actual depreciation on the revalued properties and equivalent depreciation based on the cost of the properties of the Group. In addition, an amount of RM98,550 (2005: RM98,550) was transferred from revaluation reserve of the Group to retained earnings.

The deferred tax liabilities are in respect of the following:

	Deferred tax assets/ (liabilities) The Group	
	2006 RM	2005 RM
Tax effect of revaluation surplus	(954,357)	(992,681)
Tax effect of temporary differences in respect of property, plant and equipment	(1,553,358)	(1,279,358)
Tax effect in respect of:		
Unabsorbed capital allowances	215,000	165,000
Other temporary differences	<u>192,000</u>	<u>99,000</u>
	<u>(2,100,715)</u>	<u>(2,008,039)</u>

22. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Trade payables	13,206,122	7,916,392	-	-
Amount owing to a subsidiary company	-	-	730,190	-
Other payables	4,324,402	2,595,945	-	68,290
Accrued expenses	1,733,212	1,425,950	16,000	800
Deposits received	25,200	25,200	-	-
Interest payable	<u>21,516</u>	<u>11,975</u>	<u>-</u>	<u>-</u>
	<u>19,310,452</u>	<u>11,975,462</u>	<u>746,190</u>	<u>69,090</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

Analysis of trade and other payables by currencies:

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Ringgit Malaysia	6,550,321	4,813,926	746,190	69,090
United States Dollar	6,293,241	1,866,877	-	-
Singapore dollar	5,915,280	5,207,494	-	-
Japanese Yen	551,610	69,055	-	-
Swiss Franc	-	18,110	-	-
	<u>19,310,452</u>	<u>11,975,462</u>	<u>746,190</u>	<u>69,090</u>

Trade payables comprise amounts outstanding for trade purchases. The credit periods granted to the Group for trade purchases range from 30 to 120 days (2005: 30 to 120 days).

Amount owing to a subsidiary company arose mainly from advances which are unsecured, interest free and have no fixed terms of repayment.

Other payables and accrued expenses comprise amount outstanding for ongoing costs.

23. BANK BORROWINGS

	The Group	
	2006 RM	2005 RM
Secured:		
Bank overdraft	3,219,173	3,026,789
Bankers' acceptances	<u>2,517,000</u>	<u>-</u>
	<u>5,736,173</u>	<u>3,026,789</u>

The Group's banking facilities bear interest at rates ranging from 1.25% to 1.75% per annum above the lending banks' base lending rates and acceptance commission of 1.25%.

These banking facilities including the long-term loans as mentioned in Note 19 are secured as follows:

- i) legal charge over the Group's short leasehold land and building;
- ii) debenture comprising fixed and floating charge over all the present and future assets of the Group;
- iii) guarantees from certain directors of the Company and a third party; and
- iv) pledge against fixed deposits of the Group.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

The effective interest rates per annum for the bank borrowings are as follows:

	The Group	
	2006	2005
	%	%
Bank overdraft	7.75 to 8.25	6.25
Bankers' acceptances	<u>3.95 to 6.00</u>	<u>3.20</u>

The bankers' acceptances are maturing within January to March 2007.

24. LEASE COMMITMENTS

As of December 31, 2006, non-cancellable long-term lease commitments in respect of rental of premises and hostel are as follows:

	The Group	
	2006	2005
	RM	RM
Not later than 1 year	116,569	43,820
Later than 1 year and not later than 5 years	<u>4,134</u>	<u>6,024</u>
	<u>120,703</u>	<u>49,844</u>

25. CAPITAL COMMITMENTS

	The Group	
	2006	2005
	RM	RM
Approved and contracted for:		
Construction of new factory building	<u>2,853,000</u>	<u>-</u>

26. SEGMENT REPORTING

Business Segments

For management purposes, the Group is organised into the following business segments:

- investment holdings
- manufacturing of industrial products (includes die components and precision machining of vice, computer peripherals and parts, for hard disk drive and precision steel moulds and parts and components for electronic equipment)
- trading of high quality computer disk-drive related components

Inter-segment revenue are charged on an arms length basis under terms, conditions and prices not materially different from transactions with unrelated parties.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

