



**DUFU TECHNOLOGY CORP. BERHAD**  
(581612-A)

New Frontiers  
Reaching



Annual Report 2011

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## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Tenth 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 Friday, 29 June 2012 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 2011 together with the Reports of the Directors and of the Auditors thereon. *(Please refer to Note A)*
2. To approve an increase of the Directors' Fee from RM216,000/- to RM252,000/- for the financial year ending 31 December 2012 and payment of such fees to the Directors. (Resolution 1)
3. To re-elect the following Directors retiring under the respective provision of the Articles of Association of the Company and who, being eligible offer themselves for re-election:-
  - a. Hsu, Chin-Shui Article 97(1) (Resolution 2)
  - b. Yong Poh Yow Article 97(1) (Resolution 3)
  - c. Ang Siak Keng Article 104 (Resolution 4)
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 5)

### SPECIAL BUSINESS

5. To consider and if thought fit, to pass the following resolutions: -
  - a) **Ordinary Resolution**  
Authority to Issue Shares (Resolution 6)  
"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 authorized 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."
  - b) **Special Resolution**  
Proposed Alteration to the Articles of Association (Resolution 7)  
"That the Proposed Alteration to the Articles of Association of the Company as set out in the Appendix A attached together with the Annual Report 2011 be and are hereby approved."
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  
7 June 2012

## 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:

1. *For the purpose of determining a member who shall be entitled to attend and vote at the AGM, the Company shall be requesting the Record of Depositors as at 22 June 2012. Only a depositor whose name appears on the Record of Depositors as at 22 June 2012 shall be entitled to attend, speak and vote at the said meeting as well as for appointment of proxy(ies) to attend and vote on his/her stead.*
2. *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 provision 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. 6 [Item 5(a)], if passed, will grant a renewed general mandate (Mandate 2012) 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 2012 will provide flexibility to the Company for allotment of shares for any possible fund raising activities, including but not limited to 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 Ninth 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.

2. Resolution pursuant to the Alteration to the Articles of Association

The proposed Resolution 7 [Item 5(b)] are made to comply with the provisions of the Bursa Malaysia Securities Berhad Main Market Listing Requirements. Further information on the Proposed Alteration to the Articles of Association of the Company is set out in the Appendix A attached to the Annual Report 2011.

Director standing for election

Pursuant to Para 8.29(2) of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the details of Mr. Ang Siak Keng, a director standing for election are set out on page 11 of this Annual Report.

## Appendix A

### Proposed Alteration to the Articles of Association of the Company

1. THAT Article 2 of the Company's Articles of Association be altered by deleting in full the undermentioned Definition and substituted in lieu thereof with the new Definition (where applicable) as set out below:-

Existing Definitions	New Definition
"Securities" means the same meaning given in section 2 of the Securities Commission Act 1993.	"Securities" - has the meaning given in section 2(1) of the Capital Markets and Services Act 2007."

2. THAT the existing Article 5 of the Articles of Association to be amended from:-

"Subject to the approval of the shareholders of the Company, these Articles, the provisions of the Act, the requirements of the Bursa Securities, the Central Depositories Act and or any other relevant authority, the Company may upon the recommendation of the Directors remunerate any employees and/or Directors of the Company or its subsidiaries by establishing an employees' share option scheme to be referred to as ESOS. The terms and conditions of the ESOS shall be determined by the Board of Directors."

to:

"Subject to the approval of the shareholders of the Company, these Articles, the provisions of the Act, the requirements of the Bursa Securities, the Central Depositories Act and or any other relevant authority, the Company may upon the recommendation of the Directors remunerate any employees and/or Directors of the Company or its subsidiaries by establishing an **employee share scheme**. The terms and conditions of the **employee share scheme** shall be determined by the Board of Directors."

3. THAT the existing Article 41 of the Articles of Association to be amended from:-

"Subject to these Articles, the Act, the Central Depositories Act and the Rules (with respect to transfer of Deposited Security) shares in the Company which have been deposited with the Bursa Depository shall be transferable but every transfer be by way of book entry by the Bursa Depository in accordance with the Rules of the Bursa Depository and, notwithstanding Section 103 and 104 of the Act, but subject to subsection 107C(2) of the Act and any exemption that may be made from the compliance with subsection 107C(1) of the Act, the Company shall be precluded from registering and effecting any transfer of listed securities."

to:

"Subject to these Articles, the Act, the Central Depositories Act and the Rules (with respect to transfer of Deposited Security) shares in the Company which have been deposited with the Bursa Depository shall be transferable but every transfer be by way of book entry by the Bursa Depository in accordance with the Rules of the Bursa Depository and, notwithstanding Section 103 and 104 of the Act, but subject to **Section 107C(2)** of the Act and any exemption that may be made from the compliance with **Section 107C(1)** of the Act, the Company shall be precluded from registering and effecting any transfer of listed securities."

4. THAT the existing Article 66 of the Articles of Association to be amended from:-

"In every notice calling a meeting of the Company, there shall appear with reasonable prominence a statement that a member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him, and that a proxy need not also be a member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company, and that where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy."

to:

"In every notice calling a meeting of the Company, there shall appear with reasonable prominence a statement that a member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him, and that a proxy need not also be a member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company, and that where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy. **A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the Member to speak at the meeting.**"

## Appendix A (CONT'D)

5. THAT the following be inserted as Article 67A of the Articles of Association:-

- "(1) Where a member of the company is an exempt authorised nominee which holds ordinary shares in the company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.
- (2) An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of subsection 25A(1) of Central Depositories Act."

6. THAT the existing Article 71 of the Articles of Association to be amended from:-

"All business that is transacted at any extraordinary general meeting and also all business that is transacted at an annual general meeting shall be deemed special, with the exception of the receipt and consideration of the profit and loss account, the balance sheet and group accounts (if any) of the Company and the reports of the Directors and auditors and other documents required to be annexed to the balance sheet, the declaration of dividends, the election of Directors and other officers in the place of those retiring and the appointment of, and the fixing of the remuneration of the auditors."

to:

"All business that is transacted at any extraordinary general meeting and also all business that is transacted at an annual general meeting shall be deemed special, with the exception of the receipt and consideration of the **Statement of Comprehensive Income, Statement of Financial Position and group financial statements** (if any) of the Company and the reports of the Directors and auditors and other documents required to be annexed to the **Statement of Financial Position**, the declaration of dividends, the election of Directors and other officers in the place of those retiring and the appointment of, and the fixing of the remuneration of the auditors."

7. THAT the existing Article 160 of the Articles of Association to be amended from:-

"The Directors shall cause proper accounting and other records to be kept and shall distribute copies of balance sheets and other documents as required by the Act and shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounting and other records of the Company or any of them shall be open to the inspection of members not being Directors, and no member (not being a Director) shall have any right of inspecting any account or book or paper of the Company except as conferred by statute or authorised by the Directors or by the Company in general meeting. Subject always to Section 167(4) of the Act the books of account or records of operations shall be kept at the Office or at such other place as the Directors think fit and shall always be open to inspection by the Directors."

to:

"The Directors shall cause proper accounting and other records to be kept and shall distribute copies of **Statement of Financial Position** and other documents as required by the Act and shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounting and other records of the Company or any of them shall be open to the inspection of members not being Directors, and no member (not being a Director) shall have any right of inspecting any account or book or paper of the Company except as conferred by statute or authorised by the Directors or by the Company in general meeting. Subject always to Section 167(4) of the Act the books of account or records of operations shall be kept at the Office or at such other place as the Directors think fit and shall always be open to inspection by the Directors."

## Appendix A (CONT'D)

8. THAT the existing Article 161 of the Articles of Association to be amended from:-

"The Directors shall from time to time in accordance with Section 169 of the Act, cause to be prepared and laid before the Company in general meeting such profit and loss accounts, balance sheets and report as are referred to in the section. The interval between the close of a financial year of the Company and the issue of the annual audited accounts, the directors' and auditors' report shall not exceed four (4) months. A copy of each such documents shall not less than twenty-one (21) days (or such other shorter period as may be agreed by all members entitled to attend and vote at the meeting) before the date of the meeting, be sent to every member of, and to every holder of debentures of the Company under the provisions of the Act or of these Articles. The requisite number of copies of each such document as may be required by the Bursa Securities shall at the same time be likewise sent to the Bursa Securities provided that this Article shall not require a copy of these documents to be sent to any person of whose address the Company is not aware but any member to whom a copy of these documents has not been sent shall be entitled to receive a copy free of charge on application at the Office."

to:

"The Directors shall from time to time in accordance with Section 169 of the Act, cause to be prepared and laid before the Company in general meeting such **Statement of Comprehensive Income, Statement of Financial Position** and report as are referred to in the section. The interval between the close of a financial year of the Company and the issue of the annual audited **financial statements**, the directors' and auditors' report shall not exceed four (4) months. A copy of each such documents shall not less than twenty-one (21) days (or such other shorter period as may be agreed by all members entitled to attend and vote at the meeting) before the date of the meeting, be sent to every member of, and to every holder of debentures of the Company under the provisions of the Act or of these Articles. The requisite number of copies of each such document as may be required by the Bursa Securities shall at the same time be likewise sent to the Bursa Securities provided that this Article shall not require a copy of these documents to be sent to any person of whose address the Company is not aware but any member to whom a copy of these documents has not been sent shall be entitled to receive a copy free of charge on application at the Office."

9. THAT the word "accounts" as appeared in Articles 165 and 167 of the Company's Articles of Association respectively, to be amended as "financial statements" accordingly.

