

Annual Report

2010

*Reaching
New Frontiers*



DUFU TECHNOLOGY CORP. BERHAD
(581612-A)

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Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Ninth 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 Tuesday, 28 June 2011 at 9.00 a.m. for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements of the Company for the year ended 31 December 2010 together with the Reports of the Directors and of the Auditors thereon. *(Please refer to Note A)*
2. To approve the payment of Directors' Fee of an amount up to RM216,000/- for the financial year ending 31 December 2011. (Resolution 1)
3. To re-elect the following Directors retiring under Article 97(1) of the Articles of Association of the Company, and who, being eligible offer themselves for re-election:-
 - a. Baqir Hussain Bin Hatim Ali (Resolution 2)
 - b. Khoo Lay Tatt (Resolution 3)
4. To re-appoint Messrs. Crowe Horwath as Auditors of the Company for the ensuing year and to authorize the Directors to fix their remuneration. (Resolution 4)

SPECIAL BUSINESS

5. To consider and if thought fit, to pass the following resolution: -

ORDINARY RESOLUTION

Authority to Issue Shares

"That pursuant to Section 132D of the Companies Act, 1965 and approvals from the Bursa Malaysia Securities Berhad ("Bursa Securities") and other relevant governmental/regulatory authorities where such authority shall be necessary, the Board of Directors be 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 its 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 empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Securities." (Resolution 5)

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
2 June 2011

Notice of Annual General Meeting (CONT'D)

NOTES:

- A. *This Agenda item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 and the Company's Articles of Association do not require a formal approval of the shareholders and hence, is not put forward for voting.*

Proxy:

A Member of the Company entitled to attend and vote is entitled to appoint up to two (2) proxies to attend and vote in his place. A proxy may but need not be a Member and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. If a Member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

The instrument appointing the proxy shall be in writing, executed by or on behalf of the appointor. In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.

The instrument appointing a proxy must be deposited at the Registered Office, 57-G Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang, Malaysia not less than 48 hours before the time for holding the Meeting or any adjournments thereof.

Explanatory Note On Special Business:

1. Resolution pursuant to the Authority to issue Shares

The proposed Resolution No. 5 [Item 5], if passed, will grant a renewed general mandate (Mandate 2011) and empower the Directors of the Company to issue and allot shares up to an amount not exceeding in total ten per centum (10%) 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 will, unless revoked or varied by the Company in general meeting, expire at the next Annual General Meeting of the Company.

The Mandate 2011 will provide flexibility to the Company for allotment of shares for any possible fund raising activities, including but not limited for further placing of shares, for the purpose of funding future investment(s), acquisition(s) and/or working capital.

As at the date of this Notice, the Company did not issue any shares pursuant to the mandate granted to the Directors at the Eighth Annual General Meeting. The Company did not issue any share pursuant to the mandate granted because there was no investment, acquisition or working capital that required fund raising activity.

Corporate Information

BOARD OF DIRECTORS

Hsu, Chin-Shui
Executive Chairman

Lee, Hui-Ta a.k.a Li Hui Ta
Executive Director/Chief Financial Officer

Yong Poh Yow
Executive Director/Chief Executive Officer

Lee Kah Kheng
Independent Non-Executive Director

Baqir Hussain Bin Hatim Ali
Independent Non-Executive Director

Khoo Lay Tatt
Non-Independent Non-Executive Director
(Redesignated w.e.f. 26 April 2011)

AUDIT COMMITTEE

Baqir Hussain Bin Hatim Ali
Chairman - Independent Non-Executive Director

Lee Kah Kheng
Member - Independent Non-Executive Director

Khoo Lay Tatt
Member - Non-Independent Non-Executive Director

NOMINATION COMMITTEE

Lee Kah Kheng
Chairman - Independent Non-Executive Director

Baqir Hussain Bin Hatim Ali
Member - Independent Non-Executive Director

Khoo Lay Tatt
Member - Non-Independent Non-Executive Director

REMUNERATION COMMITTEE

Lee Kah Kheng
Chairman - Independent Non-Executive Director

Baqir Hussain Bin Hatim Ali
Member - Independent Non-Executive Director

Hsu, Chin-Shui
Member - Executive Chairman

EXECUTIVE COMMITTEE

Hsu, Chin-Shui
Member - Executive Chairman

Lee, Hui-Ta a.k.a Li Hui Ta
Member - Executive Director/Chief Financial Officer

Yong Poh Yow
Member - Executive Director/Chief Executive Officer

COMPANY SECRETARIES

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

AUDITORS

Crowe Horwath
Chartered Accountants
17.01 Menara Boustead Penang
39 Jalan Sultan Ahmad Shah
10050 Penang
Tel : 604-2277061
Fax : 604-2278011

REGISTERED OFFICE

57-G Persiaran Bayan Indah
Bayan Bay, Sungai Nibong
11900 Penang
Tel : 604-6408932
Fax : 604-6438911

HEAD OFFICE

Plot 19, Hilir Sungai Keluang 2
Taman Perindustrian Bayan Lepas
Phase IV, 11900 Penang, Malaysia
Tel : 604-6161300
Fax : 604-6161388
Website : www.dufutechnology.com

REGISTRAR

Securities Services (Holdings)
Sdn. Bhd. (Company No. 36869-T)
Level 7, Menara Milenium
Jalan Damanlela,
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Tel : 603-20849000
Fax : 603-20949940

PRINCIPAL BANKERS

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

United Overseas Bank (Malaysia) Bhd
1st floor, 64E – H, Lebuhrampayan
10200 Penang, Malaysia

Citibank Berhad
1819-B Jalan Perusahaan
13600 Seberang Prai (Auto-city)
Penang, Malaysia

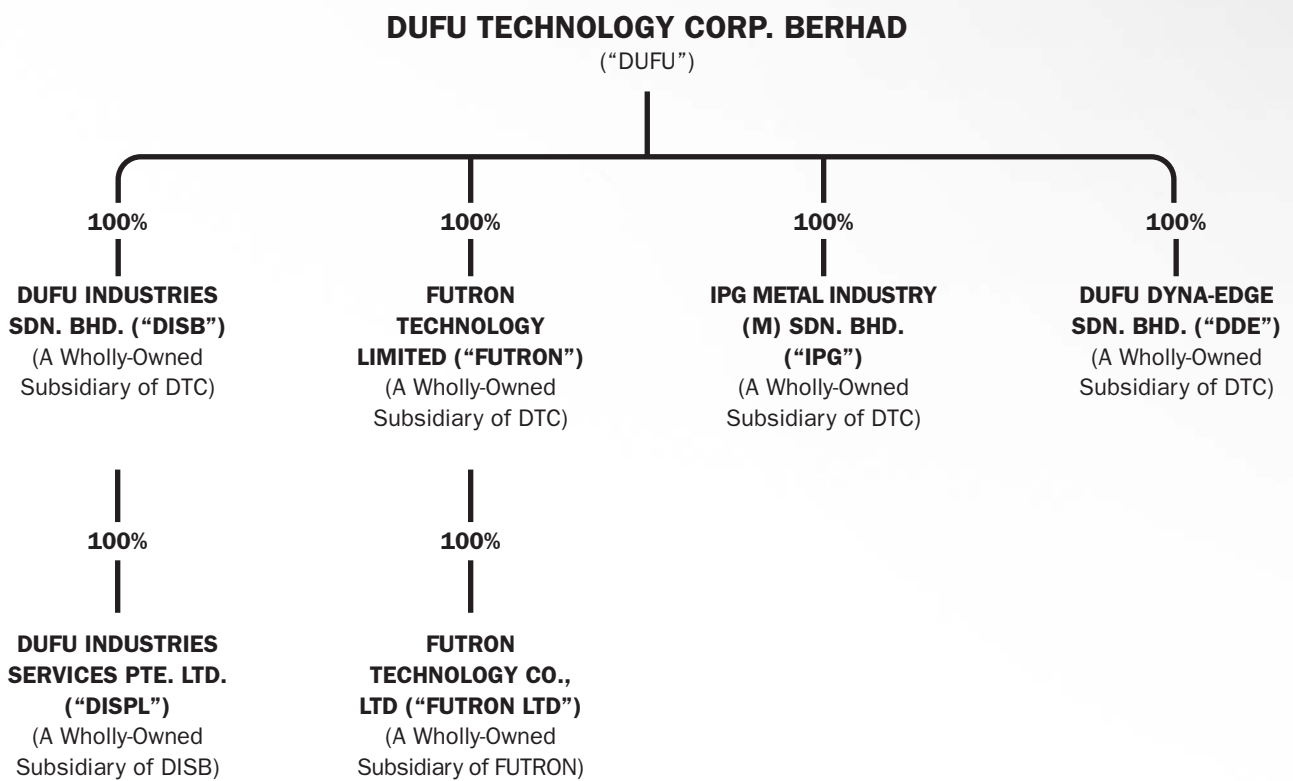
Bangkok Bank Berhad
1815-A, Jalan Perusahaan, Auto City,
North-South Highway,
Juru Interchange,
Prai, Penang.

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad
Sector : Industrial Products
Stock Name : DUFU
Stock Code : 7233

DUFU TECHNOLOGY CORP. BERHAD

("DUFU" or the "Company") and Subsidiaries
 ("DUFU Group" or the "Group")
 As at 30 April 2011



Board of Directors' Profile

HSU, CHIN-SHUI

Executive Chairman
Taiwanese

Hsu, Chin-Shui, aged 55, was appointed to the Board on 1 September 2006. He is an Executive Chairman of Dufu and one of the co-founders of Dufu. 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.

Currently, he also sits on the Board of a non-listed public company, namely QL Tech International Berhad as a Non-Independent Non-Executive Chairman.

He has no family relationship with any other Directors and/or major shareholders of the Company. He also 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 past 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 52, was appointed to the Board on 1 September 2006. He is an Executive Director and the 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 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 past 10 years.

Board of Directors' Profile (CONT'D)

YONG POH YOW

Executive Director/Chief Executive Officer
Singaporean

Yong Poh Yow, aged 50, was appointed to the Board on 1 September 2006. He is an Executive Director and the 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 hand-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 Lat Tatt, aged 38, was appointed to the Board on 2 October 2006 as a Non-Independent Non-Executive Director and be re-designated as Independent Non-Executive Director on May 20, 2009. Later, he was re-designated as Non-Independent Non-Executive Director on April 26, 2011. 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 a commercial bank. He left the Bank as an Executive cum Company Secretary of its subsidiaries in 2000. He joined a Secretarial Services firm in Penang as the Assistant Manager and left the said firm in year 2005 as a Senior Manager. During his tenure, he was involved in numerous initial public offerings and corporate exercises undertaken by listed companies.

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 also a member of the Nomination Committee and Audit Committee of the Company.

Currently, he sits on the Board of two public companies listed on the Main Market of Bursa Securities, namely, P.I.E Industrial Berhad as Non-Independent Non-Executive Director and Sinaria Corporation Berhad as Independent Non-Executive Director. Mr. Khoo also sits on the Board of a non-listed public company, namely QL Tech International Berhad as an Executive Director cum Chief Executive Officer.

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 (CONT'D)

LEE KAH KHENG

Independent Non-Executive Director
Malaysian

Lee Kah Kheng, aged 47, was appointed to the Board on 2 October 2006. He is an 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 Main Market of 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 Main 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 Non-Executive Director
Malaysian

Baqir Hussain Bin Hatim Ali, aged 48, was appointed to the Board on 2 October 2006. He is an Independent Non-Executive Director of Dufu. He graduated from Tunku 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 20 years of experience in the field of accountancy including external and internal auditing, merger and acquisition, receiverships and liquidations, initial public offerings and tax consultancy. He is a member of the Malaysia 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 also the Chairman of the Audit Committee of the Company and a member of the Nomination and Remuneration Committee.

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

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 and indirectly, which has a conflict of interest with the Company. Neither has he been convicted of any offences in the last 10 years.

On behalf of the Board of Directors, I am pleased to present to you the Annual Report and Audited Financial Statements of Dufu Technology Corp. Berhad for the financial year ended 31 December 2010.

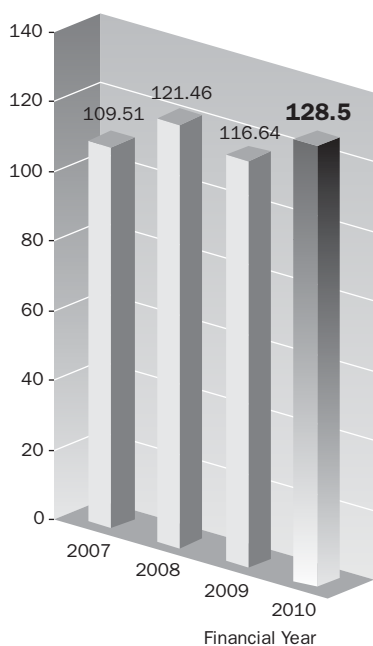
Financial Results

For the financial year under review, the Group recorded a turnover of RM128.50 million, an increase of 10% from RM116.64 million in 2009. The increase in revenue was mainly due to the increase in the sales volume during the financial year under review. However, due to the strong appreciation of Ringgit Malaysia against the US Dollar, increased in raw materials and labour costs had caused the profit after tax ("PAT") to decrease by 38.6%, from RM11.13 million to RM6.83 million. Despite the lower PAT, the Group continued to maintain a set of healthy and financially sound balance sheet with net assets of RM89.52 million or 75 sen per share.

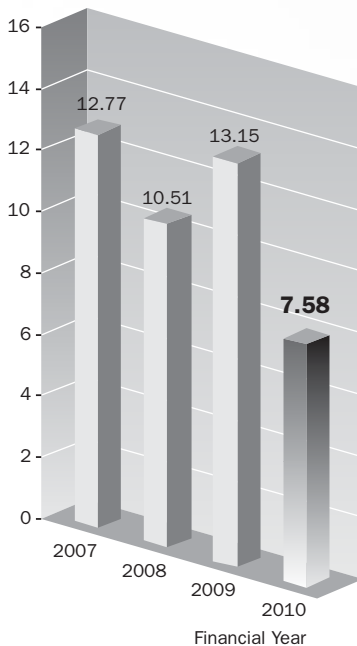
Operation Review

The year 2010 was a challenging year for Dufu due largely to the adverse foreign exchange movement on Asia and the uncertainties in the economy in the rest of the world. Although the HDD industry had rebounded from the crisis quicker than nearly all other technology sectors, operational profitability remains affected by the adverse foreign exchange movement. In view of that, constant review of the entire Group's operations and key measures were taken by the Group to mitigate the increase in the operation cost. Steps taken such as improvement in operational processes which including increase level of automation to improve operational efficiencies and shifting low margin products to lower labour cost country.