	Investment Holdings RM	Manufacturing RM	Trading RM	Elimination RM	Total RM
2006					
Revenue					
External sales	-	20,658,036	69,942,652	-	90,600,688
Inter-segment revenue	-	54,000,267	3,323,980	(57,324,247)	-
Total revenue	-	74,658,303	73,266,632	(57,324,247)	90,600,688
Results					
Segment results	(16,505)	10,002,904	293,250	(757,135)	9,522,514
Investment revenue					143,863
Finance costs					(1,278,379)
Negative goodwill					345,703
Profit before tax					8,733,701
Income tax expense					(871,945)
Profit for the year					7,861,756
Assets					
Segment assets	729,685	69,703,540	23,606,557	-	94,039,782
Income producing assets	-	500,000	-	-	500,000
Total assets	729,685	70,203,540	23,606,557	-	94,539,782
Liabilities					
Segment liabilities	16,000	11,599,601	7,694,851	-	19,310,452
Borrowings	-	32,028,615	183,415	-	32,212,030
Income tax liabilities	-	2,160,179	81,806	-	2,241,985
Total liabilities	16,000	45,788,395	7,960,072	-	53,764,467
Other information					
Capital additions	-	16,661,822	62,929	-	16,724,751
Depreciation of property, plant and equipment	-	5,032,972	67,440	-	5,100,412
Non-cash expenses other than depreciation	-	2	51,846	-	51,848

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

	Manufacturing RM	Trading RM	Elimination RM	Total RM
2005				
Revenue				
External sales	15,433,581	46,867,881	-	62,301,462
Inter-segment revenue	35,179,902	9,076,398	(44,256,300)	-
Total revenue	<u>50,613,483</u>	<u>55,944,279</u>	<u>(44,256,300)</u>	<u>62,301,462</u>
Results				
Segment results	<u>5,904,987</u>	<u>148,235</u>	<u>(366,362)</u>	5,686,860
Investment revenue				257,877
Finance costs				<u>(955,055)</u>
Profit before tax				4,989,682
Income tax expense				<u>(332,506)</u>
Profit for the year				<u>4,657,176</u>
Assets				
Segment assets	<u>42,718,293</u>	<u>17,074,767</u>	<u>-</u>	<u>59,793,060</u>
Liabilities				
Segment liabilities	6,623,822	5,351,640	-	11,975,462
Borrowings	16,477,683	100,170	-	16,577,853
Income tax liabilities	2,067,974	50,516	-	2,118,490
Total liabilities	<u>25,169,479</u>	<u>5,502,326</u>	<u>-</u>	<u>30,671,805</u>
Other information				
Capital additions	7,857,794	18,254	-	7,876,048
Depreciation of property, plant and equipment	3,892,702	57,933	-	3,950,635
Non-cash expenses other than depreciation	<u>171,908</u>	<u>431</u>	<u>-</u>	<u>172,339</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

Geographical segments

The Group's operations are located in Malaysia, and Singapore. The Group's manufacturing of industrial products is located in Malaysia, whereas the trading of high quality computer disk drive related components is located in Singapore.

The following is an analysis of the Group's revenue by geographical market, irrespective of the origin of the goods/ services:

	Sales revenue by geographical market	
	2006 RM	2005 RM
People's Republic of China	25,084,743	10,641,337
Thailand	23,291,815	16,908,625
Singapore	21,295,228	20,852,386
Malaysia	15,485,006	10,640,181
Others	5,443,896	3,258,933
	<u>90,600,688</u>	<u>62,301,462</u>

The following is an analysis of the carrying amount of segment assets and capital additions by the geographical area in which the assets are located:

	2006		2005	
	Carrying amount of segment assets RM	Capital additions RM	Carrying amount of segment assets RM	Capital additions RM
Malaysia	70,433,225	16,661,822	42,718,293	7,857,794
Singapore	<u>23,606,557</u>	<u>62,929</u>	<u>17,074,767</u>	<u>18,254</u>
	<u>94,039,782</u>	<u>16,724,751</u>	<u>59,793,060</u>	<u>7,876,048</u>

27. FINANCIAL INSTRUMENTS

a. 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, market risk, credit risk, liquidity risk and cash flow risk. The Group has formulated a financial risk management framework whose principal objective is to minimise the Group's exposure to risks and/ or costs associated with the financing, investing and operating activities of the Group.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