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

Executive Chairman	Hsu, Chin-Shui
Executive Director/Chief Financial Officer	Lee, Hui-Ta a.k.a Li Hui Ta
Executive Director/Chief Executive Officer	Yong Poh Yow
Independent Non-Executive Director	Baqir Hussain Bin Hatim Ali
Non- Independent Non-Executive Director	Khoo Lay Tatt
Independent Non-Executive Director (Appointed on 3 October 2011)	Ang Siak Keng
Independent Non-Executive Director (Resigned on 3 October 2011)	Lee Kah Kheng

### AUDIT COMMITTEE

Chairman – Independent Non-Executive Director	Baqir Hussain Bin Hatim Ali
Member – Non-Independent Non-Executive Director	Khoo Lay Tatt
Member – Independent Non-Executive Director (Appointed on 3 October 2011)	Ang Siak Keng
Member – Independent Non-Executive Director (Resigned on 3 October 2011)	Lee Kah Kheng

### NOMINATION COMMITTEE

Chairman – Non-Independent Non-Executive Director (Appointed as Chairman on 3 October 2011)	Khoo Lay Tatt
Member – Independent Non-Executive Director	Baqir Hussain Bin Hatim Ali
Member – Independent Non-Executive Director (Appointed on 3 October 2011)	Ang Siak Keng
Chairman – Independent Non-Executive Director (Resigned on 3 October 2011)	Lee Kah Kheng

### REMUNERATION COMMITTEE

Chairman – Independent Non-Executive Director (Appointed on 3 October 2011)	Ang Siak Keng
Member – Independent Non-Executive Director	Baqir Hussain Bin Hatim Ali
Member – Executive Chairman	Hsu, Chin-Shui
Chairman – Independent Non-Executive Director (Resigned on 3 October 2011)	Lee Kah Kheng

### EXECUTIVE COMMITTEE

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

### COMPANY SECRETARIES

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

### AUDITORS

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 : 604-6161372  
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  
1<sup>st</sup> floor, 64E – H, Lebuhraya  
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

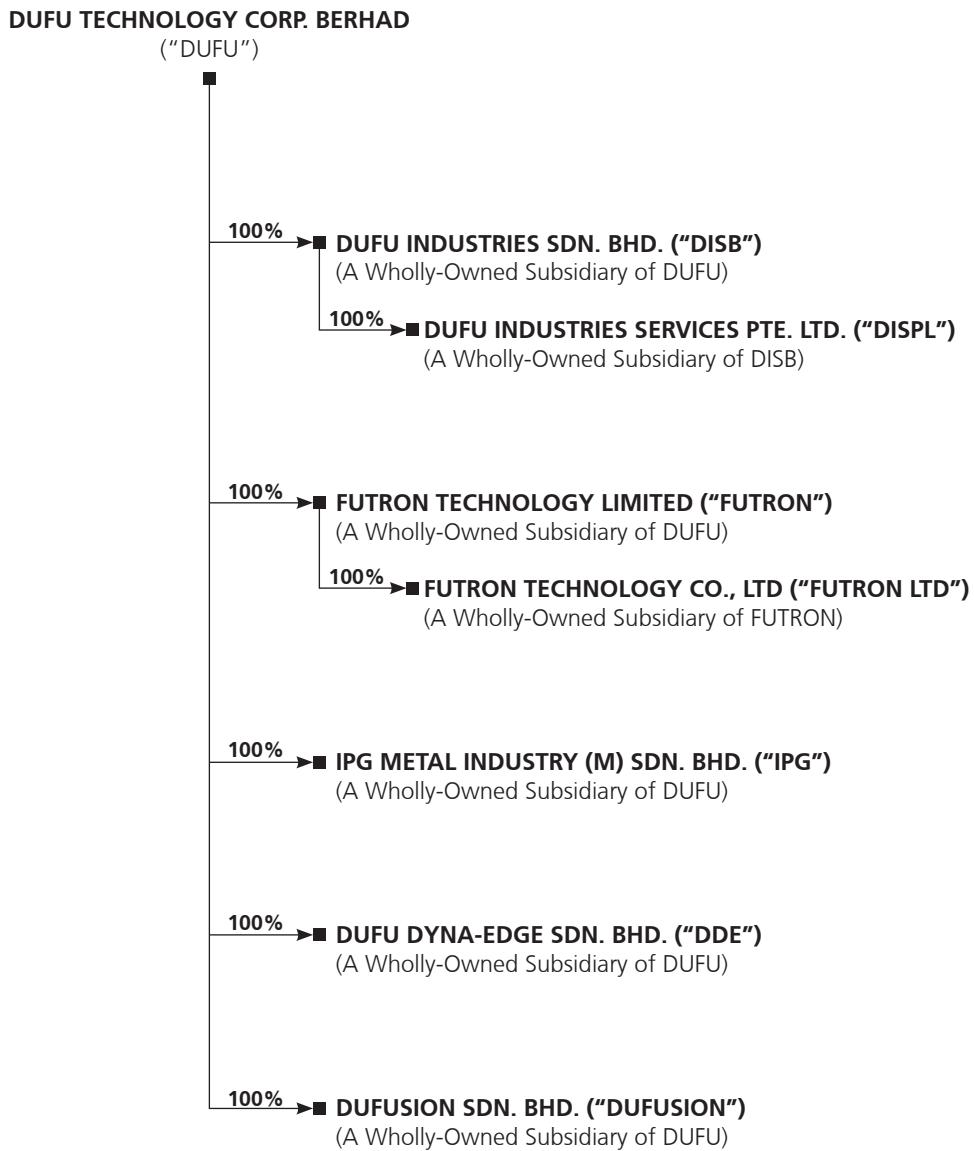
Main Market of Bursa Malaysia Securities Berhad  
Sector : Industrial Products  
Stock Name : DUFU  
Stock Code : 7233



## GROUP STRUCTURE

**DUFU TECHNOLOGY CORP. BERHAD**

("DUFU" or the "Company") and Subsidiaries  
("DUFU Group" or the "Group")  
As at 30 April 2012



## BOARD OF DIRECTORS' PROFILE

### **HSU, CHIN-SHUI**

*Executive Chairman  
Taiwanese*

Hsu, Chin-Shui, aged 56, 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.

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 53, 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 51, 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 primarily responsibilities include overseeing the daily operations, marketing and corporate exercises of Dufu. He is also a member of the Executive Committee of the Company.

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

### **KHOO LAY TATT**

*Non-Independent Non-Executive Director  
Malaysian*

Khoo Lay Tatt, aged 39, 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 20 May 2009. Later, he was re-designated as Non-Independent Non-Executive Director on 26 April 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 the Chairman of the Nomination Committee and a member of the 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 and Sinaria Corporation Berhad as Independent, Non-Executive Director.

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)

**ANG SIAK KENG**

*Independent Non-Executive Director  
Malaysian*

Ang Siak Keng, aged 40, was appointed to the Board on 3 October 2011. He is an Independent Non-Executive Director of Dufu. He graduated with a law degree with honours from University of Melbourne in 1995. He start his career as lawyer by profession and has 15 years of working experience in legal practice. He is currently a partner of Zaid Ibrahim & Co.

He advises local and foreign clients with respect to a broad range of corporate and commercial matters including M&As, corporate restructurings, corporate governance and international joint ventures. He has advised several companies in their IPOs exercises and constantly advises public listed companies in various aspects of their corporate exercises and compliance with Securities Commission's Guidelines, listing requirements, Securities Law, Capital Markets and Services Act, Malaysian Code on Take-Overs and Mergers, etc.

He is also the Chairman of the Remuneration Committee of the Company and a member of the Nomination and 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 49, was appointed to the Board on 2 October 2006. He is an Independent Non Executive Director of Dufu. He is a member of the Malaysian Institute of Accountants, Malaysian Institute of Certified Public Accountants and Chartered Tax Institute of Malaysia. He is also an Approved Company Auditor and Licensed Tax Agent. Baqir graduated from Ungku Omar Polytechnic in 1986 with a Diploma in Accountancy and began his career in the same year with Hanafiah, Raslan & Mohamad / Arthur Andersen as an audit assistant. He obtained his qualification as a Chartered Accountant ("CA") and Certified Public Accountant ("CPA") while employed with the firm. He left the firm as a Senior Manager in the Assurance and Business Advisory Division in 2002 to venture into his own public practice. He has amassed more than 20 years of experience in the field of accountancy including external and internal auditing, mergers and acquisitions, receiverships and liquidations, initial public offerings and tax consultancy. He is currently the founder and managing partner of Baqir Hussain & Co, a firm of chartered accountants.

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

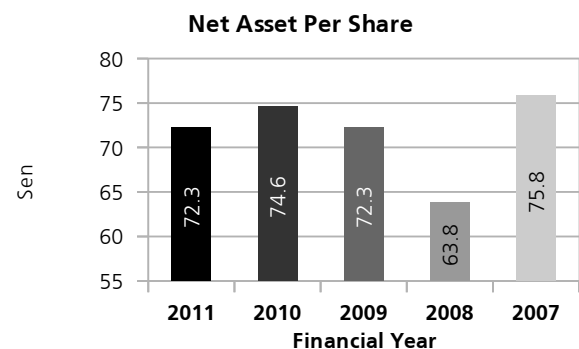
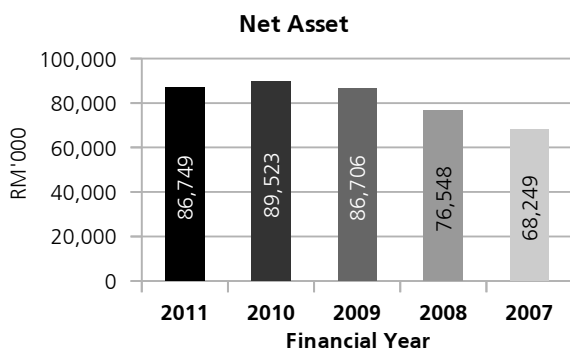
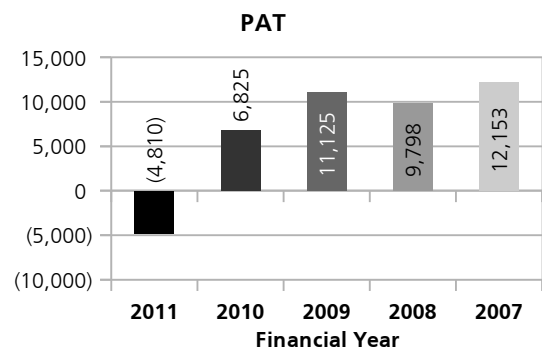
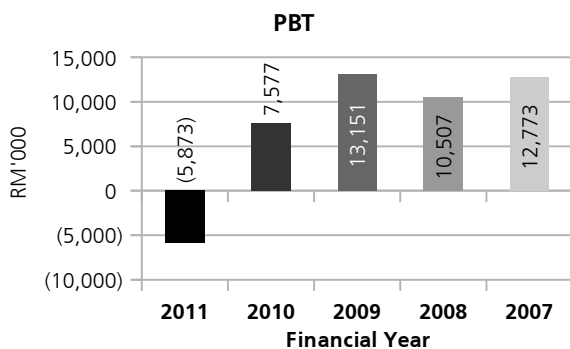
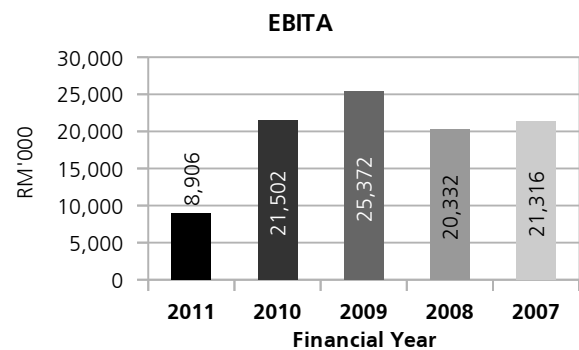
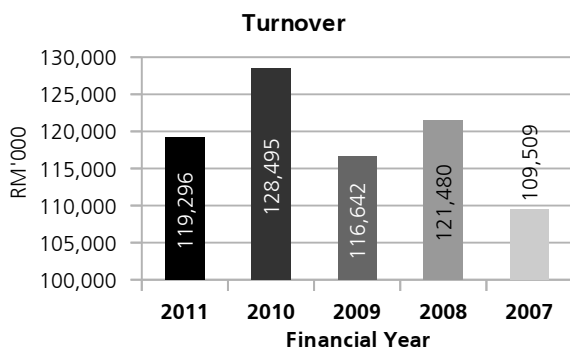
He is also the Chairman of the Audit Committee of the Company and a member of the Nomination and Remuneration Committee.