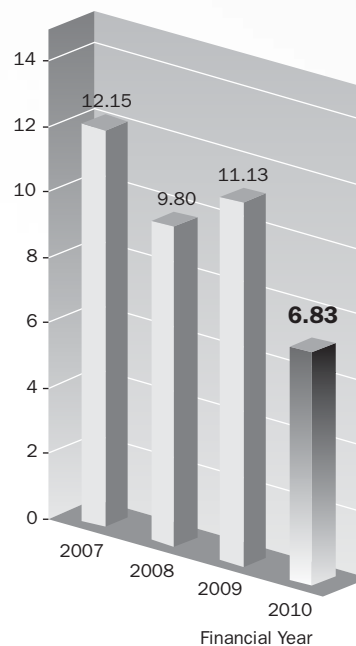
Revenue (Group)
RM'000,000



Profit Before Tax (Group)
RM'000,000



Profit After Tax (Group)
RM'000,000



Chairman's Statement (CONT'D)

Future Prospects of the Group

The outlook for the HDD industry in 2011 will still remain healthy even with the entry of non-volatile semiconductor-based memory use in netbooks, media tablets and other personal electronic devices. The HDD industry will continue to grow albeit at a slower rate.

However, the Group will remain cautious with the volatility of the raw materials costs and the effect of strengthening Ringgit Malaysia against the US Dollar. In order to mitigate these uncertainties, the Group continued its effort to hedge the US Dollar and increase its marketing efforts to grow its customer's base and penetrate new markets.

The Group intends to venture into the medical industry by manufacturing medical components such as orthopedic medical devices, a fast growing and largely untapped market.

Acknowledgement

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.

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

HSU, CHIN-SHUI
Executive Chairman

Statement on Corporate Governance

Board's Commitments

The Board of Directors of Dufu is committed to comply with the Malaysian Code of Corporate Governance ("the Code") and hence ensuring high standards of corporate governance is in place and is practised throughout the Dufu Group.

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 2010 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) Board of Directors

The Board recognized 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
- 2 Independent Non-Executive Directors
- 1 Non-Independent Non-Executive Director

The composition of the Board is in compliance with the Bursa Malaysia Securities Berhad Main Market 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.

The attendance record for each Director at Directors' meeting for the financial year ended 31 December 2010 is as follows:

Director	No. of meetings held	No. of meetings attended
Hsu, Chin-Shui	5	5
Lee, Hui-Ta a.k.a Li Hui Ta	5	5
Yong Poh Yow	5	4
Lee Kah Kheng	5	5
Baqir Hussain Bin Hatim Ali	5	5
Khoo Lay Tatt	5	5

Statement on Corporate Governance (CONT'D)

A) Board of Directors (cont'd)

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 proceedings of all board meetings are duly compiled in minutes. The minutes are kept at the registered office of Dufu.

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 trainings attended by the Directors of the Company during the FY 2010 are as follows:-

Director	Date	Description
Hsu, Chin-Shui	26 October 2010	Crowe Horwath's 2011 Budget & Tax Planning
Lee, Hui-Ta a.k.a Li Hui Ta	26 October 2010	Crowe Horwath's 2011 Budget & Tax Planning
Lee Kah Kheng	26 October 2010	Crowe Horwath's 2011 Budget & Tax Planning
Yong Poh Yow	26 October 2010	Crowe Horwath's 2011 Budget & Tax Planning
Khoo Lay Tatt	24 September 2010	Avenue of Fund Raising, Importance of Investor Relation and Derivatives and Structured Product.
	26 October 2010	Crowe Horwath's 2011 Budget & Tax Planning
Baqir Hussain Bin Hatim Ali	8 & 9 June 2010	Malaysia Corporate Tax Practice and Principals
	14 & 15 October 2010	UHY Learning Series # 2 – Highlights of the 2010 New FRSs, Revised FRSs and IC Interpretations

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 to 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.

A) Board of Directors (cont'd)

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 ongoing basis.

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 of committee structures of the Board committee, assess and recommend to the Board the terms of reference of Board Committee.

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 candidates 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, one-third or nearest to one third (1/3) of the Board is subject to retirement by rotation at each Annual General Meeting provided always that all Directors including the Managing Director shall retire from the office at least once in every three (3) years. The Directors to retire at the Annual General Meeting ("AGM") are Directors who have been longest in office since their appointment or re-election.

A retiring Director is eligible for re-election. The election of each Director is voted on separate resolution.

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.

Statement on Corporate Governance (CONT'D)

A) Board of Directors (cont'd)

vi) Directors' Remuneration (cont'd)

The Committee comprises 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 to 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 financial year ended 31 December 2010 were as follows:

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

Category	Fee (RM)	Salaries (RM)	Bonus (RM)	Allowances (RM)	Total (RM)
Executive					
- Company	108,000	0	0	27,000	135,000
- Subsidiaries*	41,740	801,122	35,000	72,000	949,862
Non-Executive Directors					
- Company	108,000	0	0	33,000	141,000
- Subsidiaries*	0	0	0	0	0
Total	257,740	801,122	35,000	132,000	1,225,862

* 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	1	2
RM50,000 to RM100,000	0	1
RM450,000 to RM500,000	1	0
RM500,000 to RM550,000	1	0

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 operation issues.

B) Accountability and Audit

Audit Committee

The composition, terms of reference, and the function of audit committee is discussed on Page 16 to 19 of the Annual Report 2010.

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 23 of the Annual Report 2010.

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 Control laid out on page 20 of the Annual Report 2010.

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 twice a year to discuss the conduct and concerns arising from their audit without the presence of the Executive Director and management.

C) Relationship with Shareholders and Investors

In line with the recommendation by the Bursa Securities Main Market Listing Requirements and the Code, material information is disseminated to shareholders and investors on a timely basis. These information, which could be accessed 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.dufutechnology.com. which provides information, qualitative and quantitative, on the Group's operations and corporate developments.

This statement was made in accordance with a resolution of the Board dated 27 May 2011.

Audit Committee Report

The Committee comprises of the following: -

Chairman

En. Baqir Hussain Bin Hatim Ali

Independent Non-Executive Director

Member

Lee Kah Kheng

Independent Non-Executive Director

Khoo Lay Tatt

Non-Independent Non-Executive Director

TERM 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, reliable 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, exclusively Non-Executive Directors of whom a majority shall be the Independent 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 Accountant 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 or fulfills such other requirements as prescribed or approved by the members.
- 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 event, 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 to investigate any matter within its terms of reference and shall have unlimited access to all information and document relevant to its activities as well as to the internal and external auditors and employees of the Group. All employees are directed to co-operate with any request made by the Committee.
- b) The Committee shall have the authority to obtain independent legal or other professional advice as it considers necessary.

3. Authority:- (cont'd)

- c) 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.
- d) 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 at least four times annually. The quorum of two (2) independent members shall constitute a valid meeting.

Attendance of the Meetings

- a) A meeting with external auditors shall be held at least twice a year without the presence of executive Board members.
- b) 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.
- c) 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 and Responsibilities

The duties and responsibility 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;

Audit Committee Report (CONT'D)

5. Duties and Responsibilities (cont'd)

- Approved 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.
- 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 arises questions of management integrity; and
- g) to perform such other duties if any as may be agreed to by the committee and 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 the meetings shall be concluded by the Secretary of the Committee to the Committee members and all the other Board members.

7. Attendance at Meetings

The information on the attendance of each member at the Audit Committee's meetings held during the financial year ended 31 December 2010 is as follows:-

Member	No. of Meeting Held	Attendance
Baqir Hussain Bin Hatim Ali	5	5
Lee Lah Kheng	5	5
Khoo Lay Tatt	5	5

ACTIVITIES OF THE AUDIT COMMITTEE

The activities carried out by the Committee during the financial year ended 31 December 2010 in the discharge of its duties and responsibilities are as follows:-

- Reviewed the draft quarterly results of the Group and the recommendation of the same to the Board for approval.
- Reviewed the compliance on the Bursa Securities Main Market Listing Requirements, Malaysian Code on Corporate Governance and other statutory requirements.
- Discussed with the external auditors before the audit commences, the nature and scope of the audit.
- Reviewed the external auditors management letter and management's response.
- Reviewed the internal programme and results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of the internal auditors.
- Reviewed any related party transactions and conflict of interest situation that may arise within the Company or Group and to monitor any inter-company transaction or any transaction between the Company and any related parties outside the Group.
- Reviewed the quarterly and year-end financial statements of the Company and the Group and thereafter submit them to the Board.

INTERNAL AUDIT FUNCTION

The Board has engaged an independent firm of professionals to conduct internal audits. The internal Auditors report directly to the Committee. The primary functions of internal auditors are to assist the Committee on an ongoing basis to :

- review the risk management framework;
- provide independent, systematic and objective evaluation on the state of internal control within the Group; and
- perform such other function as requested by the Committee.

The costs incurred for the internal audit function for financial year ended 31 December 2010 was RM14,740. During the financial year, the internal auditors have assisted the Audit Committee to :

- plan and conduct the internal audit for financial year ended 2010;
- review and document the risk management framework of the Group; and
- review the state of internal control of various operating cycle within the Group.

Information pertaining to the Company's internal control is shown in the Statement on Internal Control set out on page 20 of this Annual Report.

Statement on Internal Control

Introduction

This Statement on Internal Control has been prepared in accordance with the “Statement on Internal Control – Guidance for Directors of Public Listed Companies.”

Board Responsibilities

The Board recognizes the importance of a sound system of internal control to cover the financial, compliance and operational controls and effective risk management practices in the Group.

The Board affirms its overall responsibility and reviews the adequacy and integrity of the system of internal control to safeguard shareholders’ investment and the Group’s assets. However, due to the inherent limitations of any system of internal control, this system is designed to manage, rather than eliminate the risk of failure to achieve the Group’s objectives. Accordingly, the system can only provide reasonable but not absolute assurance against material misstatement or loss.

Risk Management Framework

The Board and the Management continuously identify, evaluate and manage significant business risks that affect day-to-day operations of the Group.

The Audit Committee reviews internal control issues identified by the external auditors and management and evaluates the adequacy and effectiveness of the Group’s risk management and internal control system.

During the financial year, the Executive Directors and the Management participated in a risk management exercise. During the exercise, principal risks affecting the Group were identified, quantified and prioritised. The relevant controls and strategies for managing the risks were identified and documented. The participants also suggested areas where the Group could further improve on in order to manage the principal risks more effectively. The risk management report was presented to the Audit Committee in one of the audit committee meetings.

Internal Control

The Board is satisfied that the system of internal control is adequate for Company.

During the financial year, the Board has appointed an independent firm of professionals for the internal audit function. The total cost incurred for the Internal Audit Function for the financial year ended 31 December 2010 was RM14,740. The internal auditors are to ensure that adequate system of internal controls exist to assist the management to address operational, financial and compliance risks.

The Group has put in place the following key elements of internal control:

- An organisation structure with clearly defined lines of responsibility, authority and accountability;
- Clearly documented internal policies, manuals, procedures and work instructions;
- Holding regular Board and management meetings where information related to financial and operational performances is shared and discussed;
- Management accounts and reports are prepared and distributed to Executive Directors and key management personnel every month; and
- Employees attending regular training and development programs to enhance their knowledge and competency.

The Directors and management will continue to review and update the internal control system in line with changes in the operating environment of the Group.

Conclusion

The Board is of the view that there were no significant weaknesses in the systems of internal control of the Group that had a material impact on the operations of the Group for the financial year ended 31 December 2010. The Board remains committed to a sound system of internal controls and to progressively enhance the system to support the Group’s operations.

This statement was made in accordance with a resolution of the Board dated 27 May 2011.

Disclosure Requirements pursuant to the Bursa Malaysia Securities Berhad Main Market Listing Requirements

Utilisation of Proceeds

During the financial year, there were no proceeds raised by the Company from any corporate proposal.

Share Buybacks

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

Options, Warrants or Convertible Securities

No option, warrants or convertibles securities were issued by the Company during the financial year.

American Depository Receipt (ADR) or Global Depository Receipt (GDR) Programme

During the financial year, 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

The amount of non-audit fees incurred for services rendered to Dufu Group for the financial year by the Company's Auditors, or a firm or corporate affiliated to the Auditors' firm is RM10,600

Profit Forecast and Unaudited Results Deviation

There was no profit forecast issued by the Group during the financial year.

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 28 February 2011.

Profit Guarantee

There was no profit guarantee issued by the Group during the financial year.

Revaluation Policy

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

Material contract

There were no material contracts entered into by the Company and its subsidiaries involving Directors' and substantial shareholders' interests either still subsisting as at 31 December 2010 or entered into since the end of the previous financial year.

Corporate Social Responsibility (CSR) Statement

The Group is driven by the belief that in pursuit of any business objective, we need to strike a balance between profitability and contributions to the social and environmental responsibilities. With such belief, the Group is committed and uses its best endeavour, on ongoing basis, to integrate CSR practices into its day-to-day business operations i.e. constantly reviewing the staff benefits to enhance the quality of life of its employees and adopting eco-friendly practices such as minimizing the use of hazardous compound in its manufacturing process to protect the environment.

