

14. DIRECTORS' REPORT

(Prepared for inclusion in this Prospectus)



DUFU TECHNOLOGY CORP. BHD. (581612A)

Registered Office:

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

Date: **18 JAN 2007**

TO THE SHAREHOLDERS OF DUFU TECHNOLOGY CORP. BERHAD


Dear Sir/Madam,

On behalf of the Board of Directors of Dufu Technology Corp. Berhad ("Dufu" or "Company"), I report that, after making due enquiries in relation to the interval between 31 July 2006, being the date to which the last audited financial statements of the Company and its subsidiary companies ("Dufu Group") have been made up, and the date hereof, being a date not earlier than fourteen (14) days before the issue of this Prospectus:

- (a) the business of the Dufu Group has, in the opinion of the Board of Directors of Dufu, been satisfactorily maintained;
- (b) in the opinion of the Board of Directors of Dufu, no circumstances have arisen since the last audited financial statements of the Dufu Group which have adversely affected the trading or the value of the assets of the Dufu Group;
- (c) the current assets of the Dufu Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) no contingent liabilities have arisen by reason of any guarantees or indemnities given by the Dufu Group;
- (e) the Board of Directors of Dufu is not aware of any default or any known event that could give rise to a default situation in respect of payments of either interest and/or principal sums in relation to any borrowings of the Dufu Group since the last audited financial statements of the Dufu Group; and
- (f) save as disclosed in the Accountants' Report and the Proforma Consolidated Balance Sheets as set out in Sections 13 and 11.10 of this Prospectus respectively, there have been no material changes in the published reserves or unusual factors affecting the profits of the Dufu Group since the last audited financial statements of the Dufu Group.

Yours faithfully

For and on behalf of the Board of Directors of
DUFU TECHNOLOGY CORP. BERHAD


Lee Hui Ta
Executive Director

15. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT

(Prepared for inclusion in this Prospectus)



Decide with Confidence

10 JAN 2007

The Board of Directors
Dufu Technology Corporation Berhad
57-2, Persiaran Bayan Indah
Bayan Bay, Sungai Nibong
11900 Penang

RE: EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT FOR DUFU TECHNOLOGY CORP. BERHAD (“DUFU” OR THE COMPANY”)

This Executive Summary has been prepared for inclusion in the Prospectus dated 31 JAN 2007 pursuant to the listing of Dufu on the Second Board of Bursa Malaysia Securities Berhad.

This research is undertaken with the purpose of providing an overview of the industry in which Dufu operates within, namely the precision machining industry, specifically the hard disk drive application market segment. The research methodology for the research includes both primary research, involving in-depth trade interviews and telephone interviews of pertinent companies, as well as secondary research such as reviewing press articles, periodicals, Government literatures, in-house databases, Internet research and online databases.

Dun & Bradstreet (D&B) Malaysia Sdn Bhd (“D&B Malaysia”) (formerly known as Infocredit D&B (Malaysia) Sdn Bhd) has prepared this Executive Summary in an independent and objective manner and has taken all reasonable consideration and care to ensure the accuracy and completeness of the Executive Summary. In addition, the D&B Malaysia acknowledges that if there are significant changes affecting the contents of the Executive Summary after the issue of the Prospectus and before the issue of securities, then the D&B Malaysia has an on-going obligation to either cause the Executive Summary to be updated for the changes and, where applicable, cause the Company to issue a Supplementary Prospectus, or without our consent to the inclusion of the Executive Summary in the Prospectus.

The Executive Summary is highlighted in the following sections.

For and on behalf
Dun & Bradstreet (D&B) Malaysia Sdn Bhd
(Formerly known as Infocredit (D&B) Malaysia Sdn Bhd)

A handwritten signature in black ink, appearing to read 'Tan Sze Chong', written over a horizontal dotted line.