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

## FIVE YEARS GROUP FINANCIAL REVIEW

Group	31.12.2011 (RM'000)	31.12.2010 (RM'000)	31.12.2009 (RM'000)	31.12.2008 (RM'000)	31.12.2007 (RM'000)
Turnover	119,296	128,495	116,642	121,480	109,509
Earning Before Interest, Depreciation & Taxation	8,906	21,502	25,372	20,332	21,316
(Loss)/Profit Before taxation	(5,873)	7,577	13,151	10,507	12,773
Tax Income/(Expense)	1,062	(752)	(2,026)	(709)	(620)
(Loss)/Profit after taxation	(4,810)	6,825	11,125	9,798	12,153
Net Asset	86,749	89,523	86,706	76,548	68,249
Net Asset per share (sen)	72.3	74.6	72.3	63.8	75.8
Basic Earning Per Shares (sen)	(4.0)	5.7	9.3	8.2	13.5
Number of shares	120,000	120,000	120,000	120,000	90,000

## Financial Highlight



## CHAIRMAN'S STATEMENT

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 2011.

### Operation Review

The financial year ended 2011 was a challenging year for the HDD industry as a whole, as it continued to face uncertainties due to the volatility in the world economy coupled with the weakening of the US Dollar. In the last quarter of 2011, the Japan earth quake and tsunami and the Thailand flood had significantly affected the landscape of the HDD supply chain which resulted in our Group's performance to decrease by about 35% in terms of revenue.

In view of the economic uncertainty that continues to affect mainly Europe, the management are constantly reviewing the entire Group operations and continue to shift the low margin products to lower labour cost countries. Therefore, our China operation still managed to generate reasonable returns to the Group. Besides that, the Group have taken steps such as improving the manufacturing processes which include further automation to improve operational efficiencies and have been constantly seeking opportunities to expand into new businesses such as in the automotive and medical sectors.

### Financial Overview

For the financial year under review, the Group recorded a turnover of RM119.30 million, a decrease of 7% compared to RM128.50 million as in 2010. The decrease in revenue was mainly due to the decrease in the demand from the HDD sector in the last quarter of the year under review. This was mainly due to the Thailand flood that caused the supply chain of the HDD market unable to meet the demand which in turn resulted the Group sales to decrease by 35% in the last quarter as compared to the previous financial year. In addition, the weakening of the US dollar and uncertainties in the world economy especially in Europe and United States had also affected the Group resulting in the Group record a loss after taxation for the first time of RM4.81 million as compared to profit after taxation ("PAT") of RM6.82 million in the previous year.

Despite the loss during the year, the Group's balance sheet position as at 31 December 2011 remained healthy with net assets of RM86.75 million or 25 sen per share and net operating cash inflow of RM14.1 million.

### Future Prospects of the Group

The current situation of the HDD industry still remains cautious and the HDD players are looking into normalising their production output after the impact of the Thailand flood in October 2011. Therefore, outlook of the HDD industry in 2012 has shown a gradual improvement in the first quarter of 2012 and is expected to become better in the second half of 2012.

The group remains cautiously optimistic on the outlook of the HDD market as the supply chain to the HDD customers is recovering sooner than expected. We will continue with our efforts to ensure that effective mitigating measures are taken to minimise the impact of the uncertainties of the world economy, the weakening of the US Dollars and also the volatility of the material costs.

The Group have also managed to broaden its customer base during the year in its effort to diversify to other industries mainly to cater for the needs of the sensor and control sector and medical devices. In view of this, the Group is currently investing in plant and machinery that can effectively handle high precision high mixed low volume products with less labour dependency. The effect of the growth from the new customer base will only be significantly apparent from the middle of 2013.

### 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 shareholders, customers, suppliers, business associates, investors, the regulatory authorities and bankers for their continuous support and confidence in the Group.

Last but not least, I wish to thank my fellow Directors for their valuable guidance, advice and support rendered over the years.

**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 practiced 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 2011 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 comprises 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 ("Bursa Securities") Main Market Listing Requirements ("Main LR") 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 2011 is as follows:

Director	No. of meetings held	No. of meetings attended
Hsu, Chin-Shui	4	4
Lee, Hui-Ta a.k.a Li Hui Ta	4	4
Yong Poh Yow	4	4
Baqir Hussain Bin Hatim Ali	4	4
Khoo Lay Tatt	4	4
Ang Siak Keng ( <i>Appointed on 3 October 2011</i> )	1	1
Lee Kah Kheng ( <i>Resigned on 3 October 2011</i> )	3	3

## 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.

Save for Mr. Ang Siak Keng whom was appointed on 3 October 2011 and attended the MAP on 23 & 24 November 2011, the trainings attended by the Directors of the Company during the FY 2011 are as follows:-

Director	Date	Description
Hsu, Chin-Shui	21 October 2011	Crowe Horwath's 2012 Budget & Tax Planning
Lee, Hui-Ta a.k.a Li Hui Ta	21 October 2011	Crowe Horwath's 2012 Budget & Tax Planning
Yong Poh Yow	21 October 2011	Crowe Horwath's 2012 Budget & Tax Planning
Khoo Lay Tatt	2 March 2011	Are corporate leaders save from litigation? by Chartis Malaysia Insurance Berhad
	21 October 2011	Crowe Horwath's 2012 Budget & Tax Planning
	8 December 2011	Advocacy Session on Disclosure for CEOs & CFOs by Bursa Malaysia Berhad
Baqir Hussain Bin Hatim Ali	14 April 2011	Workshop On Recent Tax Cases in 2010/2011 (By CTIM)
	13 May 2011	Workshop On New Public Rulings (By CTIM)
	19 May 2011	2011 Tax Update Workshop (By MIA)
	20 October 2011	Seminar on 2012 budget proposals and recent tax developments ( by CTIM)
	24 October 2011	Seminar Percukaian Kebangsaan 2011 (By LHDN)
	10 November 2011	Workshop on recent tax cases: Successes and surprises in court ( By CTIM)

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.



## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

### 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 comprises of the following:-

- Chairman : Khoo Lay Tatt – Non-Independent Non-Executive Director  
*(Appointed as Chairman on 3 October 2011)*
- Members : Baqir Hussain Bin Hatim Ali – Independent Non-Executive Director  
Ang Siak Keng – Independent Non-Executive Director  
*(Appointed on 3 October 2011)*  
Lee Kah Kheng - Independent Non-Executive Director  
*(Resigned on 3 October 2011)*

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.

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

### A) Board of Directors (cont'd)

#### vi) Directors' Remuneration

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

The Committee comprises of the following:-

- Chairman : Ang Siak Keng – Independent Non-Executive Director  
(Appointed as on 3 October 2011)
- 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 2011 were as follows:

- 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	22,500	130,500
- Subsidiaries*	0	457,340	35,000	144,000	636,340
Non-Executive Directors					
- Company	108,000 <sup>^</sup>	0	0	27,500	135,500
- Subsidiaries*	0	0	0	0	0
<b>Total</b>	<b>216,000</b>	<b>457,340</b>	<b>35,000</b>	<b>194,000</b>	<b>902,340</b>

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

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

Range of Remuneration	Number of Directors <sup>^</sup>	
	Executive	Non-Executive
Below RM50,000	0	4
RM50,000 to RM100,000	1	0
RM250,001 to RM 300,000	1	0
RM300,001 to RM 350,000	1	0

<sup>^</sup> Included directors' fees for a director who resigned during the financial year.

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

### A) Board of Directors (cont'd)

#### vi) Directors' Remuneration (cont'd)

##### 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 19 to 22 of the Annual Report 2011.

#### 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 26 of the Annual Report 2011.

#### 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 23 of the Annual Report 2011.

#### 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 Main LR 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](http://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](http://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 29 May 2012.

## AUDIT COMMITTEE REPORT

The Committee comprises of the following: -

Chairman

En. Baqir Hussain Bin Hatim Ali

*Independent Non-Executive Director*

Members

Khoo Lay Tatt

*Non-Independent Non-Executive Director*

Ang Siak Keng

*Independent Non-Executive Director*

*(Appointed on 3 October 2011)*

Lee Kah Kheng

*Independent Non-Executive Director*

*(Resigned on 3 October 2011)*

### 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 1<sup>st</sup> 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.