Disclosure Requirements pursuant to the Bursa Malaysia Securities Berhad Main Market Listing Requirements (CONT'D)

Recurrent Related Party Transactions

The details of Recurrent Related Party Transactions concluded and their actual amount entered into during the financial year ended 31 December 2010 are as below:-

No.	Related Parties		Nature of Transactions	Actual Amount (RM)	Interested Related Party
	Buyer	Seller			
1.	IPG	SESB	SESB is a sub-contractor of IPG	1,941	Interested Director & Shareholder Hsu, Chin-Shui a common Director of SESB and IPG. He is also a major shareholder holding 30% of the equity interest in SESB.
2.	ETI	IPG	Sales of moulds to ETI	134,609	Interested Director Lee Kah Kheng is a Director of DUFU (not a Director of IPG). He is also a Director of ETI and major shareholder of ETI (by virtue of Section 6A of the Act, holding 10.90% of equity interest in ETICB as at 6 May 2011)
3.	KENS	DISB	Sales of Medical parts to KENS	163,178	Interested Director & Shareholder Hsu, Chin-Shui and Lee Kah Kheng both are Directors of Dufu (Not a Director of DISB). They are also Directors of KENS and major shareholders of KENS (by virtue of Section 6A of the Act, holding 50% of equity interest in CFSB as at 6 May 2011)
4.	KENS	IPG	Sales of Medical parts to KENS	45,516	Interested Director & Shareholder Hsu, Chin-Shui is a common Director of KENS and IPG. He is also a major shareholder of KENS (by virtue of Section 6A of the Act, holding 50% of equity interest in CFSB as at 6 May 2011) Interested Director Lee Kah Kheng is a Director of DUFU (not a Director of IPG). He is also a Director of KENS and major shareholder of KENS (by virtue of Section 6A of the Act, holding 50% of equity interest in CFSB as at 6 May 2011)
5.	Futron Ltd	GCLPT	Purchase of Tools from GCLPT	87,783	Interested Director & Shareholder Hsu, Chin-Shui is a Director of Dufu and GCLPT. He is also a major shareholder holding 70% of the equity interest in GCLPT.

Notes:

SESB - Seraimas Electronics Sdn. Bhd.

ETI - ETI Tech (M) Sdn. Bhd.

ETICB - ETI Tech Corporation Berhad

KENS - Kens FineMEdTech Sdn. Bhd.

GCLPT - Guangzhou Ching Lian Precision Technology Pte Ltd (China)

Futron Ltd - Futron Technology Co. Limited

CFSB - Crest Focus Sdn. Bhd.

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 Financial Reporting Standards ("FRSs") and the Companies Act 1965 in Malaysia and the relevant provisions of the Bursa Malaysia Securities Berhad Main Market 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 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 Issued Committee Interpretations issued by MASB that are relevant to the Group's operations and effective for accounting periods 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 enquires to the senior management of the Group to ensure that the Group have adequate resources to continue in operational existence in the foreseeable future
- Ensure that the accounting estimates included in the financial statements are reasonable and prudent

The financial statements for the year ended 31 December 2010 had been approved by the Board on 21 March 2011.

This statement was made in accordance with a resolution of Board dated 27 May 2011.

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- 39 - 70** Notes to the Financial Statements
- 71** Supplementary Information - Realised and Unrealised Profits or Losses

The directors hereby submit their report and the audited financial statements of the Group and the Company for the financial year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The principal activities of the Company are those of investment holding and provision of management services to its subsidiaries. The principal activities of the subsidiaries are disclosed in Note 5 to the financial statements. There have been no significant changes in the nature of the principal activities of the Group and the Company during the financial year.

RESULTS

	Group RM	Company RM
Profit/(Loss) for the financial year	6,824,741	(333,735)

DIVIDENDS

During the financial year, the Company declared and paid a final dividend of 1 sen per share (tax exempt) amounting to RM1,200,000 in respect of the financial year ended 31 December 2009.

The directors do not propose any dividend payment in respect of the financial year ended 31 December 2010.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES OR DEBENTURES

There was no issue of shares or debentures by the Company during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No share options were granted by the Company during the financial year.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there were no known bad debts and that adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would require the writing off of bad debts or render the amount of the allowance made for doubtful debts inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements of the Group and the Company were made out, the directors took reasonable steps to ascertain whether any current assets, other than debts, were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and the Company and to the extent so ascertained were written down to an amount that they might be expected to realise.

Directors' Report (CONT'D)

CURRENT ASSETS (cont'd)

At the date of this report, the directors are not aware of any circumstances that would render the values attributed to the current assets in the financial statements of the Group and the Company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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

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

No contingent liability 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 or the Company to meet their obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or in the financial statements of the Group and the Company that would render any amount stated in the respective financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

Except for any effects arising from the changes in accounting policies following the adoption of the amended/revised/new Financial Reporting Standards as disclosed in Note 2.2 to the financial statements, the results of the operations of the Group and the Company for the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature which, in the opinion of the directors, will affect substantially the results of the operations of the Group and the Company for the financial year in which this report is made.

DIRECTORS OF THE COMPANY

The directors who served since the date of the last report are:-

Lee, Hui-Ta also known as Li Hui Ta
Hsu, Chin-Shui
Yong Poh Yow
Lee Kah Kheng
Baqir Hussain Bin Hatim Ali
Khoo Lay Tatt

DIRECTORS OF THE COMPANY (cont'd)

Particulars of the interests in shares in the Company of the directors in office at the end of the financial year, as shown in the Register of Directors' Shareholdings, are as follows:-

Name of Director	Number of Ordinary Shares of RM0.50 Each					
	Direct Interest			Deemed Interest		
	Balance at 1.1.2010	Bought	Sold	Balance at 31.12.2010	Balance at 1.1.2010	Balance at 31.12.2010
Lee, Hui-Ta also known as Li Hui Ta	20,922,177	0	(11,283,000)	9,639,177	0	11,283,000
Hsu, Chin-Shui	20,921,375	0	(5,568,000)	15,353,375	0	0
Yong Poh Yow	4,434,668	0	(2,000,000)	2,434,668	0	0

Save as disclosed above, none of the other directors in office at the end of the financial year held any interests in shares in the Company or its related corporations during the financial year.

By virtue of his interests in shares in the Company, Lee, Hui-Ta also known as Li Hui Ta is also deemed to have interests in shares in the subsidiaries to the extent of the Company's interests, pursuant to Section 6A of the Companies Act 1965.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than the directors' remuneration disclosed 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 the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to have arisen by virtue of those related party transactions as disclosed in Note 20 to the financial statements.

Neither during nor at the end of the financial year, was the Company a party to any arrangement whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

AUDITORS

The auditors, Messrs. Crowe Horwath, have expressed their willingness to continue in office.

**SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
DATED 21 MARCH 2011**

Lee, Hui-Ta also known as Li Hui Ta

Yong Poh Yow

Statement By Directors

We, Lee, Hui-Ta also known as Li Hui Ta and Yong Poh Yow, being two of the directors of Dufu Technology Corp. Berhad, do hereby state that in the opinion of the directors, the financial statements set out on pages 31 to 70 have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2010 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the directors, the supplementary information set out on page 71 is prepared, in all material respects, in accordance with Guidance on Special Matter No. 1 *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

**SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
DATED 21 MARCH 2011**

Lee, Hui-Ta also known as Li Hui Ta

Yong Poh Yow

Statutory Declaration

I, Lee, Hui-Ta also known as Li Hui Ta, being the director primarily responsible for the financial management of Dufu Technology Corp. Berhad, do solemnly and sincerely declare that the financial statements set out on pages 31 to 70 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by
Lee, Hui-Ta also known as Li Hui Ta
at Georgetown in the State of Penang
on this 21 March 2011

Lee, Hui-Ta also known as Li Hui Ta

Before me

Goh Suan Bee
Commissioner for Oaths

Independent Auditors' Report to the Members of Dufu Technology Corp. Berhad

(Incorporated In Malaysia) Company No: 581612-A

Report on the Financial Statements

We have audited the financial statements of Dufu Technology Corp. Berhad, which comprise the statements of financial position as at 31 December 2010 of the Group and the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 31 to 70.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2010 and of their financial performance and cash flows for the financial year then ended.

Other Matter

The financial statements of the Group and the Company for the financial year ended 31 December 2009 were audited by another firm of auditors who expressed an unmodified opinion on those statements on 22 March 2010.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:-

- (i) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (ii) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 5 to the financial statements.
- (iii) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

Independent Auditors' Report to the Members of Dufu Technology Corp. Berhad (Incorporated In Malaysia) Company No: 581612-A (CONT'D)

Report on Other Legal and Regulatory Requirements (cont'd)

(iv) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

The supplementary information set out on page 71 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants ("the MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Horwath

Firm No: AF 1018
Chartered Accountants

Date: 21 March 2011

Penang

Eddy Chan Wai Hun

Approval No: 2182/10/11 (J)
Chartered Accountant

Consolidated Statement of Financial Position

As At 31 December 2010

	Note	31.12.2010 RM	31.12.2009 RM (Restated)	1.1.2009 RM (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	4	81,649,772	76,063,106	67,546,109
Goodwill on consolidation		25,252	25,252	25,252
Investments in club memberships, at cost		61,000	61,000	61,000
Available-for-sale financial assets	6	294,910	289,033	281,928
Deferred tax assets	7	115,743	0	0
		<u>82,146,677</u>	<u>76,438,391</u>	<u>67,914,289</u>
CURRENT ASSETS				
Inventories	8	25,552,880	21,243,775	23,756,180
Trade and other receivables	9	37,570,531	39,137,710	23,384,229
Prepayments		1,523,316	102,735	2,837,296
Current tax assets		390,706	187,902	141,742
Cash and bank balances	10	6,192,177	7,289,012	7,801,522
		<u>71,229,610</u>	<u>67,961,134</u>	<u>57,920,969</u>
CURRENT LIABILITIES				
Trade and other payables	11	15,748,506	19,564,082	14,791,993
Loans and borrowings	12	24,375,555	14,205,938	11,282,065
Current tax liabilities		308,159	1,987,810	0
		<u>40,432,220</u>	<u>35,757,830</u>	<u>26,074,058</u>
NET CURRENT ASSETS		30,797,390	32,203,304	31,846,911
NON-CURRENT LIABILITIES				
Deferred tax liabilities	7	1,533,190	2,124,421	1,866,857
Loans and borrowings	12	21,887,542	19,811,641	21,321,271
		<u>23,420,732</u>	<u>21,936,062</u>	<u>23,188,128</u>
NET ASSETS		89,523,335	86,705,633	76,573,072
EQUITY				
Share capital	13	60,000,000	60,000,000	60,000,000
Revaluation surplus		2,141,617	2,248,351	2,396,679
Currency translation reserve		(2,553,656)	253,383	4,324
Reverse acquisition reserve		(24,110,002)	(24,110,002)	(24,110,002)
Retained profits		54,045,376	48,313,901	38,282,071
TOTAL EQUITY		89,523,335	86,705,633	76,573,072

The annexed notes form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For The Financial Year Ended 31 December 2010

	Note	2010 RM	2009 RM
Revenue	14	128,495,485	116,642,112
Other income		3,540,878	1,725,806
Changes in work-in-progress and finished goods		5,162,684	(4,655,096)
Depreciation		(11,373,034)	(10,360,325)
Employee benefits expense	15	(25,349,526)	(20,234,869)
Interest expense		(2,551,510)	(1,861,074)
Raw materials consumed		(34,704,877)	(31,904,787)
Purchase of trading and semi finished goods		(22,645,809)	(12,502,887)
Other expenses		(32,996,992)	(23,698,039)
Profit before tax	16	7,577,299	13,150,841
Tax expense	17	(752,558)	(2,025,745)
Profit for the financial year		<u>6,824,741</u>	<u>11,125,096</u>
Other comprehensive income:-			
Effect of differential tax rates on cumulative transfer of revaluation surplus		0	(41,594)
Currency translation differences for foreign operations		(2,807,039)	249,059
Other comprehensive income for the financial year		<u>(2,807,039)</u>	<u>207,465</u>
Total comprehensive income for the financial year		<u>4,017,702</u>	<u>11,332,561</u>
Earnings per share:-	18		
- Basic (sen)		<u>5.69</u>	<u>9.27</u>
- Diluted (sen)		<u>5.69</u>	<u>9.27</u>

The annexed notes form an integral part of these financial statements.

Consolidated Statement of Changes In Equity

For The Financial Year Ended 31 December 2010

	Non-distributable			Distributable		Total equity RM
	Share capital RM	Revaluation surplus RM	Currency translation reserve RM	Reverse acquisition reserve RM	Retained profits RM	
Balance at 1 January 2009	60,000,000	2,396,679	4,324	(24,110,002)	38,282,071	76,573,072
Transfer of revaluation surplus	0	(106,734)	0	0	106,734	0
Final dividend of 1 sen per share (tax exempt)	0	0	0	0	(1,200,000)	(1,200,000)
Total comprehensive income for the financial year	0	(41,594)	249,059	0	11,125,096	11,332,561
Balance at 31 December 2009	60,000,000	2,248,351	253,383	(24,110,002)	48,313,901	86,705,633
Transfer of revaluation surplus	0	(106,734)	0	0	106,734	0
Final dividend of 1 sen per share (tax exempt)	0	0	0	0	(1,200,000)	(1,200,000)
Total comprehensive income for the financial year	0	0	(2,807,039)	0	6,824,741	4,017,702
Balance at 31 December 2010	60,000,000	2,141,617	(2,553,656)	(24,110,002)	54,045,376	89,523,335

The annexed notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows

For The Financial Year Ended 31 December 2010

	Note	2010 RM	2009 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		7,577,299	13,150,841
Adjustments for:-			
Bad debts written off		0	1,500
Depreciation		11,373,034	10,360,325
(Gain)/Loss on disposal of property, plant and equipment		(26,067)	497,514
Interest expense		2,551,510	1,861,074
Interest income		(16,894)	(21,865)
Negative goodwill		0	(234,786)
Property, plant and equipment written off		0	3,545
Reversal of allowance for slow moving inventories		0	(86,012)
Reversal of impairment loss on loans and receivables		0	(15,000)
Unrealised (gain)/loss on foreign exchange		(8,639)	411,087
Operating profit before working capital changes		21,450,243	25,928,223
Changes in:-			
Inventories		(4,309,105)	7,001,252
Receivables and prepayments		146,598	(10,514,664)
Payables		(808,167)	(811,952)
Cash generated from operations		16,479,569	21,602,859
Tax paid		(3,525,255)	(605,427)
Tax refunded		183,117	26,369
Net cash from operating activities		13,137,431	21,023,801
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries, net of cash acquired	19	(3,000,000)	(14,048,426)
Interest received		16,894	21,865
Proceeds from disposal of property, plant and equipment		1,981,641	154,478
Purchase of available-for-sale financial assets		(5,877)	(7,105)
Purchase of property, plant and equipment	19	(7,942,748)	(3,634,477)
Net cash used in investing activities		(8,950,090)	(17,513,665)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(1,200,000)	(1,200,000)
Interest paid		(2,550,280)	(1,866,951)
Net increase in short-term loans and borrowings		4,641,145	1,850,906
Repayment of hire purchase obligations		(5,753,580)	(7,085,731)
Repayment of term loans		(2,492,359)	(1,986,048)
Term loans raised		0	5,121,823
Withdrawal of term deposits pledged as security		0	128,864
Net cash used in financing activities		(7,355,074)	(5,037,137)
Currency translation differences		(1,468,205)	128,276
Net decrease in cash and cash equivalents		(4,635,938)	(1,398,725)
Cash and cash equivalents brought forward		5,383,878	6,782,603
Cash and cash equivalents carried forward	19	747,940	5,383,878

The annexed notes form an integral part of these financial statements.

