

**DUFU TECHNOLOGY CORP. BERHAD (“DUFU”)
ACQUISITION OF LEASEHOLD PROPERTIES BY DUFUSION SDN. BHD., A
WHOLLY-OWNED SUBSIDIARY OF DUFU (THE “ACQUISITION”) FOR A
PURCHASE CONSIDERATION OF RM9 MILLION**

1.0 INTRODUCTION

The Board of Directors of Dufu Technology Corp. Berhad (“DUFU” or the “Company”) wishes to announce that Dufusion Sdn. Bhd. (“Dufusion”) a wholly-owned subsidiary of DUFU, has on October 18, 2011 entered into a Conditional Sale and Purchase Agreement (the “Agreement”) with Zoomic Technology (M) Sdn. Bhd. (Company No. 234714-U) (In Receivership) (“Zoomic Tech”) with the express consent of the duly appointed Receivers and Managers for the acquisition of the leasehold properties as detailed in Section 3.1 (the “Properties”) at a total consideration of Ringgit Malaysia Nine Million (RM9,000,000/-) only (the “Purchase Consideration”) [the “Acquisition”].

2.0 BACKGROUND INFORMATION

2.1 Information on Dufusion

Dufusion is a private limited company incorporated on June 10, 2011 with an authorised share capital of RM100,000.00 comprising 100,000 ordinary shares of RM1.00 each. Dufusion has an issued and paid-up capital of RM2.00 comprising 2 ordinary shares of RM1.00 each.

Dufusion is currently dormant and its intended principal activities are as follows:-

- a) Manufacturing of medical devices, medical and surgical appliances and apparatus of every description; and
- b) Design, develop, manufacture, assemble and trade of precision and stamping parts, plastic injection moulds, precision steel moulds, tools and dies, tooling parts, die components and precision machining of industrial components.

2.2 Information on Zoomic Tech

Zoomic Tech was incorporated in Malaysia as a private limited company under the Companies Act, 1965 on Februari 24, 1992 with an authorised share capital of RM10,000,000/- comprising 10,000,000 ordinary shares of RM1.00 each. Zoomic Tech has an issued and paid-up capital of RM6,400,000/- comprising 6,400,000 ordinary shares of RM1.00 each. Zoomic Tech has ceased its business operation and is currently under receivership.

Based on the Company Search dated October 17, 2011, the Directors, Shareholders, Receivers and Managers of Zoomic Tech are as follows:-

- a) Directors are Mr. The Eng Huat and Mr. Khoo Hun Sniah;
- b) Shareholders are Mr. The Eng Huat and Mr. Khoo Hun Sniah; and
- c) Appointed Receivers and Managers of Zoomic Tech are Ooi Woon Chee and Ong Hock An both c/o KPMG Corporate Services Sdn. Bhd., Level 10, KPMG Tower, No. 8, First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor. The Receivers and Managers were appointed jointly and severally as receivers and managers of the undertaking and assets of Zoomic Tech on February 2, 2011 under the power contained in the Debenture dated March 30, 2010 (“Debenture Charge”).

3.0 DETAILS OF THE ACQUISITION

3.1 Information on the Properties

Property 1:

The piece of leasehold land for 60 years ending May 22, 2050 held under Pajakan Negeri 5986, Lot No. 8478 Mukim 12, District of Barat Daya, State of Pulau Pinang measuring approximately 4,780 square metres bearing postal address of Plot No. 160, Jalan Sungai Keluang, Bayan Lepas Free Industrial Zone, Phase 1, 11900 Bayan Lepas, Penang.

Property 2:

The piece of leasehold land for 60 years ending December 10, 2050 held under Pajakan Negeri 3016, Lot No. 9232 Mukim 12, District of Barat Daya, State of Pulau Pinang measuring approximately 6,164 square metres bearing postal address of Plot No. 163, Jalan Sungai Keluang, Bayan Lepas Free Industrial Zone, Phase 1, 11900 Bayan Lepas, Penang.

The Properties to be acquired comprising of Property 1 and Property 2 together with the undermentioned buildings and structures erected thereon:-

- a) Production Area, Office & Warehouse Store;
- b) Guard House; and
- c) Motorcycle Shed.