## AUDIT COMMITTEE REPORT (CONT'D)

### 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.
- 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);

## AUDIT COMMITTEE REPORT (CONT'D)

**5. Duties and Responsibilities (cont'd)**

- 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;
  - 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 2011 is as follows:-

Member	No. of Meeting Held	Attendance
Baqir Hussain Bin Hatim Ali	4	4
Khoo Lay Tatt	4	4
Ang Siak Keng ( <i>Appointed on 3 October 2011</i> )	1	1
Lee Lah Kheng ( <i>Resigned on 3 October 2011</i> )	3	3

**ACTIVITIES OF THE AUDIT COMMITTEE**

The activities carried out by the Committee during the financial year ended 31 December 2011 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.

## AUDIT COMMITTEE REPORT (CONT'D)

### ACTIVITIES OF THE AUDIT COMMITTEE (cont'd)

- 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 2011 was RM28,668. During the financial year, the internal auditors have assisted the Audit Committee to :

- plan and conduct the internal audit for financial year ended 2011;
- 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 23 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 2011 was RM28,668. 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 2011. 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 29 May 2012.



## 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 RM11,980.

### **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](http://www.bursamalaysia.com) on 24 February 2012.

### **Profit Guarantee**

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

### **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 2011 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 2011 are as below:-

No.	Related Parties		Nature of Transactions	Actual Amount (RM)	Interested Related Party
	Buyer	Seller			
1.	SESB	IPG	SESB is a sub-contractor of IPG	280.00	<b>Interested Director &amp; Shareholder</b> 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	566.00	<b>Interested Director</b> Lee Kah Kheng <sup>^</sup> is a Director of DUFU (not a Director of IPG). He is also a Director of ETI and substantial shareholder of ETI (by virtue of Section 6A of the Act, holding 8.12% of equity interest in ETICB as at April 30, 2012)
3.	KENS	DISB	Sales of Medical parts to KENS	223,117.00	<b>Interested Director &amp; Shareholder</b> Hsu, Chin-Shui and Lee Kah Kheng <sup>^</sup> 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 April 30, 2012)
4.	KENS	IPG	Sales of Medical parts to KENS	19,209.00	<b>Interested Director &amp; Shareholder</b> 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 April 30, 2012)  <b>Interested Director</b> Lee Kah Kheng <sup>^</sup> 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 April 30, 2012)
5.	Futron Ltd	GCLPT	Purchase of Tools from GCLPT	61,251.00	<b>Interested Director &amp; Shareholder</b> Hsu, Chin-Shui is a Director of Dufu and GCLPT. He is also a major shareholder of GCLPT.

Notes:

<sup>^</sup> Mr. Lee Kah Kheng is a former director of DUFU, resigned on 3 October 2011.

CFSB – Crest Focus Sdn. Bhd.

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

## STATEMENT OF 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 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 2011 had been approved by the Board on 24 April 2012.

This statement was made in accordance with a resolution of Board dated 29 May 2012.

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## DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and the Company for the financial year ended 31 December 2011.

### 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 6 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
Loss for the financial year	<u>(4,810,308)</u>	<u>(303,635)</u>

### Dividends

No dividends were proposed, declared or paid by the Company since the end of the previous financial year.

### 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

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

Baqir Hussain Bin Hatim Ali

Khoo Lay Tatt

Lee Kah Kheng

Ang Siak Keng

(Resigned on 3.10.2011)

(Appointed on 3.10.2011)

## DIRECTORS' REPORT (CONT'D)

### 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 1.1.2011	Bought	Sold	Balance at 31.12.2011	Balance at 1.1.2011	Balance at 31.12.2011
Lee, Hui-Ta also known as Li Hui Ta	9,639,177	0	0	9,639,177	11,283,000	11,283,000
Hsu, Chin-Shui	15,353,375	0	0	15,353,375	0	0
Yong Poh Yow	2,434,668	0	0	2,434,668	0	0

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.

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.

### 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 22 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 24 April 2012**

**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 34 to 74 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 2011 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 75 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 24 April 2012**

**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 34 to 74 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 24 April 2012

**Lee, Hui-Ta also known as Li Hui Ta**

Before me

**Nachatar Singh A/L Bhag Singh**  
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 2011 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 34 to 74.

#### *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 2011 and of their financial performance and cash flows for the financial year then ended.

### **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 6 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 75 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: 24 April 2012

Penang

#### Eddy Chan Wai Hun

Approval No: 2182/10/13 (J)

Chartered Accountant

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2011

	Note	2011 RM	2010 RM
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	4	95,364,439	81,649,772
Goodwill on consolidation	5	0	25,252
Investments in club memberships, at cost		61,000	61,000
Available-for-sale financial assets	7	303,051	294,910
Deferred tax assets	8	109,750	115,743
		<u>95,838,240</u>	<u>82,146,677</u>
<b>CURRENT ASSETS</b>			
Inventories	9	30,821,330	25,552,880
Trade and other receivables	10	24,932,722	37,570,531
Prepayments		2,104,895	1,523,316
Current tax assets		1,579,410	390,706
Cash and bank balances	11	5,440,932	6,192,177
		<u>64,879,289</u>	<u>71,229,610</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	14,150,499	15,748,506
Loans and borrowings	13	26,999,196	24,375,555
Financial liabilities at fair value through profit or loss	14	870,750	0
Current tax liabilities		27,000	308,159
		<u>42,047,445</u>	<u>40,432,220</u>
<b>NET CURRENT ASSETS</b>		<b>22,831,844</b>	<b>30,797,390</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities	8	206,599	1,533,190
Loans and borrowings	13	31,714,012	21,887,542
		<u>31,920,611</u>	<u>23,420,732</u>
<b>NET ASSETS</b>		<b><u>86,749,473</u></b>	<b><u>89,523,335</u></b>
<b>EQUITY</b>			
Share capital	15	60,000,000	60,000,000
Revaluation surplus		2,034,883	2,141,617
Currency translation reserve		(517,210)	(2,553,656)
Reverse acquisition reserve		(24,110,002)	(24,110,002)
Retained profits		49,341,802	54,045,376
<b>TOTAL EQUITY</b>		<b><u>86,749,473</u></b>	<b><u>89,523,335</u></b>

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	Note	2011 RM	2010 RM
Revenue	16	119,295,663	128,495,485
Other income		3,128,844	3,540,878
Changes in work-in-progress and finished goods		3,701,282	5,162,684
Depreciation		(12,363,377)	(11,373,034)
Employee benefits expense	17	(25,967,865)	(25,349,526)
Interest expense		(2,415,444)	(2,551,510)
Raw materials consumed		(35,935,103)	(34,704,877)
Purchase of trading and semi finished goods		(19,550,836)	(22,645,809)
Other expenses		(35,765,823)	(32,996,992)
(Loss)/Profit before tax	18	(5,872,659)	7,577,299
Tax income/(expense)	19	1,062,351	(752,558)
(Loss)/Profit for the financial year		(4,810,308)	6,824,741
Other comprehensive income:-			
Currency translation differences for foreign operations		2,036,446	(2,807,039)
Other comprehensive income for the financial year		2,036,446	(2,807,039)
Total comprehensive income for the financial year		(2,773,862)	4,017,702
(Loss)/Earnings per share:-	20		
- Basic (sen)		(4.01)	5.69
- Diluted (sen)		(4.01)	5.69

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	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 2010	60,000,000	2,248,351	253,383	(24,110,002)	48,313,901	86,705,633
Profit for the financial year	0	0	0	0	6,824,741	6,824,741
Currency translation differences for foreign operations (representing other comprehensive income for the financial year)	0	0	(2,807,039)	0	0	(2,807,039)
Total comprehensive income for the financial year	0	0	(2,807,039)	0	6,824,741	4,017,702
Final dividend of 1 sen per share (tax exempt) (representing total transactions with owners)	0	0	0	0	(1,200,000)	(1,200,000)
Transfer of revaluation surplus	0	(106,734)	0	0	106,734	0
Balance at 31 December 2010	60,000,000	2,141,617	(2,553,656)	(24,110,002)	54,045,376	89,523,335
Loss for the financial year	0	0	0	0	(4,810,308)	(4,810,308)
Currency translation differences for foreign operations (representing other comprehensive income for the financial year)	0	0	2,036,446	0	0	2,036,446
Total comprehensive income for the financial year	0	0	2,036,446	0	(4,810,308)	(2,773,862)
Transfer of revaluation surplus	0	(106,734)	0	0	106,734	0
Balance at 31 December 2011	60,000,000	2,034,883	(517,210)	(24,110,002)	49,341,802	86,749,473

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	Note	2011 RM	2010 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
(Loss)/Profit before tax		(5,872,659)	7,577,299
Adjustments for:-			
Depreciation		12,363,377	11,373,034
Gain on disposal of property, plant and equipment		(11,900)	(26,067)
Impairment loss on goodwill		25,252	0
Impairment loss on loans and receivables		141,636	0
Interest expense		2,415,444	2,551,510
Interest income		(23,265)	(16,894)
Inventories written down		1,513,381	0
Unrealised loss on financial instruments at fair value through profit or loss		870,750	0
Unrealised loss/(gain) on foreign exchange		832,268	(8,639)
Operating profit before working capital changes		12,254,284	21,450,243
Changes in:-			
Inventories		(6,781,831)	(4,309,105)
Receivables and prepayments		11,941,676	146,598
Payables		(1,586,529)	(808,167)
Cash generated from operations		15,827,600	16,479,569
Tax paid		(1,720,857)	(3,525,255)
Tax refunded		0	183,117
Net cash from operating activities		14,106,743	13,137,431
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of subsidiaries, net of cash acquired		0	(3,000,000)
Interest received		23,265	16,894
Proceeds from disposal of property, plant and equipment		26,500	1,981,641
Purchase of available-for-sale financial assets		(8,141)	(5,877)
Purchase of property, plant and equipment	21	(22,869,525)	(7,942,748)
Net cash used in investing activities		(22,827,901)	(8,950,090)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid		0	(1,200,000)
Interest paid		(2,426,922)	(2,550,280)
Net increase in short-term loans and borrowings		5,179,911	4,641,145
Repayment of hire purchase obligations		(6,209,621)	(5,753,580)
Repayment of term loans		(3,138,406)	(2,492,359)
Term loans raised		16,200,000	0
Net cash from/(used in) financing activities		9,604,962	(7,355,074)
Currency translation differences		903,453	(1,468,205)
Net increase/(decrease) in cash and cash equivalents		1,787,257	(4,635,938)
Cash and cash equivalents brought forward		747,940	5,383,878
Cash and cash equivalents carried forward	21	2,535,197	747,940