Various risk management policies are made and approved by the Board for observation in the day-to-day operations for the controlling and management of the risks associated with financial instruments.

i. Foreign currency risk

The Group has exposure to foreign exchange risk as a result of transactions and receivables and payables in foreign currencies arising from normal operating activities. The Group does not speculate in foreign currencies.

ii. Interest rate risk

The Group's exposure to changes in interest rate risk relates primarily to financing through bank borrowings, term loans and hire-purchases.

iii. Market risk

The Group has in place policies to manage the Group's exposure to fluctuation in the prices of the key raw materials used in the operations.

iv. Credit risk

The Group is exposed to credit risk mainly from trade receivables. The Group extend credit to its customers based upon careful evaluation of the customers' financial conditions and credit histories. The Group also ensures a number of customers so as to limit high credit concentration in a customer or customers from a particular market.

v. Liquidity risk

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

vi. 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.

b. Credit Risk

The maximum credit risk associated with recognised financial assets is the carrying amount shown in the balance sheets.

The Group has no significant concentration of credit risks, with exposure spread over a number of counterparties and customers.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

c. Fair Values

The carrying amounts and the estimated fair values of the Group's financial instruments as of December 31, 2006 are as follows:

	The Group			
	2006		2005	
	Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
Financial Assets:				
Investment in club memberships	61,000	61,000	61,000	61,000
Financial Liabilities:				
Long-term loans	11,523,532	11,523,532	6,850,412	6,850,412
Hire-purchase payables	<u>14,952,325</u>	<u>14,952,325</u>	<u>6,700,652</u>	<u>6,700,652</u>

The fair values of investment in club memberships are estimated using current membership entrances fee.

The fair values of long-term loans and hire-purchase payables are estimated using discounted cash flow analysis based on current borrowing rates for similar types of borrowing arrangements.

The fair values of other financial assets and other financial liabilities approximate their carrying amounts because of the short maturity of these instruments.

28. SUBSEQUENT EVENTS

Subsequent to December 31, 2006, the issued and paid-up ordinary share capital of the Company was increased from RM32,900,000 to RM45,000,000 by way of public issue of 24,200,000 new ordinary shares of RM0.50 each at an issue price of RM0.70 per ordinary share and the entire issued and paid-up share capital of 90,000,000 ordinary shares of RM0.50 each were listed on the Official List of the Second Board of Bursa Malaysia Securities Berhad on February 28, 2007.

29. COMPARATIVE FIGURES

Under the reverse acquisition, the comparative figures in the consolidated financial statements are presented to reflect those of Dufu Industries Sdn. Bhd. and its wholly-owned subsidiary company, Dufu Industries Services Pte. Ltd..

STATEMENT BY DERECTORS & DECLARATION BY THE DIRECTOR PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE COMPANY

The directors of **DUFU TECHNOLOGY CORP. BERHAD** state that, in their opinion, the accompanying balance sheets and the related statements of income, changes in equity and cash flows, are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable MASB 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 December 31, 2006 and of their results and cash flows for the year ended December 31, 2006.

Signed in accordance with
a resolution of the Directors,

LEE, HUI-TA ALSO KNOWN AS LI HUI TA

HSU, CHIN-SHUI

Penang,

April 4, 2007

DECLARATION BY THE DIRECTOR PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE COMPANY

I, **LEE, HUI-TA ALSO KNOWN AS LI HUI TA**, the director primarily responsible for the financial management of **DUFU TECHNOLOGY CORP. BERHAD**, do solemnly and sincerely declare that the accompanying balance sheets and the related statements of income, changes in equity and cash flows, 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.