Pursuant to the Agreement, the Properties are subject to charge registered in favour of United Overseas Bank (Malaysia) Bhd (Company No. 271809-K) (“Existing Chargee”). Property 2 is also subject to a lease of 30 years to Tenaga Nasional Berhad (“TNB”) from May 8, 1992 to May 7, 2022.

Pursuant to Settlement Agreement dated May 13, 2011 (“the Settlement Agreement”), Zoomic Tech had agreed with Malaysia Debt Ventures Bhd (Company No. 578113-A) (“Chargee”) to pay or settle the outstanding sum of Ringgit Malaysia Twenty Two Million and Five Hundred Thousand (RM22,500,000/-) upon the terms and conditions contained therein. It is a term of Settlement Agreement that Zoomic Tech shall procure the Existing Chargee’s discharge of charge over the Properties and register the same at the relevant land registry/office together with a first legal charge executed and delivered by Zoomic Tech in favour of the Chargee, whereby the Zoomic Tech charges to the Chargee the Properties as security for the debts and liabilities of Zoomic Tech. (“Charge”)

The Properties are also subject to the Debenture Charge.

DUFU is unable to provide the information on Net Book Value of the Property as DUFU is privy to this information.

3.2 Basis of Purchase Consideration

The Purchase Consideration for the Acquisition was arrived at based on “willing buyer and willing seller” basis after taking into consideration the strategic location of the Properties.

Dufusion had agreed to purchase the Properties on an “as is where is” basis free from all encumbrances and with vacant possession but subject to the existing category of land use and all expenses express and implied conditions endorsed on the documents of title to the Properties and all unregistered easement (if any) affecting the Properties and upon the terms and conditions of the Agreement.

3.3 Settlement for the Purchase Consideration

The Purchase Consideration shall be satisfied in the following manner :

- a) Ringgit Malaysia One Hundred and Eighty Thousand (RM180,000/-) only as Earnest Deposit was paid on May 27, 2011 to Zoomic Tech.
- b) Ringgit Malaysia One Hundred and Eighty Thousand (RM180,000/-) only as Retention Sum was paid on October 11, 2011 to Dufusion's solicitor as stakeholder;
- c) Ringgit Malaysia Five Hundred and Forty Thousand (RM540,000/-) being the Remainder Deposit was paid on October 11, 2011 to Zoomic Tech's solicitors as stakeholder;
- d) The balance of the Purchase Consideration of Ringgit Malaysia Eight Million and One Hundred Thousand (RM8,100,000/-) shall be paid to Zoomic Tech's solicitor within three months from the date of the Agreement once become unconditional or such later date which shall be mutually agreed by both parties.

The Purchase Consideration will be financed via internally generated funds and borrowings, the breakdown of which will only be ascertained at a later date.

3.4 Liabilities to be Assumed

There are no liabilities including contingent liabilities to be assumed by Dufu Group arising from the Acquisition except the borrowing for financing the Acquisition.

4.0 SALIENT TERMS OF THE AGREEMENT

4.1 Condition Precedent

The Acquisition is conditional upon the fulfilment of the following Approvals to sell or transfer the Properties to Dufusion being obtained within 6 months from the date of the Agreement ("Cut-Off Date"):-

- i) The approval of the relevant State Authority;
- ii) The approval of the Penang Development Corporation ("PDC"); and
- iii) The approval of TNB as the lessee of Property 2;

Dufusion shall at its own cost and expense, within 14 days after the date of the Agreement, apply to the relevant authority for the Approvals. Zoomic Tech shall at the reasonable request of the Purchaser execute the relevant forms and documents and furnish such relevant information as may be necessary for such application.

If the Approvals are not obtained by the Cut-Off Date, the time period for obtaining the Approvals shall be automatically extended by 1 month, commencing from the Cut-Off Date.