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

## STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2011

	Note	2011 RM	2010 RM
<b>NON-CURRENT ASSETS</b>			
Investments in subsidiaries	6	56,351,527	54,351,525
Available-for-sale financial assets	7	303,051	294,910
		<u>56,654,578</u>	<u>54,646,435</u>
<b>CURRENT ASSETS</b>			
Other receivables	10	5,819,730	8,148,986
Current tax assets		46,000	46,000
Cash and bank balances	11	199,546	196,301
		<u>6,065,276</u>	<u>8,391,287</u>
<b>CURRENT LIABILITIES</b>			
Other payables	12	20,450	34,683
		<u>20,450</u>	<u>34,683</u>
<b>NET CURRENT ASSETS</b>		<u>6,044,826</u>	<u>8,356,604</u>
<b>NET ASSETS</b>		<u>62,699,404</u>	<u>63,003,039</u>
<b>EQUITY</b>			
Share capital	15	60,000,000	60,000,000
Retained profits		2,699,404	3,003,039
<b>TOTAL EQUITY</b>		<u>62,699,404</u>	<u>63,003,039</u>

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

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	Note	2011 RM	2010 RM
Revenue	16	131,297	128,233
Other income		945	0
Employee benefits expense	17	(266,000)	(276,000)
Other expenses		(169,877)	(185,968)
Loss before tax	18	<u>(303,635)</u>	<u>(333,735)</u>
Tax expense	19	0	0
Loss for the financial year		<u>(303,635)</u>	<u>(333,735)</u>
Other comprehensive income for the financial year		0	0
Total comprehensive income for the financial year		<u>(303,635)</u>	<u>(333,735)</u>

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



## STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	Share capital RM	Retained profits RM	Total equity RM
Balance at 1 January 2010	60,000,000	4,536,774	64,536,774
Loss (representing total comprehensive income) for the financial year	0	(333,735)	(333,735)
Final dividend of 1 sen per share (tax exempt) (representing total transactions with owners)	0	(1,200,000)	(1,200,000)
Balance at 31 December 2010	<u>60,000,000</u>	<u>3,003,039</u>	<u>63,003,039</u>
Loss (representing total comprehensive income) for the financial year	0	(303,635)	(303,635)
Balance at 31 December 2011	<u>60,000,000</u>	<u>2,699,404</u>	<u>62,699,404</u>

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

## STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	Note	2011 RM	2010 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before tax		(303,635)	(333,735)
Adjustment for:-			
Interest income		(11,297)	(8,233)
Operating loss before working capital changes		<u>(314,932)</u>	<u>(341,968)</u>
Change in:-			
Payables		(14,233)	853
Net cash used in operating activities		<u>(329,165)</u>	<u>(341,115)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of subsidiaries		0	(3,000,000)
Interest received		11,297	8,233
Net repayment from subsidiaries		2,329,256	5,566,200
Purchase of available-for-sale financial assets		(8,141)	(5,877)
Subscription for shares in subsidiaries		(2,000,002)	(1,000,000)
Net cash from investing activities		<u>332,410</u>	<u>1,568,556</u>
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>			
Dividend paid		0	(1,200,000)
Net cash used in financing activity		<u>0</u>	<u>(1,200,000)</u>
Net increase in cash and cash equivalents		3,245	27,441
Cash and cash equivalents brought forward		196,301	168,860
Cash and cash equivalents carried forward	21	<u>199,546</u>	<u>196,301</u>

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

### 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 6.

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 34 to 37 together with the notes thereto cover the Company and its subsidiaries ("the Group"). The separate financial statements of the Company set out on pages 38 to 41 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 24 April 2012.

### 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 annual 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 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

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

## 2. Significant Accounting Policies (cont'd)

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

FRS	Effective for annual periods beginning on or after
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 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

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 follows:-

FRS 3 *Business Combinations* (revised in 2010) and FRS 127 *Consolidated and Separate Financial Statements* (revised in 2010)

FRS 3 (revised in 2010) and FRS 127 (revised in 2010), which supersede FRS 3 *Business Combinations* (issued in 2005) and FRS 127 *Consolidated and Separate Financial Statements* (revised in 2005) respectively, introduce significant changes to the accounting principles for business combinations and consolidated financial statements, both at the acquisition date and post acquisition. Some of the key principles established are disclosed in Note 2.3.

In accordance with the transitional provisions of FRS 3 (revised in 2010), the Group and the Company have applied the standard prospectively to business combinations for which the acquisition date is on or after the effective date. In accordance with the transitional provisions of FRS 127 (revised in 2010), the significant amendments thereto have also been applied prospectively. Accordingly, business combinations entered into prior to 1 January 2011 have not been restated to comply with the standards.

### 2.2 Future Accounting Standards

In November 2011, the Malaysian Accounting Standards Board ("MASB") issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRS") framework. The issuance was made in conjunction with the MASB's plan to converge with International Financial Reporting Standards ("IFRS") in 2012. The MFRS framework is a fully IFRS-compliant framework and equivalent to IFRSs. It comprises standards as issued by the International Accounting Standards Board ("IASB") that are effective on 1 January 2012 and also amended/revised/new standards recently issued by the IASB that will be effective after 1 January 2012.

The Group and the Company will first adopt the MFRS framework for the financial year ending 31 December 2012. Management foresees that the transition to the MFRS framework will not have any significant impacts on the financial statements except as follows:-

MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards*

MFRS 1 allows first-time adopters to elect certain exemptions from other MFRSs. The Group is currently considering to use the last revaluation of certain land and buildings made in 1997 as deemed cost under the MFRS framework.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

### 2. Significant Accounting Policies (cont'd)

#### 2.2 Future Accounting Standards (cont'd)

##### MFRS 9 Financial Instruments

MFRS 9 (effective for annual periods beginning on or after 1 January 2015) replaces the guidance in MFRS 139 *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets by dividing them into 3 classifications: (1) those measured at amortised cost; (2) those measured at fair value through profit or loss; and (3) those measured at fair value through other comprehensive income. Management foresees that the adoption of these new classifications will not result in any significant changes to the existing measurement bases of financial assets of the Group and the Company.

##### MFRS 10 Consolidated Financial Statements

MFRS 10 (effective for annual periods beginning on or after 1 January 2013) replaces the consolidation guidance in MFRS 127 *Consolidated and Separate Financial Statements* and IC Interpretation 112 *Consolidation - Special Purpose Entities* by introducing a single consolidation model for all entities based on control. Under MFRS 10, control is based on whether an investor has (1) power over the investee; (2) exposure, or rights, to variable returns from its involvement with the investee; and (3) the ability to use its power over the investee to affect the amount of the returns. Management foresees that the adoption of these new control criteria will not result in any significant changes to the existing composition of the Group.

#### 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 acquisition method. Under the acquisition method, the consideration transferred, the identifiable assets acquired and the liabilities assumed are measured at their acquisition-date fair values. The components of non-controlling interests that are present ownership interests are measured at the present ownership instruments' proportionate share in the recognised amounts of the identifiable net assets acquired. All other components of non-controlling interests are measured at their acquisition-date fair values. In a business combination achieved in stages, the previously held equity interest in the acquiree is remeasured at its acquisition-date fair value and any resulting gain or loss is recognised in profit or loss. All acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss as incurred.

Goodwill at the acquisition date is measured as the excess of (a) over (b) below:-

- (a) the aggregate of:-
  - (i) the acquisition-date fair value of the consideration transferred;
  - (ii) the amount of any non-controlling interests; and
  - (iii) in a business combination achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree.
  
- (b) the net of the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed.

Goodwill is recognised as an asset at the aforementioned amount less accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.7. When the above (b) exceeds (a), the excess represents a bargain purchase gain and, after reassessment, is recognised in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

## 2. Significant Accounting Policies (cont'd)

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

A subsidiary is consolidated from the acquisition date, being the date on which control is obtained, and continues to be consolidated until the date when control is lost. Intragroup balances, transactions, income and expenses are eliminated in full on consolidation. Total comprehensive income is 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. All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Upon loss of control of a subsidiary, the assets (including any goodwill) and liabilities of, and any non-controlling interests in the subsidiary are derecognised. All amounts recognised in other comprehensive income in relation to the subsidiary are accounted for on the same basis as would be required if the related assets or liabilities had been directly disposed of. Any consideration received and any investment retained in the former subsidiary are recognised at their fair values. The resulting difference is then recognised as a gain or loss 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.

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 terms of 39 to 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

### 2. Significant Accounting Policies (cont'd)

#### 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.

#### 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, derivatives 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

All derivatives, except for those designated as hedges, are classified as held for trading 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 is recognised in profit or loss.

##### (ii) Held-to-maturity investments

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

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

## 2. Significant Accounting Policies (cont'd)

### 2.9 Financial Assets (cont'd)

#### Recognition and Measurement (cont'd)

##### (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.

#### 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.



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

### 2. Significant Accounting Policies (cont'd)

#### 2.9 Financial Assets (cont'd)

##### Determination of Fair Values

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.

Fair value measurements recognised in the statement of financial position are categorised into the following levels of fair value hierarchy:-

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of quoted investments are determined by reference to their quoted closing bid prices at the end of the reporting period (i.e. Level 1).

The fair values of forward exchange contracts are quoted by the financial institutions (i.e. Level 1). If such quotation is not available, the fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (i.e. Level 2).

#### 2.10 Financial Liabilities

Financial liabilities of the Group and the Company consist of payables, loans and borrowings and derivatives (including 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, in the case of a financial liability not at fair value through profit or loss, directly attributable transaction costs. After initial recognition, all financial liabilities, except for financial liabilities at fair value through profit or loss and 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.