Statement of Financial Position

As At 31 December 2010

	Note	2010 RM	2009 RM
NON-CURRENT ASSETS			
Investments in subsidiaries	5	54,351,525	53,351,525
Available-for-sale financial assets	6	294,910	289,033
		<u>54,646,435</u>	<u>53,640,558</u>
CURRENT ASSETS			
Other receivables	9	8,148,986	13,715,186
Current tax assets		46,000	46,000
Cash and bank balances	10	196,301	168,860
		<u>8,391,287</u>	<u>13,930,046</u>
CURRENT LIABILITIES			
Other payables	11	34,683	3,033,830
		<u>34,683</u>	<u>3,033,830</u>
NET CURRENT ASSETS		<u>8,356,604</u>	<u>10,896,216</u>
NET ASSETS		<u>63,003,039</u>	<u>64,536,774</u>
EQUITY			
Share capital	13	60,000,000	60,000,000
Retained profits		3,003,039	4,536,774
TOTAL EQUITY		<u>63,003,039</u>	<u>64,536,774</u>

The annexed notes form an integral part of these financial statements.

Statement of Comprehensive Income

For The Financial Year Ended 31 December 2010

	Note	2010 RM	2009 RM
Revenue	14	128,233	4,129,709
Employee benefits expense	15	(276,000)	(264,500)
Other expenses		(185,968)	(150,070)
(Loss)/Profit before tax	16	(333,735)	3,715,139
Tax expense	17	0	(980,154)
(Loss)/Profit for the financial year		(333,735)	2,734,985
Other comprehensive income for the financial year		0	0
Total comprehensive income for the financial year		(333,735)	2,734,985

The annexed notes form an integral part of these financial statements.

Statement of Changes In Equity

For The Financial Year Ended 31 December 2010

	Share capital RM	Retained profits RM	Total equity RM
Balance at 1 January 2009	60,000,000	3,001,789	63,001,789
Final dividend of 1 sen per share (tax exempt)	0	(1,200,000)	(1,200,000)
Total comprehensive income for the financial year	0	2,734,985	2,734,985
Balance at 31 December 2009	60,000,000	4,536,774	64,536,774
Final dividend of 1 sen per share (tax exempt)	0	(1,200,000)	(1,200,000)
Total comprehensive income for the financial year	0	(333,735)	(333,735)
Balance at 31 December 2010	<u>60,000,000</u>	<u>3,003,039</u>	<u>63,003,039</u>

The annexed notes form an integral part of these financial statements.

Statement of Cash Flows

For The Financial Year Ended 31 December 2010

	Note	2010 RM	2009 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/Profit before tax		(333,735)	3,715,139
Adjustments for:-			
Dividend income		0	(4,000,000)
Interest income		(8,233)	(9,709)
Operating loss before working capital changes		(341,968)	(294,570)
Changes in:-			
Receivables		0	(60,000)
Payables		853	(10,174)
Cash absorbed by operations		(341,115)	(364,744)
Tax paid		0	(26,154)
Net cash used in operating activities		(341,115)	(390,898)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries		(3,000,000)	(15,288,870)
Dividend received		0	3,000,000
Interest received		8,233	9,709
Net repayment from subsidiaries		5,566,200	13,580,682
Purchase of available-for-sale financial assets		(5,877)	(7,105)
Subscription for shares in subsidiary		(1,000,000)	0
Net cash from investing activities		1,568,556	1,294,416
CASH FLOWS FROM FINANCING ACTIVITY			
Dividend paid		(1,200,000)	(1,200,000)
Net cash used in financing activity		(1,200,000)	(1,200,000)
Net increase/(decrease) in cash and cash equivalents		27,441	(296,482)
Cash and cash equivalents brought forward		168,860	465,342
Cash and cash equivalents carried forward	19	196,301	168,860

The annexed notes form an integral part of these financial statements.

Notes to the Financial Statements

For The Financial Year Ended 31 December 2010

1. GENERAL INFORMATION

The Company is a public company limited by shares, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The principal activities of the Company are those of investment holding and provision of management services to its subsidiaries. The principal activities of the subsidiaries are disclosed in Note 5.

The registered office of the Company is located at 57-G, Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang and its principal place of business is located at 19, Hilir Sungai Keluang 2, Taman Perindustrian Bayan Lepas, Fasa IV, 11900 Penang.

The consolidated financial statements set out on pages 31 to 34 together with the notes thereto cover the Company and its subsidiaries ("the Group"). The separate financial statements of the Company set out on pages 35 to 38 together with the notes thereto cover the Company solely.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 21 March 2011.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation of Financial Statements

The financial statements of the Group and the Company are prepared under the historical cost convention, modified to include other bases of measurement as disclosed in other sections of the significant accounting policies, and in accordance with Financial Reporting Standards ("FRSs") and the Companies Act 1965 in Malaysia.

The financial statements are presented in Ringgit Malaysia ("RM").

The following amended/revised/new FRSs became effective for the financial year under review:-

FRS	Effective for financial periods beginning on or after
Amendments to FRS 1 <i>First-time Adoption of Financial Reporting Standards</i> and FRS 127 <i>Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>	1 January 2010
Amendments to FRS 2 <i>Share-based Payment: Vesting Conditions and Cancellations</i>	1 January 2010
Amendments to FRS 132 <i>Financial Instruments: Presentation</i>	1 January 2010
Amendments to FRS 139 <i>Financial Instruments: Recognition and Measurement</i> , FRS 7 <i>Financial Instruments: Disclosures</i> and IC Interpretation 9 <i>Reassessment of Embedded Derivatives</i>	1 January 2010
Amendments to FRS 139 <i>Financial Instruments: Recognition and Measurement</i>	1 January 2010
Amendments to FRSs contained in the document entitled " <i>Improvements to FRSs (2009)</i> "	1 January 2010
FRS 4 <i>Insurance Contracts</i>	1 January 2010
FRS 7 <i>Financial Instruments: Disclosures</i>	1 January 2010
FRS 8 <i>Operating Segments</i>	1 July 2009
FRS 101 <i>Presentation of Financial Statements</i> (revised in 2009)	1 January 2010
FRS 123 <i>Borrowing Costs</i>	1 January 2010

Notes to the Financial Statements (CONT'D)

For The Financial Year Ended 31 December 2010

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.1 Basis of Preparation of Financial Statements (cont'd)

FRS	Effective for financial periods beginning on or after
FRS 139 <i>Financial Instruments: Recognition and Measurement</i>	1 January 2010
IC Interpretation 9 <i>Reassessment of Embedded Derivatives</i>	1 January 2010
IC Interpretation 10 <i>Interim Financial Reporting and Impairment</i>	1 January 2010
IC Interpretation 11 <i>FRS 2 - Group and Treasury Share Transactions</i>	1 January 2010
IC Interpretation 13 <i>Customer Loyalty Programmes</i>	1 January 2010
IC Interpretation 14 <i>FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>	1 January 2010

The adoption of the above amended/revised/new FRSs did not result in any significant changes in the accounting policies of the Group and the Company except as disclosed in Note 2.2.

The Group and the Company have not applied the following amended/revised/new FRSs which have been issued as at the end of the reporting period but are not yet effective:-

FRS	Effective for financial periods beginning on or after
Amendment to FRS 1 <i>Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters</i>	1 January 2011
Amendments to FRS 1 <i>Additional Exemptions for First-time Adopters</i>	1 January 2011
Amendments to FRS 2 <i>Share-based Payment</i>	1 July 2010
Amendments to FRS 2 <i>Group Cash-settled Share-based Payment Transactions</i>	1 January 2011
Amendments to FRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>	1 July 2010
Amendments to FRS 7 <i>Improving Disclosures about Financial Instruments</i>	1 January 2011
Amendments to FRS 132 <i>Financial Instruments: Presentation</i>	1 March 2010
Amendments to FRS 138 <i>Intangible Assets</i>	1 July 2010
Amendments to IC Interpretation 9 <i>Reassessment of Embedded Derivatives</i>	1 July 2010
Amendments to IC Interpretation 14 <i>Prepayments of a Minimum Funding Requirement</i>	1 July 2011
Amendments to FRSs contained in the document entitled " <i>Improvements to FRSs (2010)</i> "	1 January 2011
FRS 1 <i>First-time Adoption of Financial Reporting Standards</i> (revised in 2010)	1 July 2010
FRS 3 <i>Business Combinations</i> (revised in 2010)	1 July 2010
FRS 124 <i>Related Party Disclosures</i> (revised in 2010)	1 January 2012
FRS 127 <i>Consolidated and Separate Financial Statements</i> (revised in 2010)	1 July 2010
IC Interpretation 4 <i>Determining whether an Arrangement contains a Lease</i>	1 January 2011
IC Interpretation 12 <i>Service Concession Arrangements</i>	1 July 2010
IC Interpretation 15 <i>Agreements for the Construction of Real Estate</i>	1 January 2012
IC Interpretation 16 <i>Hedges of a Net Investment in a Foreign Operation</i>	1 July 2010
IC Interpretation 17 <i>Distributions of Non-cash Assets to Owners</i>	1 July 2010
IC Interpretation 18 <i>Transfers of Assets from Customers</i>	1 January 2011
IC Interpretation 19 <i>Extinguishing Financial Liabilities with Equity Instruments</i>	1 July 2011

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.1 Basis of Preparation of Financial Statements (cont'd)

Management foresees that the initial application of the above amended/revised/new FRSs will not have any significant impacts on the financial statements except as follows:-

FRS 3 Business Combinations (revised in 2010)

FRS 3 (revised in 2010), which supersedes FRS 3 Business Combinations (issued in 2005), introduces significant changes to the accounting for business combinations, both at the acquisition date and post acquisition, and requires greater use of fair values. In addition, all acquisition-related costs, other than the costs to issue debt or equity securities, shall be recognised in profit or loss as incurred. In accordance with the transitional provisions of FRS 3 (revised in 2010), the Group and the Company will apply the standard prospectively to business combinations for which the acquisition date is on or after the effective date.

FRS 127 Consolidated and Separate Financial Statements (revised in 2010)

FRS 127 (revised in 2010), which supersedes FRS 127 *Consolidated and Separate Financial Statements* (revised in 2005), requires the total comprehensive income of a subsidiary to be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. The revised standard also requires the changes in a parent's ownership interest in a subsidiary that do not result in a loss of control to be accounted for as equity transactions. In accordance with the transitional provisions of FRS 127 (revised in 2010), the aforementioned amendments will be applied prospectively.

2.2 Changes in Accounting Policies

Significant changes in the accounting policies of the Group and the Company following the adoption of the amended/revised/new FRSs are summarised below:-

Amendments to FRS 117 Leases

Included in *Improvements to FRSs (2009)* are amendments to FRS 117 which clarify that the classification of leasehold land as a finance lease or an operating lease shall be based on the extent to which risks and rewards incidental to ownership lie.

Prior to the adoption of the amendments to FRS 117, leasehold land was classified as an operating lease and recognised as prepaid lease payments.

In accordance with the transitional provisions of the amendments, the Group has reassessed the classification on the effective date on the basis of information existing at the inception of the lease. Accordingly, the effects of adopting the amendments have been accounted for retrospectively in accordance with FRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors* by restating the following comparative figures:-

	As previously reported RM	Effects of adopting amendments to FRS 117 RM	As restated RM
<u>Consolidated Statement of Financial Position (Extract)</u>			
<u>As at 1 January 2009</u>			
Property, plant and equipment	63,693,475	3,852,634	67,546,109
Prepaid lease payments	3,852,634	(3,852,634)	0
<u>As at 31 December 2009</u>			
Property, plant and equipment	72,294,684	3,768,422	76,063,106
Prepaid lease payments	3,768,422	(3,768,422)	0

Notes to the Financial Statements (CONT'D)

For The Financial Year Ended 31 December 2010

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Changes in Accounting Policies (cont'd)

FRS 123 Borrowing Costs

FRS 123, which supersedes FRS 123₂₀₀₄ *Borrowing Costs*, removes the option of immediately recognising in profit or loss borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.

Prior to the adoption of FRS 123, all borrowing costs were recognised in profit or loss in the period in which they were incurred.

In accordance with the transitional provisions of FRS 123, the Group has applied the standard prospectively to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after the effective date.

FRS 139 Financial Instruments: Recognition and Measurement

FRS 139 sets out the accounting principles for recognising and measuring financial instruments. Some of the key principles established are disclosed in Notes 2.9 and 2.10.

Prior to the adoption of FRS 139 (and the amendments thereto), financial assets and financial liabilities were mainly recorded at cost less, in the case of a financial asset, any allowance for diminution in value or impairment.

In accordance with the transitional provisions of FRS 139, the Group and the Company have applied the standard prospectively and concluded that no adjustment to any opening balance as at 1 January 2010 was necessary.

2.3 Basis of Consolidation

A subsidiary is an entity that is controlled by the Group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to the end of the reporting period using the purchase method. The results of the subsidiary acquired or disposed of during the financial year are included in the consolidated financial statements from the date of acquisition or up to the date of disposal. Intragroup balances, transactions, income and expenses are eliminated in full on consolidation.

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 acquired at the acquisition date represents goodwill. Goodwill is recognised as an asset at cost less accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.7. When the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary acquired at the acquisition date exceeds the cost of acquisition, the excess (hereinafter referred to as "negative goodwill"), after reassessment, is recognised in profit or loss.

2.4 Property, Plant and Equipment

Property, plant and equipment are stated at cost or at valuation less accumulated depreciation and accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.7.