Subscribed and solemnly declared

by the abovenamed **LEE, HUI-TA ALSO**

KNOWN AS LI HUI TA at **GEORGETOWN**

in the State of **PENANG** on April 4, 2007

Before me,

GM.GOVINDASAMY, PJM
COMMISSIONER FOR OATHS

ANALYSIS OF SHAREHOLDINGS

SHARE CAPITAL AS AT 27 APRIL 2007

Authorized	:	RM100,000,000.00
Issued and Fully paid-up	:	RM45,000,000.00
Class of Share	:	Ordinary Shares of RM0.50 each with equal voting rights
Number of Shareholders	:	2,774

DISTRIBUTION OF SHAREHOLDERS AS AT 27 APRIL 2007

<u>Holdings</u>	<u>No. of Holders</u>	<u>Total Holdings</u>	<u>%</u>
1 - 99	2	100	0.00
100 - 1,000	358	351,200	0.39
1,001 - 10,000	1,811	9,618,800	10.69
10,001 - 100,000	555	17,128,800	19.03
100,001 - 4,499,999	44	15,381,101	17.09
4,500,000 and above	4	47,519,999	52.80
Total	2,774	90,000,000	100.00

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT 27 APRIL 2007

	<u>Name</u>	<u>Shareholdings</u>	<u>%</u>
1.	Lee, Hui-Ta @ Li Hui Ta	15,691,000	17.43
2.	Hsu, Chin-Shui	15,691,000	17.43
3.	Lembaga Tabung Haji	9,000,000	10.00
4.	Wong Ser Yian	7,137,935	7.93
5.	Yong Poh Yow	3,326,001	3.70
6.	Mohamed Al Amin Bin Abdul Majid	1,333,000	1.48
7.	Ahmad Shafruddin Bin Arshad	1,000,000	1.11
8.	HLG Nominees (Tempatan) Sdn. Bhd. Qualifier: Pledged securities account for Nor Aliza Aida Binti Ahmad	800,000	0.89
9.	HSBC Nominees (Asing) Sdn. Bhd. Qualifier: Exempt An for Morgan Stanley & Co. International PLC	730,000	0.81
10.	Yen Chien Chang	600,000	0.67
11.	A.A. Anthony Nominees (Tempatan) Sdn. Bhd. Qualifier: Pledged securities account for Teh Eng Huat	500,000	0.56
12.	Ng Wai Lin	402,500	0.45
13.	Citigroup Nominees (Tempatan) Sdn. Bhd. Qualifier: Pledged securities account for Sow Suu Tang (472629)	400,000	0.44
14.	RHB Capital Nominees (Tempatan) Sdn. Bhd. Qualifier: Pledged securities account for Hamzah Bin Mohd Salleh (BSL)	320,000	0.36
15.	Kenanga Nominees (Tempatan) Sdn. Bhd. Qualifier: Pledged securities account for Million Frontier Sdn. Bhd.	302,000	0.34
16.	Lai Mooi Far	300,000	0.33
17.	Yu, Tsung-Te	280,000	0.31
18.	Eg Kaa Chee	260,800	0.29
19.	Public Nominees (Tempatan) Sdn. Bhd. Qualifier: Pledged securities account for Felix Wong Khung Chui (E-PDG)	253,000	0.28
20.	Tan Ah Looi @ Chan Chek Peng	250,000	0.28
21.	HLB Nominees (Tempatan) Sdn. Bhd. Qualifier: Pledged securities account for Hwang Then Foo @ Ng Thiam Hock	250,000	0.28
22.	Ng May Choo	230,000	0.26
23.	Chong Chin Fook	217,000	0.24
24.	Yong Say Kow @ Yong Tong Long	200,000	0.22
25.	Resourceful Means Sdn. Bhd.	200,000	0.22

ANALYSIS OF SHAREHOLDINGS

26.	Chee Chong Hin	200,000	0.22
27.	Ang Chee Sieng	200,000	0.22
28.	A.A. Anthony Nominees (Asing) Sdn. Bhd. Qualifier: Pledged securities account for Fraser Securities Pte Ltd for Vincent Seet Beng Joo (77199)	180,000	0.20
29.	Lim Booi Kee	160,000	0.18
30.	Silk Coast Sdn. Bhd.	150,000	0.17

SUBSTANTIAL SHAREHOLDERS AS AT 27 APRIL 2007

	Name	Direct No. of shares held	%	Indirect No. of shares held	%
1.	Lee, Hui-Ta @ Li Hui Ta	15,691,032	17.43	-	-
2.	Hsu, Chin-Shui	15,691,032	17.43	-	-
3.	Lembaga Tabung Haji	9,000,000	10.00	-	-
4.	Wong Ser Yian	7,137,935	7.93	-	-