##### (i) Financial liabilities at fair value through profit or loss

All derivatives, except for financial guarantee contracts or those designated as hedges, are classified as held for trading under this category. After initial recognition, such financial liabilities are measured at fair value. Any gain or loss arising from a change in the fair value is recognised in profit or loss.

##### (ii) Financial guarantee contracts

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.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

## 2. Significant Accounting Policies (cont'd)

### 2.10 Financial Liabilities (cont'd)

#### 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.

Fair value measurements recognised in the statement of financial position are categorised into the following levels of fair value hierarchy:-

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of forward exchange contracts are quoted by the financial institutions (i.e. Level 1). If such quotation is not available, the fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (i.e. Level 2).

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 (i.e. Level 3).

### 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

### 2. Significant Accounting Policies (cont'd)

#### 2.12 Foreign Currency Transactions and Translation (cont'd)

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.

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.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

## 2. Significant Accounting Policies (cont'd)

### 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.

### 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 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

### 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.

#### (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 2011, 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 2011 are as follows:-

	Group RM
Property, plant and equipment	95,364,439
Investments in club memberships	61,000

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

**3. Judgements And Estimation Uncertainty (cont'd)**

**Sources of Estimation Uncertainty (cont'd)**

**(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 9.

**(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 10.

**(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 2011 are as follows:-

	Group RM	Company RM
Current tax assets	1,579,410	46,000
Current tax liabilities	27,000	0
Deferred tax assets	109,750	0
Deferred tax liabilities	206,599	0

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

## 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
<u>Cost/Valuation</u>							
Balance at 1 January 2010	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 1 January 2011	4,800,000	23,552,199	102,897,967	3,126,439	2,335,782	3,101,089	139,813,476
Additions	10,069,146	11,261,814	3,418,566	192,769	0	24,609	24,966,904
Disposals	0	0	0	0	0	(70,264)	(70,264)
Currency translation differences	0	76,739	1,413,811	58,459	6,000	65,515	1,620,524
Balance at 31 December 2011	14,869,146	34,890,752	107,730,344	3,377,667	2,341,782	3,120,949	166,330,640
Representing:-							
- Cost	10,069,146	31,690,752	107,730,344	3,377,667	2,341,782	3,120,949	158,330,640
- Valuation	4,800,000	3,200,000	0	0	0	0	8,000,000
Balance at 31 December 2011	14,869,146	34,890,752	107,730,344	3,377,667	2,341,782	3,120,949	166,330,640

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

4. Property, Plant And Equipment (cont'd)

	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
<u>Accumulated Depreciation</u>							
Balance at 1 January 2010	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
Depreciation	234,817	2,005,512	9,280,481	254,982	163,103	424,482	12,363,377
Disposals	0	0	0	0	0	(55,664)	(55,664)
Currency translation differences	0	12,521	373,033	50,582	2,600	56,048	494,784
Balance at 31 December 2011	1,350,606	9,958,883	53,367,160	2,263,468	1,881,448	2,144,636	70,966,201
<u>Carrying Amount</u>							
Balance at 1 January 2010	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
Balance at 31 December 2011	13,518,540	24,931,869	54,363,184	1,114,199	460,334	976,313	95,364,439



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

#### 4. Property, Plant And Equipment (cont'd)

Certain 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:-

	2011 RM	2010 RM
Short-term leasehold land	893,788	917,340
Buildings	149,308	307,128
	<u>1,043,096</u>	<u>1,224,468</u>

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

	2011 RM	2010 RM
Short-term leasehold land	13,518,540	3,684,211
Buildings	24,096,316	14,779,099
	<u>37,614,856</u>	<u>18,463,310</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:-

	2011 RM	2010 RM
Plant and machinery	15,494,611	18,464,061
Motor vehicles	504,543	743,324
	<u>15,999,154</u>	<u>19,207,385</u>

#### 5. Goodwill On Consolidation

Group

	2011 RM	2010 RM
Cost	25,252	25,252
Accumulated impairment losses	(25,252)	0
	<u>0</u>	<u>25,252</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

6. Investments In Subsidiaries

Company

2011  
RM

2010  
RM

Unquoted shares - at cost

56,351,527

54,351,525

The details of the subsidiaries are as follows:-

Name of Subsidiary	Country of Incorporation	Effective Ownership Interest		Principal Activity
		2011	2010	
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%	100%	Dormant
Dufusion Sdn. Bhd.	Malaysia	100%	0%	Dormant
<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

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

### 7. Available-For-Sale Financial Assets

Group and Company

2011  
RM

2010  
RM

Unit trust quoted in Malaysia, at fair value (Level 1)

303,051

294,910

### 8. Deferred Tax Assets/(Liabilities)

Group

2011  
RM

2010  
RM

Balance at 1 January

(1,417,447)

(2,124,421)

Deferred tax income relating to origination and reversal of temporary differences

996,604

552,543

Deferred tax liabilities overprovided in prior year

316,741

154,582

Currency translation differences

7,253

(151)

Balance at 31 December

(96,849)

(1,417,447)

Disclosed as:-

- Deferred tax assets

109,750

115,743

- Deferred tax liabilities

(206,599)

(1,533,190)

(96,849)

(1,417,447)

In respect of:-

- (Taxable)/Deductible temporary differences of:-

- Property, plant and equipment

(3,808,599)

(3,143,190)

- Financial instruments

327,750

115,743

- Inventories

749,000

0

- Unused capital allowances

336,000

0

- Unused reinvestment allowances

2,299,000

1,610,000

(96,849)

(1,417,447)

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

#### 8. Deferred Tax Assets/(Liabilities) (cont'd)

Save as disclosed above, as at 31 December 2011, 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 RM265,000 (2010 : RM268,000). No further deferred tax assets have been recognised for the excess of the unused capital allowances, unused reinvestment allowances, unused tax losses and deductible temporary differences over the taxable temporary differences as follows:-

	2011	2010
	RM	RM
Unused capital allowances	1,106,000	1,023,000
Unused reinvestment allowances	2,374,000	2,374,000
Unused tax losses	902,000	245,000
Deductible/(Taxable) temporary differences of:-		
- Financial instruments	142,000	0
- Inventories	41,000	0
- Property, plant and equipment	(1,059,000)	(1,071,000)
	<u>3,506,000</u>	<u>2,571,000</u>

#### 9. Inventories

Group	2011	2010
	RM	RM
Raw materials	8,008,034	6,828,972
Work-in-progress	2,935,912	2,226,325
Finished goods	18,304,208	14,849,819
Tools and instruments	1,573,176	1,647,764
	<u>30,821,330</u>	<u>25,552,880</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

## 10. Trade And Other Receivables

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Trade receivables:-				
- Related parties*	747,064	758,825	0	0
- Unrelated parties	20,817,729	33,841,705	0	0
- Allowance for impairment	(212,604)	(70,968)	0	0
	<u>20,605,125</u>	<u>33,770,737</u>	<u>0</u>	<u>0</u>
	21,352,189	34,529,562	0	0
Other receivables:-				
- Subsidiaries	0	0	5,819,730	8,148,986
- Other related party*	0	28,000	0	0
- Unrelated parties	3,580,533	3,012,969	0	0
	<u>3,580,533</u>	<u>3,040,969</u>	<u>5,819,730</u>	<u>8,148,986</u>
	<u>24,932,722</u>	<u>37,570,531</u>	<u>5,819,730</u>	<u>8,148,986</u>

\* Being companies connected with certain directors

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

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Ringgit Malaysia	4,544,533	4,653,341	5,819,730	8,148,986
Hong Kong Dollar	30,527	54,953	0	0
Renminbi	3,197,685	2,978,072	0	0
US Dollar	16,530,365	29,642,522	0	0
Singapore Dollar	143,527	241,643	0	0
Others	486,085	0	0	0
	<u>24,932,722</u>	<u>37,570,531</u>	<u>5,819,730</u>	<u>8,148,986</u>

**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	
	2011 RM	2010 RM
Balance at 1 January	70,968	70,968
Impairment loss recognised	141,636	0
Balance at 31 December	<u>212,604</u>	<u>70,968</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

#### 10. Trade And Other Receivables (cont'd)

##### Trade Receivables (cont'd)

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	
	2011	2010
	RM	RM
Not past due	8,987,484	13,376,114
Past due 1 to 30 days	5,239,500	10,478,717
Past due 31 to 120 days	6,758,537	9,980,853
Past due more than 120 days	366,668	693,878
	21,352,189	34,529,562

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 2011, there were 3 (2010 : 2) 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 RM12,604,904 (2010 : RM21,297,775). The credit risk concentration profile by geographical areas of trade receivables is as follows:-

	Group	
	2011	2010
	RM	RM
Malaysia	7,478,944	10,542,972
China	5,839,461	7,316,116
Singapore	1,635,135	1,195,739
Thailand	3,759,603	13,123,421
Others	2,639,046	2,351,314
	21,352,189	34,529,562

##### 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

**11. Cash And Bank Balances**

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

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Ringgit Malaysia	3,028,339	2,387,745	199,546	196,301
Hong Kong Dollar	4,744	14,335	0	0
Renminbi	129,502	1,819,415	0	0
US Dollar	2,026,140	1,898,545	0	0
Singapore Dollar	252,207	72,137	0	0
	<u>5,440,932</u>	<u>6,192,177</u>	<u>199,546</u>	<u>196,301</u>

**12. Trade And Other Payables**

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Trade payables:-				
- Related parties*	21,723	3,157	0	0
- Unrelated parties	8,881,573	10,035,043	0	0
	8,903,296	10,038,200	0	0
Other payables:-				
- Related parties*	76,018	29,941	0	0
- Unrelated parties	5,171,185	5,680,365	20,450	34,683
	5,247,203	5,710,306	20,450	34,683
	<u>14,150,499</u>	<u>15,748,506</u>	<u>20,450</u>	<u>34,683</u>

\* Being companies connected with certain directors

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

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Ringgit Malaysia	6,133,367	6,283,401	20,450	34,683
Hong Kong Dollar	85,659	83,244	0	0
Renminbi	4,689,740	3,095,686	0	0
US Dollar	806,401	810,121	0	0
Singapore Dollar	2,432,952	4,434,681	0	0
Others	2,380	1,041,373	0	0
	<u>14,150,499</u>	<u>15,748,506</u>	<u>20,450</u>	<u>34,683</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

**12. Trade And Other Payables (cont'd)**

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.