The last revaluation of certain land and buildings was made in 1997 and has not been updated. The Group has followed the transitional provisions of IAS 16 (Revised) *Property, Plant and Equipment* issued by the Malaysian Accounting Standards Board to retain the carrying amounts of the assets on the basis of their previous revaluation subject to continuity in their depreciation and impairment policies.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Property, Plant and Equipment (cont'd)

A revaluation increase is recognised in other comprehensive income and accumulated in equity as revaluation surplus or recognised in profit or loss to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in profit or loss. A revaluation decrease is recognised in profit or loss or recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of the same asset.

Leasehold land is depreciated on a straight-line basis over the lease term of 57 years. Other property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets using the following annual rates:-

Buildings	5% - 6.67%
Plant and machinery	10%
Furniture, fittings and office equipment	8% - 33.33%
Renovation and electrical installation	10% - 20%
Motor vehicles	10% - 20%

The residual value, useful life and depreciation method of an asset are reviewed at least at the end of each reporting period and any changes in expectations from previous estimates are accounted for prospectively as changes in accounting estimates.

2.5 Investments in Subsidiaries

As required by the Companies Act 1965, the Company prepares separate financial statements in addition to the consolidated financial statements. In the separate financial statements of the Company, investments in subsidiaries are stated at cost less impairment losses, if any. The impairment policy is disclosed in Note 2.7.

2.6 Investments in Club Memberships

Investments in club memberships are stated at cost less impairment losses, if any. The impairment policy is disclosed in Note 2.7.

2.7 Impairment of Non-financial Assets

At the end of each reporting period, the Group and the Company assess whether there is any indication that a non-financial asset, other than inventories and deferred tax assets, may be impaired. If any such indication exists, the recoverable amount of the asset, being the higher of its fair value less costs to sell and its value in use, is estimated. Irrespective of whether there is any indication of impairment, goodwill is tested for impairment annually. Any excess of the carrying amount of the asset over its recoverable amount represents an impairment loss and is recognised in profit or loss or, in respect of a revalued asset, treated as a revaluation decrease.

An impairment loss on an asset, other than goodwill, is reversed if there has been a change in the estimates used to determine the recoverable amount and it is reversed only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised. The reversal is recognised in profit or loss or, in respect of a revalued asset, treated as a revaluation increase. An impairment loss on goodwill is not reversed.

Notes to the Financial Statements (CONT'D)

For The Financial Year Ended 31 December 2010

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.8 Inventories

Inventories of materials and goods are valued at the lower of cost (determined on the weighted average and first-in, first-out bases) and net realisable value. Cost consists of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale.

2.9 Financial Assets

Financial assets of the Group and the Company consist of quoted investments, receivables and cash and cash equivalents.

Recognition and Measurement

A financial asset is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument. A regular way purchase or sale of financial assets is recognised or derecognised using settlement date accounting. A financial asset is initially recognised at fair value plus, in the case of a financial asset not at fair value through profit or loss, directly attributable transaction costs. The subsequent measurement of a financial asset depends on its classification as follows:-

(i) Financial assets at fair value through profit or loss

The Group and the Company do not have any financial assets classified under this category.

(ii) Held-to-maturity investments

The Group and the Company do not have any financial assets classified under this category.

(iii) Loans and receivables

All receivables and cash and cash equivalents are classified under this category. After initial recognition, such financial assets are measured at amortised cost using the effective interest method. Any gain or loss is recognised in profit or loss when the financial asset is derecognised or impaired as well as through the amortisation process.

(iv) Available-for-sale financial assets

All quoted investments are classified under this category. After initial recognition, such financial assets are measured at fair value. Any gain or loss arising from a change in the fair value, except for impairment loss, is recognised in other comprehensive income and accumulated in equity as fair value reserve until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

A financial asset is derecognised when, and only when, the contractual rights to the cash flows from the financial asset have expired or all the risks and rewards of ownership have been substantially transferred.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.9 Financial Assets (cont'd)

Impairment

At the end of each reporting period, the Group and the Company assess whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the impairment loss is measured as follows:-

(i) Financial assets carried at amortised cost

An impairment loss on loans and receivables is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted using the asset's original effective interest rate. The asset's carrying amount is reduced through the use of an allowance account and the impairment loss is recognised in profit or loss. The gross carrying amount and the associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the increased carrying amount does not exceed what the amortised cost would have been had no impairment loss been recognised at the reversal date. The reversal is recognised in profit or loss.

(ii) Available-for-sale financial assets

When there is a significant or prolonged decline in the fair value of an investment in equity instrument classified as available-for-sale, the cumulative loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognised. Such cumulative loss reclassified from equity to profit or loss represents an impairment loss and is measured as the difference between the acquisition cost and current fair value, less any impairment loss previously recognised in profit or loss. The impairment loss is not reversed through profit or loss in any subsequent period.

Determination of Fair Values

The fair values of quoted investments are determined by reference to quoted market prices in an active market.

The carrying amounts of receivables and cash and cash equivalents which are short-term in nature or repayable on demand are assumed to be reasonable approximations of fair values.

2.10 Financial Liabilities

Financial liabilities of the Group and the Company consist of payables, loans and borrowings and financial guarantee contracts.

Recognition and Measurement

A financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is initially recognised at fair value less directly attributable transaction costs. After initial recognition, all financial liabilities, except for financial guarantee contracts, are measured at amortised cost using the effective interest method. Any gain or loss is recognised in profit or loss when the financial liability is derecognised as well as through the amortisation process. After initial recognition at fair value, if any, financial guarantee contracts are measured at the higher of the amount initially recognised less appropriate amortisation and the estimate of any probable obligation.

Notes to the Financial Statements (CONT'D)

For The Financial Year Ended 31 December 2010

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.10 Financial Liabilities (cont'd)

Recognition and Measurement (cont'd)

A financial liability is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires.

Determination of Fair Values

The carrying amounts of payables and loans and borrowings which are short-term in nature or repayable on demand are assumed to be reasonable approximations of fair values.

The fair values of long-term loans and borrowings are estimated by discounting the expected future cash flows using the current market interest rates for similar liabilities.

The fair values of financial guarantee contracts are estimated based on probability-adjusted discounted cash flow analysis after considering the probability of default by the debtors.

2.11 Leases

Finance Lease

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee.

A finance lease, including hire purchase, is initially recognised as an asset and liability at the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The minimum lease payments are subsequently apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability. The depreciation policy for depreciable leased assets is consistent with that for equivalent owned assets.

Operating Lease

An operating lease is a lease other than a finance lease.

Lease payments under an operating lease are recognised in profit or loss on a straight-line basis over the lease term.

2.12 Foreign Currency Transactions and Translation

The consolidated financial statements and separate financial statements of the Company are presented in Ringgit Malaysia, which is also the Company's functional currency, being the currency of the primary economic environment in which the entity operates. Items included in the financial statements of each individual entity within the Group are measured using the individual entity's own functional currency.

A foreign currency transaction is recorded in the functional currency using the exchange rate at transaction date. At the end of the reporting period, foreign currency monetary items are translated into the functional currency using the closing rate. Foreign currency non-monetary items measured at cost are translated using the exchange rate at transaction date whereas those measured at fair value are translated using the exchange rate at valuation date. Exchange differences arising from the settlement or translation of monetary items are recognised in profit or loss. Any exchange component of the gain or loss on a non-monetary item is recognised on the same basis as that of the gain or loss, i.e. in profit or loss or in other comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.12 Foreign Currency Transactions and Translation (cont'd)

In translating the financial position and results of a foreign operation whose functional currency is not the required presentation currency, i.e. Ringgit Malaysia, assets and liabilities are translated into the presentation currency using the closing rate whereas income and expenses are translated using the exchange rates at transaction dates. All resulting exchange differences are recognised in other comprehensive income and accumulated in equity as currency translation reserve until the foreign operation is disposed of, at which time the cumulative exchange differences previously recognised in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment.

Any goodwill and fair value adjustments arising from the acquisition of a foreign operation occurring after 1 January 2006 are treated as assets and liabilities of the foreign operation to be expressed in its functional currency and translated into the presentation currency using the closing rate. As allowed by the transitional provisions of FRS 121 *The Effects of Changes in Foreign Exchange Rates*, goodwill and fair value adjustments arising from the acquisition which occurred before 1 January 2006 have not been restated and continue to be treated as assets and liabilities of the acquirer. Accordingly, these goodwill and fair value adjustments are reported using the exchange rate at acquisition date.

2.13 Share Capital

Ordinary shares are classified as equity. Transaction costs that relate to the issue of new shares are accounted for as a deduction from equity.

Dividends on shares declared and unpaid at the end of the reporting period are recognised as a liability whereas dividends proposed or declared after the reporting period are disclosed in the notes to the financial statements.

2.14 Income Recognition

Income from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

Income from the rendering of services is recognised when the services are performed.

Dividend income is recognised when the shareholder's right to receive payment is established.

Interest income is recognised using the effective interest method.

Rental income is recognised on an accrual basis.

2.15 Employee Benefits

Short-term Employee Benefits

Short-term employee benefits such as wages, salaries, bonuses and social security contributions are recognised in profit or loss in the period in which the associated services are rendered by the employee.

Defined Contribution Plans

As required by law, employers in Malaysia make contributions to the statutory pension scheme, Employees Provident Fund ("EPF"). The Group's foreign subsidiaries make contributions to their respective countries' statutory pension schemes. Contributions to defined contribution plans are recognised in profit or loss in the period in which the associated services are rendered by the employee.

Notes to the Financial Statements (CONT'D)

For The Financial Year Ended 31 December 2010

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.16 Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, which is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of the asset, until such time as the asset is substantially ready for its intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.17 Income Taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax represents the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided for under the liability method in respect of all temporary differences between the carrying amount of an asset or liability and its tax base except for those temporary differences associated with goodwill, negative goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and affects neither accounting nor taxable results at the time of the transaction.

A deferred tax liability is recognised for all taxable temporary differences whereas a deferred tax asset is recognised for all deductible temporary differences, unused tax losses and unused tax credits (including unused reinvestment allowances) to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits (including unused reinvestment allowances) can be utilised. 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 the tax rates that have been enacted or substantively enacted by the end of the reporting period.

2.18 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, term deposits (excluding those pledged as security), bank overdrafts and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3. JUDGEMENTS AND ESTIMATION UNCERTAINTY

Judgements Made in Applying Accounting Policies

In the process of applying the accounting policies of the Group and the Company, management makes the following judgements, apart from those involving estimations, that can significantly affect the amounts recognised in the financial statements:-

(i) Classification of leasehold land

The classification of leasehold land as a finance lease or an operating lease requires the use of judgement in determining the extent to which risks and rewards incidental to ownership lie. Despite the fact that there will be no transfer of ownership by the end of the lease term and that the lease term does not constitute the major part of the indefinite economic life of the land, management considered that the present value of the minimum lease payments approximated to the fair value of the land at the inception of the lease. Accordingly, management judged that the Group has acquired substantially all the risks and rewards incidental to ownership of the land through a finance lease.

3. JUDGEMENTS AND ESTIMATION UNCERTAINTY (cont'd)

Judgements Made in Applying Accounting Policies (cont'd)

(ii) Impairment of available-for-sale financial assets

When there is a significant or prolonged decline in the fair value of an investment classified as available-for-sale, the cumulative decline represents an impairment loss. The determination of what constitutes "significant or prolonged" requires judgement. In making this judgement, management continuously evaluates the historical price movements and the duration and extent of the decline in fair value below cost. For the financial year ended 31 December 2010, the Group has not recognised any impairment loss on available-for-sale financial assets.

Sources of Estimation Uncertainty

The key assumptions about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:-

(i) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets. Management estimates the useful lives to be within 3 to 20 years. Changes in the expected level of usage and technological development will impact on the economic useful lives and residual values of the assets and therefore, future depreciation charges may be revised. The carrying amounts of property, plant and equipment are disclosed in Note 4.

(ii) Impairment of non-financial assets

When the recoverable amount of a non-financial asset is determined based on its value in use, estimates on future cash flows and appropriate discount rate are required to determine the present value of those cash flows. The non-financial assets subject to impairment assessment and their carrying amounts as at 31 December 2010 are as follows:-

	Group RM
Property, plant and equipment	81,649,772
Goodwill on consolidation	25,252
Investments in club memberships	<u>61,000</u>

(iii) Allowance for inventories

Reviews are made periodically by management on inventories for excess inventories, obsolescence and decline in net realisable value below cost. These reviews require the use of judgements and estimates. Possible changes in these estimates may result in revisions to the valuation of inventories. The carrying amounts of inventories are disclosed in Note 8.

(iv) Impairment of loans and receivables

The Group and the Company make allowance for impairment based on an assessment of the recoverability of loans and receivables. Allowance is applied to loans and receivables when there is objective evidence that the balances may not be recoverable. Management specifically analyses historical bad debts, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment. Where expectations are different from previous estimates, the difference will impact on the carrying amounts of loans and receivables as disclosed in Note 9.