4.2 Conditions of the Properties

The Properties shall be acquired in the following conditions:-

- a) on an "as is where is" basis, as at the date on which the full amount of the Purchase Consideration and interest due, if any, have been paid to Zoomic Tech / Zoomic Tech's solicitors as stakeholders of the Chargee, without Zoomic Tech or the Receivers and Managers making any kind of representation and warranty whatsoever in respect of the same, including without limitation, to fitness for occupation and/or use, merchantable quality, and description, area, nature, state or condition of the

- Properties (and any buildings or structures thereon) or compliance with the relevant laws;
- b) free from the Charge but subject to the lease in favour of TNB as detailed in Section 3.1 above and whatsoever claims, caveats, liens, encumbrances and equities not attributable to the Dufusion or the Dufusion's Financier;
 - c) with vacant possession in accordance with the provision in the Agreement;
 - d) subject to all conditions of title and restriction in interest, express and implied, on the Document of Title to the Properties and subject to existing category of land use affecting the Properties and all unregistered easements (if any) affecting the Properties;
 - e) subject to the present zoning, road widening, drainage improvement or other schemes whatsoever affecting the Properties and Dufusion is deemed to have full knowledge of the nature and effect thereof.

5.0 RATIONALE FOR THE ACQUISITION

The Acquisition will enable DUFU Group to expand its existing business activities in metal fabrication, machining and assembly. In addition, the Acquisition will place DUFU Group in better position to take up more business opportunities. DUFU Group will also enjoy an increased competitive edge by increasing its production capacity and derive economic value through improve economic of scale.

6.0 EFFECTS OF THE PROPOSED ACQUISITION

6.1 Share capital and Substantial shareholders' shareholdings in DUFU

The Acquisition will not have any effect on the share capital and substantial shareholders' shareholdings in DUFU.

6.2 Earnings per share ("EPS"), Net assets per share and Gearing

As the Acquisition is expected to be completed only in year 2012, the Acquisition is not expected to have any material effect on the EPS, Net assets per share and Gearing of DUFU for the financial year ending December 31, 2011. However, as the Purchase Consideration will be partly financed via borrowings, the gearing of DUFU for the financial year ending December 31, 2011 is expected to increase as a result of the Acquisition.

7.0 APPROVALS REQUIRED

The Acquisition is subject to the approvals from State Authority, PDC and TNB as detailed in Section 4.1 above.

8.0 MAJOR SHAREHOLDERS' AND DIRECTORS' INTERESTS

To the best of the knowledge of the Board of Directors of DUFU, none of the Directors and/or major shareholders of DUFU, or persons connected to them, has any interest, direct or indirect, in the Acquisition.

9.0 ESTIMATED TIMEFRAME FOR COMPLETION

The Acquisition is expected to be completed by June 2012.

10.0 APPLICATION TO RELEVANT AUTHORITY

Save as disclosed in Section 7 herein, no other application is required to be made with other authority pertaining to the Acquisition.

11.0 PERCENTAGE RATIOS UNDER PARAGRAPH 10.02(g) OF THE BURSA SECURITIES MAIN MARKET LISTING REQUIREMENTS

In respects of the Acquisition and based on the DUFU's audited financial statements for the financial year ended December 31, 2010, the highest percentage ratio under Paragraph 10.02(g) of Chapter 10 of the Bursa Securities Main Market Listing Requirements is 10.05%

12.0 RISK FACTORS

Save for the normal business risk, changes in political, economic and regulatory conditions in Malaysia and financing risk, the Board of Directors of DUFU is unaware of any risk arising from the Acquisition which could materially or adversely affect the financial and operation conditions of DUFU Group. However, the Board shall undertake various market studies, appropriate business strategies and measures to mitigate these risks.

13.0 DIRECTORS' STATEMENT

The Board of Directors of DUFU is of the opinion that the Acquisition is in the best interest of the DUFU Group.

14.0 ADDITIONAL INFORMATION

- a) There is no valuation report prepared in relation to the Acquisition.
- b) There is no feasibility report prepared in relation to the Acquisition.
- c) The estimated additional financial commitment has not being finalised.

15.0 DOCUMENTS FOR INSPECTION

A copy of the Agreement will be made available for inspection during normal business hours from Monday to Friday (except public holidays) for a period of three (3) months from the date of this announcement at the registered office of DUFU, 57-G Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang.

This announcement is dated October 18, 2011.