**13. Loans And Borrowings**

Group

	2011 RM	2010 RM
<u>Secured</u>		
Hire purchase payables (fixed rate)	10,233,000	14,345,242
Banker acceptances (fixed rate)	1,226,000	2,714,000
Bank overdrafts (floating rate)	0	2,559,153
Term loans (floating rate)	29,821,189	15,098,072
<u>Unsecured</u>		
Banker acceptances (fixed rate)	10,580,469	5,921,051
Bank overdrafts (floating rate)	2,905,735	2,885,084
Revolving credit (floating rate)	3,508,493	1,500,000
Term loans (floating rate)	438,322	1,240,495
	<u>58,713,208</u>	<u>46,263,097</u>
Disclosed as:-		
- Current liabilities	26,999,196	24,375,555
- Non-current liabilities	31,714,012	21,887,542
	<u>58,713,208</u>	<u>46,263,097</u>

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 2011 ranged from 2.25% to 8.64% (2010 : 1.95% to 8.64%) per annum.



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

### 13. Loans And Borrowings (cont'd)

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

	2011 RM	2010 RM
Ringgit Malaysia	29,293,300	36,329,129
Hong Kong Dollar	2,934,859	4,125,579
Renminbi	1,165,258	1,728,715
US Dollar	25,274,094	4,007,183
Singapore Dollar	45,697	72,491
	<u>58,713,208</u>	<u>46,263,097</u>

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 2 to 8 years. The repayment analysis is as follows:-

	2011 RM	2010 RM
Minimum hire purchase payments:-		
- Within 1 year	5,568,146	6,827,557
- Later than 1 year and not later than 2 years	3,251,743	4,988,204
- Later than 2 years and not later than 5 years	2,359,139	3,794,324
Total contractual undiscounted cash flows	11,179,028	15,610,085
Future finance charges	(946,028)	(1,264,843)
Present value of hire purchase payables:-		
- Within 1 year	5,010,071	6,161,023
- Later than 1 year and not later than 2 years	3,019,423	4,586,953
- Later than 2 years and not later than 5 years	2,203,506	3,597,266
	<u>10,233,000</u>	<u>14,345,242</u>

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 2011

**13. Loans And Borrowings (cont'd)**

**Term Loans**

Term loans are repayable over 3 to 15 years. The repayment analysis is as follows:-

	2011 RM	2010 RM
Gross loan instalments:-		
- Within 1 year or on demand	4,831,293	3,365,707
- Later than 1 year and not later than 2 years	4,361,381	2,125,212
- Later than 2 years and not later than 5 years	12,163,328	6,213,837
- Later than 5 years	14,345,484	8,768,742
Total contractual undiscounted cash flows	35,701,486	20,473,498
Future finance charges	(5,441,975)	(4,134,931)
Present value of term loans:-		
- Within 1 year or on demand	3,768,428	2,635,244
- Later than 1 year and not later than 2 years	3,371,856	1,433,194
- Later than 2 years and not later than 5 years	9,981,606	4,631,751
- Later than 5 years	13,137,621	7,638,378
	<u>30,259,511</u>	<u>16,338,567</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.

**14. Financial Liabilities At Fair Value Through Profit Or Loss**

Group

	2011 RM	2010 RM
Derivatives classified as held for trading, at fair value (Level 1)	<u>870,750</u>	<u>0</u>

Derivatives consist of forward exchange contracts which are used to hedge the exposure to currency risk. The Group does not apply hedge accounting. As at 31 December 2011, the Group had contracts due within 1 year to buy RM34,525,000 (2010 : NIL) and sell USD11,000,000 (2010 : NIL) at contractual forward rates.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

### 15. Share Capital

	2011 RM	2010 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>

### 16. Revenue

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Sale of goods	119,284,366	128,487,252	0	0
Interest income	11,297	8,233	11,297	8,233
Management fee	0	0	120,000	120,000
	<u>119,295,663</u>	<u>128,495,485</u>	<u>131,297</u>	<u>128,233</u>

### 17. Employee Benefits Expense

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Short-term employee benefits	24,602,270	24,218,733	266,000	276,000
Defined contribution plans	1,365,595	1,130,793	0	0
	<u>25,967,865</u>	<u>25,349,526</u>	<u>266,000</u>	<u>276,000</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

18. (Loss)/Profit Before Tax

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
(Loss)/Profit before tax is arrived at after charging:-				
Auditors' remuneration:-				
- Current year	198,692	189,873	17,000	15,000
- Prior year	6,000	(10,077)	2,000	0
Directors' remuneration:-				
- Fee	216,000	227,000	216,000	216,000
- Other emoluments	945,908	1,059,362	50,000	60,000
Fee expense for financial instruments not at fair value through profit or loss	136,515	63,652	150	595
Impairment loss on goodwill*	25,252	0	0	0
Impairment loss on loans and receivables	141,636	0	0	0
Incorporation fee	3,000	6,400	0	0
Interest expense for financial liabilities not at fair value through profit or loss	2,415,444	2,551,510	0	0
Inventories written down	1,513,381	0	0	0
Loss on financial instruments at fair value through profit or loss (classified as held for trading)	870,750	0	0	0
Loss on foreign exchange:-				
- Realised	1,291,338	2,802,606	0	1,263
- Unrealised	832,268	0	0	0
Rental of equipment	22,702	0	0	0
Rental of motor vehicles	60,000	30,000	0	0
Rental of premises	143,065	38,071	0	0
and crediting:-				
Gain on disposal of property, plant and equipment	11,900	26,067	0	0
Gain on foreign exchange:-				
- Realised	0	0	945	0
- Unrealised	0	8,639	0	0
Interest income for financial assets not at fair value through profit or loss	23,265	16,894	11,297	8,233
Rental of premises	689,400	54,000	0	0

\* Included in other expenses

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

**19. Tax (Income)/Expense**

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Tax based on results for the year:-				
- Malaysian income tax	27,000	207,963	0	0
- Overseas income tax	273,738	1,316,390	0	0
- Deferred tax	(996,604)	(552,543)	0	0
	<u>(695,866)</u>	<u>971,810</u>	<u>0</u>	<u>0</u>
Tax (over)/under provided in prior year:-				
- Malaysian income tax	(76,064)	(108,759)	0	0
- Overseas income tax	26,320	44,089	0	0
- Deferred tax	(316,741)	(154,582)	0	0
	<u>(1,062,351)</u>	<u>752,558</u>	<u>0</u>	<u>0</u>

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	
	2011	2010	2011	2010
	%	%	%	%
Applicable tax rate	(25.00)	25.00	(25.00)	(25.00)
Non-deductible expenses	16.24	5.17	25.00	25.00
Non-taxable income	(0.44)	(3.36)	0.00	0.00
Reinvestment allowances claimed	(5.39)	(10.41)	0.00	0.00
Increase in unrecognised deferred tax assets	3.88	7.22	0.00	0.00
Effect of differential tax rates	(1.14)	(10.79)	0.00	0.00
Average effective tax rate	<u>(11.85)</u>	<u>12.83</u>	<u>0.00</u>	<u>0.00</u>

As at 31 December 2011, 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 2011 as tax exempt dividends under the single tier tax system.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

**20. (Loss)/Earnings Per Share**

Group

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

	2011	2010
(Loss)/Profit for the financial year (RM)	<u>(4,810,308)</u>	<u>6,824,741</u>
Weighted average number of shares in issue	<u>120,000,000</u>	<u>120,000,000</u>
Basic (loss)/earnings per share (sen)	<u>(4.01)</u>	<u>5.69</u>

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

**21. Notes To Statement Of Cash Flows**

**Purchase of Property, Plant and Equipment**

	Group	
	2011	2010
	RM	RM
Cost of property, plant and equipment purchased	24,966,904	20,253,957
Amount financed through hire purchase	(2,097,379)	(12,311,209)
Net cash disbursed	<u>22,869,525</u>	<u>7,942,748</u>

**Cash and Cash Equivalents**

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Cash and bank balances	5,440,932	6,192,177	199,546	196,301
Bank overdrafts	(2,905,735)	(5,444,237)	0	0
	<u>2,535,197</u>	<u>747,940</u>	<u>199,546</u>	<u>196,301</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

#### 22. Related Party Disclosures

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

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Key management personnel compensation:-				
- Short-term employee benefits	1,249,341	1,870,578	266,000	276,000
- Defined contribution plan	63,413	92,222	0	0
	1,312,754	1,962,800	266,000	276,000
Subscription for shares in subsidiaries	0	0	2,000,002	1,000,000
Management fee charged to subsidiary	0	0	120,000	120,000
Purchase of goods from other related parties*	204,936	1,941	0	0
Purchase of property, plant and equipment from other related party*	24,609	0	0	0
Rental of motor vehicles charged by other related party*	60,000	30,000	0	0
Rental of premises charged to other related party*	54,000	54,000	0	0
Sale of goods to other related parties*	243,172	343,583	0	0

\* Being companies connected with certain directors

#### 23. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

**23. Segment Reporting (cont'd)**

**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	
	2011	2010	2011	2010
	RM	RM	RM	RM
Malaysia	42,064,233	45,119,007	78,347,768	64,534,150
Thailand	44,045,329	48,121,476	0	0
People's Republic of China	23,101,388	16,392,140	16,988,595	17,098,902
Singapore	490,039	6,148,198	89,076	102,972
Other countries	9,594,674	12,714,664	0	0
	<u>119,295,663</u>	<u>128,495,485</u>	<u>95,425,439</u>	<u>81,736,024</u>

**Major Customers**

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

	External Revenue	
	2011	2010
	RM	RM
Customer I*	44,864,750	40,417,029
Customer II*	21,240,813	26,352,150
Customer III*	<u>14,764,199</u>	<u>12,927,844</u>

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

**24. Commitment For Purchase Of Property, Plant And Equipment**

Group		
	2011	2010
	RM	RM
Approved but not contracted	0	19,919,000
Contracted but not provided	<u>8,100,000</u>	<u>0</u>



**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

**25. Lease Commitment**

Group

	2011	2010
	RM	RM
Future minimum lease payments under non-cancellable operating lease:-		
- Within 1 year	62,876	86,039
- Later than 1 year and not later than 2 years	0	57,459
	<u>62,876</u>	<u>143,498</u>

**26. 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 RM118,490,000 (2010 : RM101,065,000). The total utilisation of these credit facilities as at 31 December 2011 amounted to approximately RM62,684,000 (2010 : RM48,692,000).