Notes to the Financial Statements (CONT'D)

For The Financial Year Ended 31 December 2010

3. JUDGEMENTS AND ESTIMATION UNCERTAINTY (cont'd)

Sources of Estimation Uncertainty (cont'd)

(v) Income taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimates. The Group and the Company recognise tax assets/liabilities based on their understanding of the prevailing tax laws and estimates of whether such assets/liabilities will be realised/settled in the ordinary course of business. Where the final tax outcome of these matters is different from the amounts initially recognised, the difference will impact on the tax recognition in the period in which the outcome is determined. The carrying amounts of tax assets/liabilities as at 31 December 2010 are as follows:-

	Group RM	Company RM
Current tax assets	390,706	46,000
Current tax liabilities	308,159	0
Deferred tax assets	115,743	0
Deferred tax liabilities	1,533,190	0

4. PROPERTY, PLANT AND EQUIPMENT

Group	Short-term leasehold land RM	Buildings RM	Plant and machinery RM	Furniture, fittings and office equipment RM	Renovation and electrical installation RM	Motor vehicles RM	Total RM
Cost/Valuation							
Balance at 1 January 2009	0	22,380,937	71,508,436	2,789,298	2,254,044	2,596,685	101,529,400
- As previously reported	4,800,000	0	0	0	0	0	4,800,000
- Effects of adopting amendments to FRS 117	0	0	0	0	0	0	0
- As restated	4,800,000	22,380,937	71,508,436	2,789,298	2,254,044	2,596,685	106,329,400
Acquisition of subsidiaries	0	1,028,565	13,519,609	187,484	0	226,350	14,962,008
Additions	0	218,639	3,900,312	168,934	89,405	71,066	4,448,356
Disposals/Write-offs	0	0	(1,657,702)	(71,968)	(1)	(190,807)	(1,920,478)
Currency translation differences	0	13,285	119,639	(9,324)	340	(14,831)	109,109
Balance at 31 December 2009	4,800,000	23,641,426	87,390,294	3,064,424	2,343,788	2,688,463	123,928,395
Representing:-							
- Cost	0	20,441,426	87,390,294	3,064,424	2,343,788	2,688,463	115,928,395
- Valuation	4,800,000	3,200,000	0	0	0	0	8,000,000
Balance at 31 December 2010	4,800,000	23,641,426	87,390,294	3,064,424	2,343,788	2,688,463	123,928,395
Cost/Valuation							
Balance at 1 January 2010	0	23,641,426	87,390,294	3,064,424	2,343,788	2,688,463	119,128,395
- As previously reported	4,800,000	0	0	0	0	0	4,800,000
- Effects of adopting amendments to FRS 117	0	0	0	0	0	0	0
- As restated	4,800,000	23,641,426	87,390,294	3,064,424	2,343,788	2,688,463	123,928,395
Additions	0	0	19,581,111	140,747	0	532,099	20,253,957
Disposals/Write-offs	0	0	(2,571,722)	(38,047)	0	(259,430)	(2,869,199)
Currency translation differences	0	(89,227)	(1,501,716)	(40,685)	(8,006)	139,957	(1,499,677)
Balance at 31 December 2010	4,800,000	23,552,199	102,897,967	3,126,439	2,335,782	3,101,089	139,813,476
Representing:-							
- Cost	0	20,352,199	102,897,967	3,126,439	2,335,782	3,101,089	131,813,476
- Valuation	4,800,000	3,200,000	0	0	0	0	8,000,000
Balance at 31 December 2010	4,800,000	23,552,199	102,897,967	3,126,439	2,335,782	3,101,089	139,813,476

Notes to the Financial Statements (CONT'D)

For The Financial Year Ended 31 December 2010

4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Group	Short-term leasehold land RM	Buildings RM	Plant and machinery RM	Furniture, fittings and office equipment RM	Renovation and electrical installation RM	Motor vehicles RM	Total RM
Accumulated depreciation							
Balance at 1 January 2009	0	4,819,344	29,031,843	1,560,381	1,358,140	1,066,217	37,835,925
- As previously reported	947,366	0	0	0	0	0	947,366
- Effects of adopting amendments to FRS 117							
- As restated	947,366	4,819,344	29,031,843	1,560,381	1,358,140	1,066,217	38,783,291
Depreciation	84,212	1,560,324	7,811,302	277,601	183,095	443,791	10,360,325
Disposals/Write-offs	0	0	(1,136,288)	(71,228)	0	(103,037)	(1,310,553)
Currency translation differences	0	2,547	37,962	(6,819)	23	(1,487)	32,226
Balance at 31 December 2009	1,031,578	6,382,215	35,744,819	1,759,935	1,541,258	1,405,484	47,865,289
Balance at 1 January 2010							
- As previously reported	0	6,382,215	35,744,819	1,759,935	1,541,258	1,405,484	46,833,711
- Effects of adopting amendments to FRS 117	1,031,578	0	0	0	0	0	1,031,578
- As restated	1,031,578	6,382,215	35,744,819	1,759,935	1,541,258	1,405,484	47,865,289
Depreciation	84,211	1,567,839	8,842,662	262,131	175,295	440,896	11,373,034
Disposals/Write-offs	0	0	(665,623)	(38,047)	0	(209,955)	(913,625)
Currency translation differences	0	(9,204)	(208,212)	(26,115)	(808)	83,345	(160,994)
Balance at 31 December 2010	1,115,789	7,940,850	43,713,646	1,957,904	1,715,745	1,719,770	58,163,704
<u>Carrying amount</u>							
Balance at 1 January 2009 (Restated)	3,852,634	17,561,593	42,476,593	1,228,917	895,904	1,530,468	67,546,109
Balance at 31 December 2009 (Restated)	3,768,422	17,259,211	51,645,475	1,304,489	802,530	1,282,979	76,063,106
Balance at 31 December 2010	3,684,211	15,611,349	59,184,321	1,168,535	620,037	1,381,319	81,649,772

Notes to the Financial Statements (CONT'D)
For The Financial Year Ended 31 December 2010

4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

The land and buildings were revalued in 1997 based on the market values given by independent professional valuers using the comparison method. Had the land and buildings been carried at historical cost less accumulated depreciation, the carrying amounts that would have been recognised in the financial statements are as follows:-

	2010 RM	2009 RM
Short-term leasehold land	917,340	939,714
Buildings	307,128	464,948
	<u>1,224,468</u>	<u>1,404,662</u>

The carrying amounts of property, plant and equipment pledged as security for credit facilities granted to the Group are as follows:-

	2010 RM	2009 RM
Short-term leasehold land	3,684,211	3,768,422
Buildings	14,779,099	13,692,700
	<u>18,463,310</u>	<u>17,461,122</u>

The carrying amounts of property, plant and equipment acquired under hire purchase financing which remained outstanding as at the end of the reporting period are as follows:-

	2010 RM	2009 RM
Plant and machinery	18,464,061	12,449,356
Motor vehicles	743,324	440,950
	<u>19,207,385</u>	<u>12,890,306</u>

5. INVESTMENTS IN SUBSIDIARIES

Company

	2010 RM	2009 RM
Unquoted shares - at cost	<u>54,351,525</u>	<u>53,351,525</u>

Notes to the Financial Statements (CONT'D)

For The Financial Year Ended 31 December 2010

5. INVESTMENTS IN SUBSIDIARIES (cont'd)

The details of the subsidiaries are as follows:-

Name of Subsidiary	Country of Incorporation	Effective Ownership Interest		Principal Activity
		2010	2009	
<u>Direct Subsidiaries</u>				
Dufu Industries Sdn. Bhd.	Malaysia	100%	100%	Design, development, manufacture, assembly and trade of die components and precision machining of vice, computer peripherals and parts, for hard disk drive
I.P.G. Metal Industry (M) Sdn. Bhd.	Malaysia	100%	100%	Manufacture of precision steel moulds and parts and components for electronic equipment
Futron Technology Limited*	Hong Kong	100%	100%	Trading of optics, magnetism driver and parts
Dufu Dyna-Edge Sdn. Bhd.	Malaysia	100%	N/A	Dormant
<u>Indirect Subsidiaries</u>				
<u>Subsidiary of Dufu Industries Sdn. Bhd.</u>				
Dufu Industries Services Pte. Ltd.*	Singapore	100%	100%	Processing and trading of high quality computer disk-drive related components
<u>Subsidiary of Futron Technology Limited.</u>				
Futron Technology Co. Ltd.*	People's Republic of China	100%	100%	Manufacture and trading of optics, magnetism driver and parts

* Not audited by Crowe Horwath

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Group and Company

	2010 RM	2009 RM
Unit trust quoted in Malaysia:-		
- At cost	0	289,033
- At fair value	294,910	0
	294,910	289,033
Market value of quoted unit trust	294,910	289,033

Notes to the Financial Statements (CONT'D)
For The Financial Year Ended 31 December 2010

7. DEFERRED TAX ASSETS/(LIABILITIES)

Group

	2010 RM	2009 RM
Balance at 1 January	(2,124,421)	(1,866,857)
Deferred tax income/(expense) relating to origination and reversal of temporary differences recognised in:-		
- Profit or loss	552,543	(216,780)
- Other comprehensive income	0	(41,594)
Deferred tax liabilities overprovided in prior year	154,582	0
Currency translation differences	(151)	810
Balance at 31 December	(1,417,447)	(2,124,421)
Disclosed as:-		
- Deferred tax assets	115,743	0
- Deferred tax liabilities	(1,533,190)	(2,124,421)
	(1,417,447)	(2,124,421)
In respect of:-		
- (Taxable)/Deductible temporary differences of:-		
- Property, plant and equipment	(3,143,190)	(3,164,421)
- Financial instruments	115,743	49,000
- Unused capital allowances	0	92,000
- Unused reinvestment allowances	1,610,000	899,000
	(1,417,447)	(2,124,421)

Save as disclosed above, as at 31 December 2010, deferred tax liabilities and deferred tax assets have also effectively been recognised and offset against each other by the Group to the extent of approximately RM209,000 (2009 : RM464,000). No further deferred tax assets have been recognised for the excess of the unused capital allowances, unused reinvestment allowances and unused tax losses over the taxable temporary differences as follows:-

	2010 RM	2009 RM
Unused capital allowances	1,026,000	598,000
Unused reinvestment allowances	2,741,000	2,374,000
Unused tax losses	375,000	0
Taxable temporary differences of property, plant and equipment	(835,000)	(1,854,000)
	3,307,000	1,118,000

Notes to the Financial Statements (CONT'D)

For The Financial Year Ended 31 December 2010

8. INVENTORIES

Group

	2010 RM	2009 RM
Raw materials	6,828,972	6,936,179
Work-in-progress	2,226,325	3,169,040
Finished goods	14,849,819	9,444,774
Tools and instruments	1,647,764	1,693,782
	25,552,880	21,243,775

9. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Trade receivables:-				
- Related parties*	758,825	483,390	0	0
- Unrelated parties	33,841,705	35,107,848	0	0
- Allowance for impairment	(70,968)	(70,968)	0	0
	33,770,737	35,036,880	0	0
	34,529,562	35,520,270	0	0
Other receivables:-				
- Subsidiaries	0	0	8,148,986	13,715,186
- Other related parties*	28,000	66,856	0	0
- Unrelated parties	3,012,969	3,550,584	0	0
	3,040,969	3,617,440	8,148,986	13,715,186
	37,570,531	39,137,710	8,148,986	13,715,186

* Being companies connected with certain directors

The currency profile of trade and other receivables is as follows:-

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Ringgit Malaysia	4,653,341	3,645,229	8,148,986	13,715,186
US Dollar	29,642,522	30,400,545	0	0
Singapore Dollar	241,643	445,892	0	0
Hong Kong Dollar	54,953	2,818,589	0	0
Renminbi	2,978,072	1,827,455	0	0
	37,570,531	39,137,710	8,148,986	13,715,186

9. TRADE AND OTHER RECEIVABLES (cont'd)

Trade Receivables

Trade receivables are unsecured, non-interest bearing and generally on 30 to 270 day terms.

The movements in allowance for impairment are as follows:-

	Group	
	2010	2009
	RM	RM
Balance at 1 January	70,968	85,968
Impairment loss reversed	0	(15,000)
Balance at 31 December	70,968	70,968

All the above impairment losses were individually determined after considering the adverse financial conditions of the debtors who have defaulted/delayed in payments.

The ageing analysis of trade receivables not impaired is as follows:-

	Group	
	2010	2009
	RM	RM
Not past due	13,376,114	15,539,387
Past due 1 to 30 days	10,478,717	10,107,060
Past due 31 to 120 days	9,980,853	9,389,127
Past due more than 120 days	693,878	484,696
	34,529,562	35,520,270

Trade receivables that are neither past due nor impaired mainly relate to creditworthy customers who have regular transactions and good payment records with the Group.

Management determines credit risk concentrations in terms of counterparties and geographical areas. As at 31 December 2010, there were 2 (2009 : 3) major customers that accounted for 10% or more of the Group's trade receivables and the total outstanding balances due from these major customers amounted to RM21,297,775 (2009 : RM24,927,916). The credit risk concentration profile by geographical areas of trade receivables is as follows:-

	Group	
	2010	2009
	RM	RM
Malaysia	10,542,972	8,452,835
China	7,316,116	8,121,381
Germany	350,368	111,952
Singapore	1,195,739	1,475,140
Thailand	13,123,421	14,027,179
Others	2,000,946	3,331,783
	34,529,562	35,520,270

Notes to the Financial Statements (CONT'D)

For The Financial Year Ended 31 December 2010

9. TRADE AND OTHER RECEIVABLES (cont'd)

Other Receivables

Other receivables are unsecured and non-interest bearing. The amounts owing by subsidiaries are repayable on demand. The amounts owing by other related parties and unrelated parties mainly consist of advances and refundable deposits which have no fixed repayment terms.

10. CASH AND BANK BALANCES

The currency profile of cash and bank balances is as follows:-

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Ringgit Malaysia	2,387,745	2,413,768	196,301	168,860
Renminbi	1,819,415	2,120,326	0	0
US Dollar	1,898,545	2,649,526	0	0
Singapore Dollar	72,137	81,832	0	0
Hong Kong Dollar	14,335	23,560	0	0
	<u>6,192,177</u>	<u>7,289,012</u>	<u>196,301</u>	<u>168,860</u>

11. TRADE AND OTHER PAYABLES

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Trade payables:-	3,157	3,166	0	0
- Related party*	10,035,043	10,218,700	0	0
- Unrelated parties	10,038,200	10,221,866	0	0
Other payables:-				
- Related party*	29,941	0	0	0
- Unrelated parties	5,680,365	6,342,216	34,683	33,830
	5,710,306	6,342,216	34,683	33,830
Balance consideration payable for acquisition of subsidiaries	0	3,000,000	0	3,000,000
	<u>15,748,506</u>	<u>19,564,082</u>	<u>34,683</u>	<u>3,033,830</u>

* Being company connected with certain directors

Notes to the Financial Statements (CONT'D)
For The Financial Year Ended 31 December 2010

11. TRADE AND OTHER PAYABLES (cont'd)

The currency profile of trade and other payables is as follows:-

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Ringgit Malaysia	6,283,401	9,588,615	34,683	3,033,830
Renminbi	3,095,686	977,595	0	0
US Dollar	810,121	4,544,107	0	0
Hong Kong Dollar	83,244	74,497	0	0
Singapore Dollar	4,434,681	3,929,691	0	0
Japanese Yen	1,034,532	452,421	0	0
Others	6,841	(2,844)	0	0
	<u>15,748,506</u>	<u>19,564,082</u>	<u>34,683</u>	<u>3,033,830</u>

Trade and other payables are generally short-term in nature or repayable on demand and their carrying amounts will approximate to the remaining contractual undiscounted cash flows.