DIRECTORS' SHAREHOLDINGS AS AT 27 APRIL 2007

	Name	Direct No. of shares held	%	Indirect No. of shares held	%
1.	Lee, Hui-Ta @ Li Hui Ta	15,691,032	17.43	-	-
2.	Hsu, Chin-Shui	15,691,032	17.43	-	-
3.	Yong Poh Yow	3,326,001	3.70	-	-
4.	Lee Kah Kheng	-	-	-	-
5.	Baqir Hussain Bin Hatim Ali	-	-	-	-
6.	Khoo Lay Tatt	-	-	-	-

LIST OF PROPERTIES

OWNER-OCCUPIED PROPERTIES

Title/ Location	Tenure/ Date of expiry of lease	Description/ Existing use (approximate age of building)	Land area/ Built-up area	Net book value as at 31.12.2006 (RM)	Date of last revaluation	Date of acquisition
Registered Owner: DISB Land P.T.No.1886 (Resurveyed Lot 12354) held under Title No. H.S. (D) 11985, Mukim 12, Daerah Barat Daya, Penang Building Plot 19 Free Industrial Zone, Phase IV, Bayan Lepas 11900 Penang	60 years leasehold expiring 26.12.2051	* Industrial complex - 2 single-storey office-cum- production building (16 & 9 years respectively) - 1 double-storey office-cum- production building (2 years)	177,691 sq. feet 67,996 sq. feet	4,021,054 4,699,504	1997	-
			TOTAL	8,720,558		

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DUFU TECHNOLOGY CORP. BERHAD

(Company No. 581612-A)
(Incorporated in Malaysia)

PROXY FORM

No of ordinary shares held

I/We _____
(*NRIC No./Company No _____) of _____

being a *Member/Members of DUFU TECHNOLOGY CORP. BERHAD hereby appoint
_____ (*NRIC No./Passport No. _____) of
_____ or failing

him
_____ (*NRIC No./Passport No. _____) of _____

_____ as my/our proxy to vote for me/us and on my/our behalf at the Fifth Annual General Meeting * of the Company to be held at Room 4, Level 1, Vistana Hotel, 213 Jalan Bukit Gambir, Bukit Jambul, 11950 Penang on Wednesday, 27 June 2007, at 9.00 a.m. and, at every adjournment thereof to vote as indicated below:-

(Please indicate with an "X" in the space provided below on how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his discretion)

RESOLUTIONS	FOR	AGAINST
1. To receive the Audited Financial Statements for the year ended 31 December 2006 together with the reports of the Directors and Auditors thereon.		
2. To approve the payment of Directors' Fee of Amount up to RM216,000 for the financial year ending 31 December 2007.		
To re-elect the following Directors retiring under the Article 104 of the Articles of Association of the Company, and who, being eligible offer themselves for re-election:-		
3. Lee, Hui-Ta also known as Li Hui Ta		
4. Hsu, Chin-Shui		
5. Yong Poh Yow		
6. Lee Kah Kheng		
7. Baqir Hussain Bin Hatim Ali		
8. Khoo Lay Tatt		
9. To re-appoint Messrs. Deloitte KassimChan as Auditors of the Company and to authorize the Board of Directors to fix their remuneration.		
10. To pass the following resolution as Special Business :- Ordinary Resolution Authority to Issue Shares pursuant to Section 132D of the Companies Act, 1965.		

The Proportions of my holdings to be represented by my *proxy/proxies are as follows:-

First named Proxy - _____ %
Second named Proxy - _____ %
100.00 %

In case of a vote taken by a show of hands, the First Proxy shall vote on *my/our behalf.

* *Strike out whichever is not desired.*

Signature of Shareholder(s)

Signed this day of....., 2007.

Notes:

A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.

To be valid this form duly completed must be deposited at the registered office of the Company at 57-1, Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang not less than forty-eight (48) hours before the time for holding the meeting.

A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

If the appointor is a corporation, this form must be executed under its Common Seal or under the hand of its attorney.

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Fold along this line

THE COMPANY SECRETARIES
DUFU TECHNOLOGY CORP. BERHAD

57-2 Persiaran Bayan Indah,
Bayan Bay, Sungai Nibong,
11900 Penang.

Stamp

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