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.

**27. 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, derivative financial assets 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 26.

As the Group only deals with reputable financial institutions, the credit risk associated with derivative financial assets and 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 2011

#### 27. 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"), Hong Kong Dollar ("HKD"), Renminbi ("RMB") and US Dollar ("USD") 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 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 Loss 2011 RM	Increase/ (Decrease) in Profit 2010 RM
Appreciation of USD against RM by 10%	(1,200,306)	1,006,224
Depreciation of USD against RM by 10%	1,200,306	(1,006,224)
Appreciation of SGD against RM by 10%	(6,971)	(46,376)
Depreciation of SGD against RM by 10%	6,971	46,376
Appreciation of USD against HKD by 10%	767,285	817,153
Depreciation of USD against HKD by 10%	(767,285)	(817,153)
Appreciation of USD against RMB by 10%	240,754	350,673
Depreciation of USD against RMB by 10%	(240,754)	(350,673)
Appreciation of SGD against USD by 10%	(159,444)	(309,462)
Depreciation of SGD against USD by 10%	159,444	309,462

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

**27. 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 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	
	(Increase)/ Decrease in Loss 2011 RM	Increase/ (Decrease) in Profit 2010 RM
Increase in interest rates by 100 basis points	(281,419)	(183,416)
Decrease in interest rates by 100 basis points	<u>281,419</u>	<u>183,416</u>

**28. 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, purchase own shares, issue new shares, sell assets, raise or redeem debts, 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 Group's strategy is to maintain the ratio at below 1 : 1 as follows:-

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Total loans and borrowings	58,713,208	46,263,097	0	0
Total equity	<u>86,749,473</u>	<u>89,523,335</u>	<u>62,699,404</u>	<u>63,003,039</u>
Total capital	<u>145,462,681</u>	<u>135,786,432</u>	<u>62,699,404</u>	<u>63,003,039</u>
Debt-to-equity ratio	<u>0.68 : 1</u>	<u>0.52 : 1</u>	<u>0 : 1</u>	<u>0 : 1</u>

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

## SUPPLEMENTARY INFORMATION

### - REALISED AND UNREALISED PROFITS OR LOSSES

	The Group		The Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Total retained profits of the Company and its subsidiaries:-				
- Realised	56,813,373	60,485,846	2,699,404	3,003,039
- Unrealised	(1,506,573)	(912,936)	0	0
	<u>55,306,800</u>	<u>59,572,910</u>	<u>2,699,404</u>	<u>3,003,039</u>
Consolidation adjustments and eliminations	(5,964,998)	(5,527,534)	0	0
Total retained profits as per statement of financial position	<u>49,341,802</u>	<u>54,045,376</u>	<u>2,699,404</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.

## 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 31.12.2011 (RM)	Date of last revaluation	Date of acquisition
<b>Registered Owner: DISB</b>						
<b>Land</b>  P.T. No. 1886 (Resurveyed Lot 12354) held under Title No. H.S. (D) 11985, Mukim 12, Daerah Barat Daya, Penang	60 years leasehold expiring 26.12.2051	Industrial land	177,691 sq. feet	3,600,001	1997	-
<b>Building</b>  Plot 19 Free Industrial Zone, Phase IV, Bayan Lepas 11900 Penang		Industrial complex - 1 Single-Storey office-cum-production building (20 & 13 years) - 1 double-storey office-cum-production building (6 years) - 1 three-storey production building (4 years) - 1 three-storey office cum production building (4 years)	18,209 sq. feet 33,793 sq. feet 65,811 sq. feet 32,816 sq. feet	13,272,461		Yr 1997 - 2007
<b>Registered Owner: Futron Ltd</b>						
No. 1, Gao Tin Industrial Zone, Tai Ping Town, Cong Hua City.		- 1 three-storey production building (8 years) - 1 five-storey hostel (8 years)	41,383 sq. feet 21,348 sq. feet	535,851 299,702		Yr 2003 – 2008 Yr 2003
<b>Registered Owner : DDE</b>						
<b>Land</b>  Lot 12439 held under Title No. PN4243, Mukim 12, Daerah Barat Daya, Penang	60 years leasehold expiring 6.3.2050	Industrial land	240,142 sq. feet	9,918,539		Year 2011
<b>Building</b>  Plot 98, Hala Kampung Jawa 1, Non FTZ, Bayan Lepas Industrial Park 11900 Bayan Lepas Penang		Industrial complex - 1 Double-Storey production building-cum-office (14 years)	166,464 sq. feet	10,823,855		
			<b>TOTAL</b>	38,450,409		

## ANALYSIS OF SHAREHOLDINGS

### SHARE CAPITAL AS AT 30 APRIL 2012

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 30 APRIL 2012

<b>Holdings</b>	<b>No. of Holders</b>	<b>Total Holdings</b>	<b>%</b>
1 - 99	222	9,883	0.01
100 - 1,000	56	32,541	0.03
1,001 - 10,000	1,469	8,100,424	6.75
10,001 – 100,000	1,299	35,868,977	29.98
100,001 – 5,999,999	127	31,147,251	29.21
6,000,000 and above	4	40,939,423	34.12
<b>Total</b>	<b>3,077</b>	<b>120,000,000</b>	<b>100.00</b>

### THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT 30 APRIL 2012

<b>Name</b>	<b>Shareholdings</b>	<b>%</b>
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. HLB Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Kwek Peng Liak	800,000	0.67
12. Yu, Tsung-Te	730,000	0.61
13. Ong Beng Kee	650,000	0.54
14. CIMSEC Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Lai Weng Chee @ Lai Kok Chye (SS2 PJ-CL)	633,633	0.54
15. Citigroup Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Sow Suu Tang (472629)	533,333	0.44
16. CIMSEC Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Wong Gah @ Wong See Yen (BSS PTLG-CL)	500,000	0.42

## ANALYSIS OF SHAREHOLDINGS (CONT'D)

## THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT 30 APRIL 2012 (cont'd)

Name	Shareholdings	%
17. Mayban Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Gan Bee Ean	497,333	0.41
18. Ng Swee Fong	476,000	0.40
19. Lee Ben Chin	434,600	0.36
20. Yang Li Hsin	400,000	0.33
21. KAF Nominees (Tempatan) Sdn.Bhd. Qualifier: Pledged Securities Account for Chan Pak Cheong (CA1720)	370,000	0.31
22. Lim Toh Heok	355,900	0.30
23. Kenanga Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Nordin Bin Mohamad	350,000	0.29
24. Eg Kaa Chee	347,733	0.29
25. Gan Bee Ean	319,333	0.27
26. HLG Nominee (Tempatan) Sdn Bhd Qualifier: Hong Leong Bank Bhd for Yeow Hoe Seah	312,000	0.26
27. Liew Siew Fun	300,000	0.25
28. Ang Chee Sieng	290,666	0.24
29. Resourceful Means Sdn. Bhd.	266,666	0.22
30. JF Apex Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Ooi Siew Looi (STA 2)	266,500	0.22

## SUBSTANTIAL SHAREHOLDERS AS AT 30 APRIL 2012

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 <sup>^</sup>	9.40 <sup>^</sup>
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 <sup>^</sup>	9.40 <sup>^</sup>

<sup>^</sup> Indirect Interest by virtue of his/her substantial interest in PCSB.

## DIRECTORS' SHAREHOLDINGS AS AT 30 APRIL 2012

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 <sup>^</sup>	9.40 <sup>^</sup>
2. Hsu, Chin-Shui	15,353,375	12.79	-	-
3. Yong Poh Yow	2,434,668	2.03	-	-
4. Ang Siak Keng	-	-	-	-
5. Baqir Hussain Bin Hatim Ali	-	-	-	-
6. Khoo Lay Tatt	-	-	-	-

<sup>^</sup> Indirect Interest by virtue of his substantial interest in PCSB.

## PROXY FORM

No of ordinary shares held

I/We \_\_\_\_\_ (\*NRIC No./Company No. \_\_\_\_\_)  
of \_\_\_\_\_  
being a \*Member/Members of DUFU TECHNOLOGY CORP. BERHAD  
hereby appoint (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 Tenth 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 Friday, 29 June 2012 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 an increase of the Directors' Fee from RM216,000/- to RM252,000/- for the financial year ending 31 December 2012 and payment of such fees to the Directors.		
To re-elect the following Directors retiring under the respective provision of the Articles of Association of the Company and who, being eligible offer themselves for re-election:-		
2. Hsu, Chin-Shui (Article 97(1))		
3. Yong Poh Yow (Article 97(1))		
4. Ang Siak Keng (Article 104)		
5. To re-appoint Messrs. Crowe Horwath as Auditors of the Company for the ensuing year and to authorize the Directors to fix their remuneration.		
To pass the following resolution as Special Business :-		
<b>Ordinary Resolution</b>		
6. Authority to Issue Shares pursuant to Section 132D of the Companies Act, 1965.		
<b>Special Resolution</b>		
7. To approve the Proposed Alteration to the Articles of Association of the Company as set out in the Appendix A attached together with the Annual Report 2011.		

Signature of Shareholder(s) .....

Signed this ..... day of ....., 2012.

Notes:

- For the purpose of determining a member who shall be entitled to attend and vote at the AGM, the Company shall be requesting the Record of Depositors as at 22 June 2012. Only a depositor whose name appears on the Record of Depositors as at 22 June 2012 shall be entitled to attend, speak and vote at the said meeting as well as for appointment of proxy(ies) to attend and vote on his/her stead.
- 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 provision 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.



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*The Company Secretaries*

**DUFU TECHNOLOGY CORP. BERHAD** (581612-A)  
57-G Persiaran Bayan Indah  
Bayan Bay, Sungai Nibong  
11900 Penang

Affix  
Stamp

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