Trade Payables

Trade payables are unsecured, non-interest bearing and generally on 30 to 120 day terms.

Other Payables

Other payables are unsecured and non-interest bearing. The amounts mainly consist of sundry payables and accruals for operating expenses which are generally due within 30 to 90 days.

12. LOANS AND BORROWINGS

Group	2010 RM	2009 RM
<u>Secured</u>		
Hire purchase payables (fixed rate)	14,345,242	7,787,613
Banker acceptances (fixed rate)	2,714,000	838,000
Bank overdrafts (floating rate)	2,559,153	0
Revolving credit (floating rate)	0	770,000
Term loans (floating rate)	15,098,072	16,540,605
<u>Unsecured</u>		
Term loans (floating rate)	1,240,495	2,290,321
Bank overdrafts (floating rate)	2,885,084	1,905,134
Banker acceptances (fixed rate)	5,921,051	3,885,906
Revolving credit (floating rate)	1,500,000	0
	<u>46,263,097</u>	<u>34,017,579</u>
Disclosed as:-		
- Current liabilities	24,375,555	14,205,938
- Non-current liabilities	21,887,542	19,811,641
	<u>46,263,097</u>	<u>34,017,579</u>

Notes to the Financial Statements (CONT'D)

For The Financial Year Ended 31 December 2010

12. LOANS AND BORROWINGS (cont'd)

Hire purchase payables are secured against the assets acquired thereunder (Note 4). Other secured loans and borrowings are secured against certain property, plant and equipment (Note 4). Unsecured loans and borrowings are guaranteed by the Company.

The effective interest rates of loans and borrowings as at 31 December 2010 ranged from 1.95% to 8.64% (2009 : 2.35% to 7.61%) per annum.

The currency profile of loans and borrowings is as follows:-

	2010 RM	2009 RM
Ringgit Malaysia	36,329,129	27,645,484
US Dollar	4,079,674	842,236
Hong Kong Dollar	5,854,294	4,195,455
Japanese Yen	0	1,334,404
	46,263,097	34,017,579

Except for hire purchase payables and term loans, loans and borrowings are generally short-term in nature or repayable on demand and their carrying amounts will approximate to the remaining contractual undiscounted cash flows.

Hire Purchase Payables

Hire purchase payables are repayable over 5 years. The repayment analysis is as follows:-

	2010 RM	2009 RM
Minimum hire purchase payments:-		
- Within 1 year	6,827,557	4,899,865
- Later than 1 year and not later than 2 years	5,519,354	2,839,143
- Later than 2 years and not later than 5 years	3,263,174	898,190
Total contractual undiscounted cash flows	15,610,085	8,637,198
Future finance charges	(1,264,843)	(849,585)
Present value of hire purchase payables:-		
- Within 1 year	6,161,023	4,440,863
- Later than 1 year and not later than 2 years	4,586,953	2,439,451
- Later than 2 years and not later than 5 years	3,597,266	907,299
	14,345,242	7,787,613

The carrying amounts of hire purchase payables are reasonable approximations of fair values as their effective interest rates also approximate to the current market interest rates for similar liabilities.

Notes to the Financial Statements (CONT'D)
For The Financial Year Ended 31 December 2010

12. LOANS AND BORROWINGS (cont'd)

Term Loans

Term loans are repayable over 10 to 15 years. The repayment analysis is as follows:-

	2010 RM	2009 RM
Gross loan instalments:-		
- Within 1 year or on demand	3,365,707	3,184,102
- Later than 1 year and not later than 2 years	2,125,212	3,110,927
- Later than 2 years and not later than 5 years	6,213,837	6,868,587
- Later than 5 years	8,768,742	9,791,619
Total contractual undiscounted cash flows	20,473,498	22,955,235
Future finance charges	(4,134,931)	(4,124,309)
Present value of term loans:-		
- Within 1 year or on demand	2,635,244	2,366,035
- Later than 1 year and not later than 2 years	1,433,194	2,382,378
- Later than 2 years and not later than 5 years	4,631,751	5,335,497
- Later than 5 years	7,638,378	8,747,016
	<u>16,338,567</u>	<u>18,830,926</u>

The carrying amounts of term loans are reasonable approximations of fair values as their effective interest rates also approximate to the current market interest rates for similar liabilities.

13. SHARE CAPITAL

	2010 RM	2009 RM
Authorised:-		
200,000,000 ordinary shares of RM0.50 each	<u>100,000,000</u>	<u>100,000,000</u>
Issued and fully paid-up:-		
120,000,000 ordinary shares of RM0.50 each	<u>60,000,000</u>	<u>60,000,000</u>

14. REVENUE

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Sale of goods	128,487,252	116,632,403	0	0
Interest income	8,233	9,709	8,233	9,709
Dividend income from subsidiary	0	0	0	4,000,000
Management fee	0	0	120,000	120,000
	<u>128,495,485</u>	<u>116,642,112</u>	<u>128,233</u>	<u>4,129,709</u>

Notes to the Financial Statements (CONT'D)

For The Financial Year Ended 31 December 2010

15. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Short-term employee benefits	24,218,733	19,133,772	276,000	264,500
Defined contribution plans	1,130,793	1,101,097	0	0
	25,349,526	20,234,869	276,000	264,500

16. PROFIT/(LOSS) BEFORE TAX

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Profit/(Loss) before tax is arrived at after charging:-				
Auditors' remuneration:-				
- Current year	189,873	175,039	15,000	15,000
- Prior year	(10,077)	(30,230)	0	0
Bad debts written off	0	1,500	0	0
Directors' remuneration:-				
- Fee	227,000	216,000	216,000	216,000
- Other emoluments	1,059,362	1,022,531	60,000	48,500
Fee expense for financial instruments not at fair value through profit or loss	63,652	70,853	595	40
Incorporation fee	6,400	0	0	0
Interest expense for financial liabilities not at fair value through profit or loss	2,551,510	1,861,074	0	0
Loss on foreign exchange:-				
- Realised	2,838,639	593,494	1,263	834
- Unrealised	0	411,087	0	0
Loss on disposal of property, plant and equipment	0	497,514	0	0
Property, plant and equipment written off	0	3,545	0	0
Rental of motor vehicles	30,000	0	0	0
Rental of premises	38,071	289,471	0	0
and crediting:-				
Gain on disposal of property, plant and equipment	26,067	0	0	0
Gain on foreign exchange:-				
- Realised	36,033	0	0	0
- Unrealised	8,639	0	0	0
Interest income for financial assets not at fair value through profit or loss	16,894	21,865	8,233	9,709
Negative goodwill*	0	234,786	0	0
Reversal of allowance for slow moving inventories	0	86,012	0	0
Reversal of impairment loss on loans and receivables	0	15,000	0	0
Rental of premises	54,000	54,000	0	0

* Included in other income

Notes to the Financial Statements (CONT'D)
For The Financial Year Ended 31 December 2010

17. TAX EXPENSE

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Tax based on results for the year:-				
- Malaysian income tax	207,963	1,617,370	0	954,000
- Overseas income tax	1,316,390	210,556	0	0
- Deferred tax	(552,543)	216,780	0	0
	971,810	2,044,706	0	954,000
Tax under/(over) provided in prior year:-				
- Malaysian income tax	(108,759)	(41,196)	0	26,154
- Overseas income tax	44,089	22,235	0	0
- Deferred tax	(154,582)	0	0	0
	752,558	2,025,745	0	980,154

The numerical reconciliation between the applicable tax rate, which is the statutory income tax rate, and the average effective tax rate on results for the year is as follows:-

	Group		Company	
	2010 %	2009 %	2010 %	2009 %
Applicable tax rate	25.00	25.00	(25.00)	25.00
Non-deductible expenses	5.17	2.32	25.00	0.73
Non-taxable income	(3.36)	(1.38)	0.00	(0.05)
Reinvestment allowances claimed	(10.41)	(7.03)	0.00	0.00
Expenses eligible for double deduction	0.00	(0.56)	0.00	0.00
Increase in unrecognised deferred tax assets	7.22	2.69	0.00	0.00
Effect of differential tax rates	(10.79)	(5.49)	0.00	0.00
Average effective tax rate	12.83	15.55	0.00	25.68

As at 31 December 2010, the Company has sufficient tax credits and tax exempt income to frank/distribute its entire retained profits if paid out as dividends. It may also distribute its entire retained profits as at 31 December 2010 as tax exempt dividends under the single tier tax system.

Notes to the Financial Statements (CONT'D)

For The Financial Year Ended 31 December 2010

18. EARNINGS PER SHARE

Group

The basic earnings per share is calculated by dividing the Group's profit for the financial year by the weighted average number of ordinary shares in issue during the financial year as follows:-

	2010	2009
Profit for the financial year (RM)	6,824,741	11,125,096
Weighted average number of shares in issue	120,000,000	120,000,000
Basic earnings per share (sen)	5.69	9.27

The diluted earnings per share equals the basic earnings per share as the Company did not have any dilutive potential ordinary shares during the financial year.

19. NOTES TO STATEMENT OF CASH FLOWS

Acquisition of Subsidiaries

	2010	Group 2009
	RM	RM
Property, plant and equipment	0	14,962,008
Inventories	0	4,402,835
Receivables and prepayments	0	5,064,500
Term deposits with licensed banks	0	128,864
Cash and bank balances	0	1,240,444
Payables	0	(2,589,918)
Loans and borrowings	0	(1,810,657)
Current tax liabilities	0	(711,763)
Net identifiable assets acquired	0	20,686,313
Negative goodwill	0	(234,786)
Gross consideration	0	20,451,527
Part payment for purchase consideration paid in previous financial year	0	(2,162,657)
Balance payable (Note 11)	0	(3,000,000)
Payment for prior year acquisition	3,000,000	0
Net consideration paid	3,000,000	15,288,870
Cash and cash equivalents acquired	0	(1,240,444)
Acquisition of subsidiaries, net of cash acquired	3,000,000	14,048,426

Notes to the Financial Statements (CONT'D)
For The Financial Year Ended 31 December 2010

19. NOTES TO STATEMENT OF CASH FLOWS (cont'd)

Purchase of Property, Plant and Equipment

	Group	
	2010	2009
	RM	RM
Cost of property, plant and equipment purchased	20,253,957	4,448,356
Amount financed through hire purchase	(12,311,209)	(813,879)
Net cash disbursed	7,942,748	3,634,477

Cash and Cash Equivalents

	Group		Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Cash and bank balances	6,192,177	7,289,012	196,301	168,860
Bank overdrafts	(5,444,237)	(1,905,134)	0	0
	747,940	5,383,878	196,301	168,860

20. RELATED PARTY DISCLOSURES

Significant transactions with related parties during the financial year are as follows:-

	Group		Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Key management personnel compensation:-				
- Short-term employee benefits	1,870,578	1,853,108	276,000	264,500
- Defined contribution plan	92,222	87,452	0	0
	1,962,800	1,940,560	276,000	264,500
Subscription for shares in subsidiary	0	0	1,000,000	0
Dividend declared from subsidiary	0	0	0	3,000,000
Management fee charged to subsidiary	0	0	120,000	120,000
Sub-contract charges charged by other related party*	0	211,452	0	0
Rental of motor vehicles charged by other related party*	30,000	0	0	0
Rental of premises charged to other related party**	54,000	54,000	0	0
Purchase of goods from other related party*	0	592,212	0	0
Purchase of goods from other related party**	1,941	43,885	0	0
Sale of goods to other related party**	343,583	19,871	0	0
Sale of scraps to other related party*	0	184,040	0	0
	0	184,040	0	0

* Being company connected with a former director of a subsidiary

** Being companies connected with certain directors of the Company

Notes to the Financial Statements (CONT'D)

For The Financial Year Ended 31 December 2010

21. SEGMENT REPORTING

Group

Operating Segments

Information about operating segments has not been reported separately as the Group's profit or loss, assets and liabilities are mainly confined to a single operating segment, namely the manufacture of industrial products and trading of high quality computer disk-drive related components.

Geographical Information

In presenting information about geographical areas, segment revenue is based on the geographical location of customers whereas segment assets are based on the geographical location of assets.

	External Revenue		Non-current Assets	
	2010 RM	2009 RM	2010 RM	2009 RM
Malaysia	45,119,007	34,139,584	64,534,150	59,302,958
Thailand	48,121,476	49,176,170	0	0
People's Republic of China	16,392,140	18,754,007	17,098,902	16,710,818
Singapore	6,148,198	5,520,799	102,972	135,582
Other countries	12,714,664	9,051,552	0	0
	<u>128,495,485</u>	<u>116,642,112</u>	<u>81,736,024</u>	<u>76,149,358</u>

Major Customers

The major customers that contributed 10% or more of the Group's total revenue are as follows:-

	External Revenue	
	2010 RM	2009 RM
Customer I*	40,417,029	35,233,815
Customer II*	26,352,150	29,894,666
Customer III*	<u>12,927,844</u>	<u>12,389,436</u>

* The identity of the major customer has not been disclosed as permitted by FRS 8 Operating Segments.

22. CAPITAL COMMITMENTS FOR PROPERTY, PLANT AND EQUIPMENT

	Group	
	2010 RM	2009 RM
Approved and contracted for	0	50,400
Approved but not contracted for	<u>19,919,000</u>	<u>0</u>

23. LEASE COMMITMENT

	2010 RM	Group	2009 RM
Future minimum lease payments under non-cancellable operating lease			
- Not later than one year	86,039		199,800
- Later than one year and not later than five years	57,459		194,566
	143,498		394,366

24. CONTINGENT LIABILITIES - UNSECURED

Company

The Company has entered into financial guarantee contracts to provide financial guarantees to financial institutions for credit facilities granted to certain subsidiaries up to a total limit of approximately RM101,065,000 (2009 : RM88,214,000). The total utilisation of these credit facilities as at 31 December 2010 amounted to approximately RM48,692,000 (2009 : RM31,917,000).

The aforementioned financial guarantee contracts should have been recognised in the statement of financial position in accordance with the recognition and measurement policies as stated in Note 2.10. After considering that the probability of the subsidiaries defaulting on the credit lines is remote, the financial guarantee contracts have not been recognised as the fair values on initial recognition are not expected to be material.

25. FINANCIAL RISK MANAGEMENT

The activities of the Group expose it to certain financial risks, including credit risk, liquidity risk, currency risk and interest rate risk. The overall financial risk management objective of the Group is to ensure that adequate financial resources are available for business development whilst minimising the potential adverse impacts of financial risks on its financial position, performance and cash flows.

The aforementioned financial risk management objective and its related policies and processes explained below have remained unchanged from the previous financial year.

Credit Risk

The Group's exposure to credit risk arises mainly from receivables and deposits placed with financial institutions. The maximum credit risk exposure of these financial assets is best represented by their respective carrying amounts in the statement of financial position. The Company is also exposed to credit risk in respect of its financial guarantees provided for credit facilities granted to certain subsidiaries. The maximum credit risk exposure of these financial guarantees is the total utilisation of the credit facilities granted as disclosed in Note 24.

As the Group only deals with reputable financial institutions, the credit risk associated with deposits placed with them is minimal. The Group manages its credit risk exposure of receivables by assessing counterparties' financial standings on an ongoing basis, setting and monitoring counterparties' limits and credit terms.

Notes to the Financial Statements (CONT'D)

For The Financial Year Ended 31 December 2010

25. FINANCIAL RISK MANAGEMENT (cont'd)

Liquidity Risk

The Group's exposure to liquidity risk relates to its ability to meet obligations associated with financial liabilities as and when they fall due. The remaining contractual maturities of financial liabilities are disclosed in their respective notes.

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities whilst maintaining sufficient cash and the availability of funding through standby credit facilities.

Currency Risk

The Group's exposure to currency risk arises mainly from transactions entered into by individual entities within the Group in currencies other than their functional currencies. The major functional currencies within the Group are Ringgit Malaysia ("RM"), US Dollar ("USD") and Renminbi ("RMB") whereas the major foreign currencies transacted are US Dollar ("USD") and Singapore Dollar ("SGD").

The Group observes the movements in exchange rates and acts accordingly to minimise its exposure to currency risk. Where necessary, the Group enters into derivative contracts to hedge the exposure. Such exposure is also partly mitigated in the following ways:-

- (i) The Group's foreign currency sales and purchases provide a natural hedge against fluctuations in foreign currencies.
- (ii) The Group maintains part of its cash and cash equivalents in foreign currency accounts to meet future obligations in foreign currencies.

Based on a symmetric basis which uses the foreign currency as a stable denominator, the following table demonstrates the sensitivity of the profit or loss to changes in exchange rates that were reasonably possible at the end of the reporting period, with all other variables held constant:-

	Group	
	Increase/ (Decrease) in Profit 2010 RM	Increase/ (Decrease) in Profit 2009 RM
Appreciation of USD against RM by 10%	1,006,224	1,477,434
Depreciation of USD against RM by 10%	(1,006,224)	(1,477,434)
Appreciation of SGD against RM by 10%	(46,241)	(42,383)
Depreciation of SGD against RM by 10%	46,241	42,383
Appreciation of SGD against USD by 10%	(290,750)	(240,763)
Depreciation of SGD against USD by 10%	290,750	240,763

25. FINANCIAL RISK MANAGEMENT (cont'd)

Interest Rate Risk

The Group's exposure to interest rate risk arises mainly from interest-bearing financial instruments, namely loans and borrowings.

The Group observes the movements in interest rates and always strives to obtain the most favourable rates available for new financing or during repricing. It is also the Group's policy to maintain a mix of fixed and floating rate financial instruments.

As the Group does not account for its fixed rate financial instruments at fair value through profit or loss or as available-for-sale, any change in interest rates at the end of the reporting period would not affect its profit or loss or other comprehensive income. For floating rate financial instruments stated at amortised cost, the following table demonstrates the sensitivity of the Group's profit or loss to changes in interest rates that were reasonably possible at the end of the reporting period, with all other variables held constant:-

	Group (Decrease)/ Increase in Profit 2010 RM	Group (Decrease)/ Increase in Profit 2009 RM
Increase in interest rates by 50 basis points	(87,311)	(80,648)
Decrease in interest rates by 50 basis points	87,311	80,648

26. CAPITAL MANAGEMENT

The overall capital management objective of the Group is to safeguard its ability to continue as a going concern so as to provide fair returns to owners and benefits to other stakeholders. In order to meet this objective, the Group always strives to maintain an optimal capital structure to reduce the cost of capital and sustain its business development.

The Group considers its total equity and total loans and borrowings to be the key components of its capital structure and may, from time to time, adjust the dividend payouts, issue new shares, redeem debts or sell assets, where necessary, to maintain an optimal capital structure. The Group monitors capital using a debt-to-equity ratio, which is calculated as total loans and borrowings divided by total equity. The Company's strategy is to maintain the ratio at range of 60% as follows:-

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Total loans and borrowings	46,263,097	34,017,579	0	0
Total equity	89,523,335	86,705,633	63,003,039	64,536,774
Total capital	135,786,432	120,723,212	63,003,039	64,536,774
Debt-to-equity ratio	52%	39%	0%	0%

The aforementioned capital management objective, policies and processes have remained unchanged from the previous financial year.

Notes to the Financial Statements (CONT'D)

For The Financial Year Ended 31 December 2010

27. SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

After the reporting period, a subsidiary entered into sale and purchase agreement to purchase a piece of leasehold land together with the buildings erected thereon for a total cash consideration of approximately RM20,600,000.

Supplementary Information - Realised and Unrealised Profits or Losses

	Group 2010 RM	Company 2010 RM
Total retained profits of the Company and its subsidiaries:-		
- Realised	60,485,846	3,003,039
- Unrealised	(912,936)	0
	<u>59,572,910</u>	<u>3,003,039</u>
Consolidation adjustments and eliminations	(5,527,534)	0
Total retained profits as per statement of financial position	<u>54,045,376</u>	<u>3,003,039</u>

The above supplementary information is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad. Comparative figures are not required in the first financial year of complying with the directive.

List of Properties Held

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 31.12.2010 (RM)	Date of last revaluation	Date of acquisition
Registered Owner: DISB						
Land	60 years leasehold expiring 26.12.2051	Industrial land	177,691 sq. feet	3,684,211	1997	-
P.T. No. 1886 (Resurveyed Lot 12354) held under Title No. H.S. (D) 11985, Mukim 12, Daerah Barat Daya, Penang						
Building		Industrial complex	18,209 sq. feet	14,779,099		Yr 1997 - 2007
		- 1 Single-Storey office-cum-production building (19 & 12 years)				
Plot 19 Free Industrial Zone, Phase IV, Bayan Lepas 11900 Penang		- 1 double-storey office-cum-production building (5 years)	33,793 sq. feet			
		- 1 three-storey production building (3 years)	65,811 sq. feet			
		- 1 three-storey office cum production building (3 years)	32,816 sq. feet			
Registered Owner: Futron Ltd						
No. 1, Gao Tin Industrial Zone, Tai Ping Town, Cong Hua City.		- 1 three-storey production building (7 years)	41,383 sq. feet	518,774		Yr 2003 – 2008 Yr 2003
		- 1 five-storey hostel (7 years)	21,348 sq. feet	313,476		
TOTAL				19,295,560		

Analysis of Shareholdings

SHARE CAPITAL AS AT APRIL 29, 2011

Authorized	: RM100,000,000.00
Issued and Fully paid-up	: RM60,000,000.00
Class of Share	: Ordinary Shares of RM0.50 each with equal voting rights
Number of Shareholders	: 3,306

DISTRIBUTION OF SHAREHOLDERS AS AT APRIL 29, 2011

Holdings	No. of Holders	Total Holdings	%
1 - 99	186	8,433	0.01
100 - 1,000	59	38,968	0.03
1,001 - 10,000	1,643	9,153,095	7.62
10,001 - 100,000	1,298	38,712,830	32.26
100,001 - 5,999,999	116	31,147,251	25.96
6,000,000 and above	4	40,939,423	34.12
Total	3,306	120,000,000	100.00

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT APRIL 29, 2011

Name	Shareholdings	%
1. Perfect Commerce Sdn Bhd	11,283,000	9.40
2. Kenanga Nominees (Asing) Sdn Bhd Qualifier: Pledged Securities Account for Hsu, Chin-Shui	10,500,000	8.75
3. Lee, Hui-Ta @ Li Hui Ta	9,639,177	8.03
4. Wong Ser Yian	9,517,246	7.93
5. Alliancegroup Nominees (Asing) Sdn Bhd Qualifier: Pledged Securities Account for Hsu Chin Shui (8052867)	3,000,000	2.50
6. AIBB Nominees (Asing) Sdn. Bhd. Qualifier: Pledged Securities Account for Yong Poh Yow (M0005)	2,434,668	2.03
7. HSBC Nominees (Asing) Sdn Bhd Qualifier: Exempt An for Morgan Stanley & Co. International Plc (Client)	1,173,333	0.98
8. CIMSEC Nominees (Asing) Sdn Bhd Qualifier: CIMB Bank for Hsu, Chin-Shui (MP0097)	1,000,000	0.83
9. Chen, Ming-Lung	888,000	0.74
10. Hsu, Chin-Shui	853,333	0.71
11. Yu, Tsung-Te	730,000	0.61
12. Citigroup Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Sow Suu Tang (472629)	533,333	0.44
13. CIMSEC Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Wong Gah @ Wong See Yen (BSS PTLG-CL)	500,000	0.42
14. Mayban Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Gan Bee Ean	497,333	0.41
15. Lee Ben Chin	434,600	0.36
16. Ong Beng Kee	430,000	0.36
17. Mohamed Razali Bin Mohd Halib @ Khalid	373,000	0.31
18. Lim Toh Heok	355,900	0.30
19. Eg Kaa Chee	347,733	0.29
20. Teo Yong Chuan @ Teo Yeng Hock	340,000	0.28

Analysis of Shareholdings (CONT'D)

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT APRIL 29, 2011 (cont'd)

Name	Shareholdings	%
21. Hwang Mei Hui	333,333	0.28
22. Yen, Chien-Chang	328,000	0.27
23. Gan Bee Ean	319,333	0.27
24. Mohamed Al Amin Bin Abdul Majid	300,000	0.25
25. Ang Chee Sieng	290,666	0.24
26. Resourceful Means Sdn. Bhd.	266,666	0.22
27. JF Apex Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Ooi Siew Looi (STA 2)	266,500	0.22
28. Lim Booi Kee	260,066	0.22
29. Tang Ah Baa @ Tang Choon Weng	260,066	0.22
30. Mayban Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Lian Jiann Fwu	253,200	0.21

SUBSTANTIAL SHAREHOLDERS AS AT APRIL 29, 2011

Name	Direct		Indirect	
	No. of shares held	%	No. of shares held	%
1. Perfect Commerce Sdn Bhd (PCSB)	11,283,000	9.40	-	-
2. Lee, Hui-Ta @ Li Hui Ta	9,639,177	8.03	11,283,000 [^]	9.40 [^]
3. Hsu, Chin-Shui	15,353,375	12.79	-	-
4. Wong Ser Yian	9,517,246	7.93	-	-
5. Wang, Kuei-Hua	-	-	11,283,000 [^]	9.40 [^]

[^] Indirect Interest by virtue of his/her substantial interest in PCSB.

DIRECTORS' SHAREHOLDINGS AS AT APRIL 29, 2011

Name	Direct		Indirect	
	No. of shares held	%	No. of shares held	%
1. Lee, Hui-Ta @ Li Hui Ta	9,639,177	8.03	11,283,000 [^]	9.40 [^]
2. Hsu, Chin-Shui	15,353,375	12.79	-	-
3. Yong Poh Yow	2,434,668	2.03	-	-
4. Lee Kah Kheng	-	-	-	-
5. Baqir Hussain Bin Hatim Ali	-	-	-	-
6. Khoo Lay Tatt	-	-	-	-

[^] Indirect Interest by virtue of his substantial interest in PCSB.

Proxy Form

No of ordinary shares held

I/We _____ (*NRIC No./Passport No. _____)
of _____
_____ being a *Member/Members of DUFU TECHNOLOGY CORP. BERHAD hereby appoint (Proxy 1)
_____ (*NRIC No./Passport No. _____) of
_____ and*/ or failing him* (Proxy 2)
_____ (*NRIC No./Passport No. _____) of
_____ and*/or

failing him*, the Chairman of the Meeting as my/our proxy to vote for me/us and on my/our behalf at the Ninth 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 the Tuesday, 28 June 2011 at 9.00 a.m. and, at every adjournment thereof to vote as indicated below:-

The proportions of my/our holdings to be represented by our proxy(ies) are as follows:-

Proxy 1 - _____ % In case of a vote by show of hands, Proxy 1*/Proxy 2* shall vote on our behalf.
Proxy 2 - _____ %
 100%

* Strike out whichever is inapplicable

(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 approve the payment of Directors' Fee of Amount up to RM216,000/- for the financial year ending 31 December 2011.		
To re-elect the following Directors retiring under the Article 97(1) of the Articles of Association of the Company, and who, being eligible offer themselves for re-election:- 2. Baqir Hussain Bin Hatim Ali 3. Khoo Lay Tatt		
4. To re-appoint Messrs. Crowe Horwath as Auditors of the Company for the ensuing year and to authorize the Directors to fix their remuneration.		
5. To pass the following resolution as Special Business :- Ordinary Resolution Authority to Issue Shares pursuant to Section 132D of the Companies Act, 1965.		

Signature of Shareholder(s) _____

Signed this _____ day of _____, 2011.

Notes:

A Member of the Company entitled to attend and vote is entitled to appoint up to two (2) proxies to attend and vote in his place. A proxy may but need not be a Member and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. If a Member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

The instrument appointing the proxy shall be in writing, executed by or on behalf of the appointor. In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.

The instrument appointing a proxy must be deposited at the Registered Office, 57-G Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang, Malaysia not less than 48 hours before the time for holding the Meeting or any adjournments thereof.

Fold this flap for sealing

Then fold here

Affix Stamp
Here

THE COMPANY SECRETARIES
DUFU TECHNOLOGY CORP. BERHAD
57-G Persiaran Bayan Indah
Bayan Bay, Sungai Nibong
11900 Penang

1st fold here



Dufu Technology Corp. Berhad (581612-A)

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