Tan Sze Chong
Managing Director

Dun & Bradstreet (D&B) Malaysia Sdn Bhd

(Formerly known as Infocredit D&B (Malaysia) Sdn Bhd)

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**15. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT
(Cont'd)**

(Prepared for inclusion in this Prospectus)



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EXECUTIVE SUMMARY

1 INDUSTRY OVERVIEW

1.1 ENGINEERING SUPPORTING INDUSTRY

Over the last three (3) decades, the engineering supporting industry experienced rapid development in tandem with the growth of the Malaysian manufacturing sector, and today remains as a key contributor to Malaysia's industrial and economic development. Precision machining and metal stamping activities are key sub-sectors of the broader engineering supporting industry. Other key sub-sectors are mould, tools and die, metal casting, metal surface treatment and heat treatment.

In an technology driven environment where smaller, finer and complex parts are becoming common, most of the engineering supporting activities have progressed into supplying a broad range of parts, components and services to meet the changing demand, particularly from the electrical and electronics ("E&E") sector. Coupled with advancements in manufacturing technologies due to rapid industrialisation and automation, the engineering supporting industry has also been successful in diversifying to other manufacturing sectors such as automotive, engineering, industrial appliances, aerospace, defence and medical devices in view of the rapid development of the country's manufacturing sector and industrialisation.

1.2 PRECISION MACHINING INDUSTRY

Machining is one of the major sub-sectors of the engineering supporting industry servicing the manufacturing sectors. It provides machined parts and components as well as machining services to the E&E, machinery and equipment, oil and gas, telecommunication, medical and healthcare industries. In 2005, there were approximately 170 companies that provided specialised precision machining services and general supporting machine services to meet the demand of the local manufacturing industry.

The precision machining industry has achieved a high level of technical competency to meet international standards which demand for higher quality machine parts. Some of the precision machining companies are equipped with capabilities to produce complex and high quality precision parts utilising high-end machineries that can perform various processes in a single operation. Examples of complex and high quality precision parts are the high quality hard disk drive ("HDD") and industry safety components that require extremely tight tolerance levels. Competition and miniaturisation are among the key driving factors that drive the manufacturers to keep up with the advances in machining to emphasise on continuous performance improvements.

15. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

(Prepared for inclusion in this Prospectus)



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2 MAJOR APPLICATION MARKETS

2.1 HARD DISK DRIVE

2.1.1 INTRODUCTION

A HDD is also known as rigid disk drive. Its primary function is for storing electronic information in various systems ranging from desktop personal computers (“PCs”) to consumer electronics. In general, the HDD comes in various specifications such as size (3.5-inch, 2.5-inch, 1.8-inch and 1.0-inch), revolutions per minute (“rpm”) (5,400rpm, 7,200rpm, etc) and storage capacities (60GB, 80GB, 100GB, 120GB, etc). In 2005, the global HDD shipment was estimated to surpass 350 million units. The largest user of HDD in the global market is the consumer desktop PC market. Other application markets for HDD include mobile computing, enterprise applications and consumer electronics.

2.1.2 OVERVIEW

A majority of the world’s HDD are manufactured by a handful of multinational companies, namely Seagate Technology LLC (“Seagate”), Western Digital Corporation (“Western Digital”), Maxtor Corporation (“Maxtor”), Hitachi Global Storage Technology (“HGST”), Toshiba Storage Device Division of Toshiba Corporation (“Toshiba”), Samsung Electronics (“Samsung”) and Fujitsu Ltd (“Fujitsu”). Seagate, Western Digital and Maxtor are independent HDD manufacturers (core business is focussed on HDD) while for Hitachi, Toshiba, Samsung and Fujitsu, the manufacture of HDD is only but a segment of their business interests.

In 2005, the four (4) major HDD manufacturers are Seagate, HGST, Western Digital and Maxtor. In May 2006, Seagate announced that it has completed its acquisition of Maxtor. With the acquisition, Seagate will be the undisputed largest HDD manufacturer in the world in terms of sales and number of units shipped. In 2005, the top four (4) HDD manufacturers, namely, Seagate, HGST, Western Digital and Maxtor generated about USD20 billion in sales.

Some of the key factors to be selected as suppliers to the HDD manufacturers are:

- Proven volume production technique with process know-how to achieve the highest quality standard in dimensioning precision;
- Process technology to achieve the most stringent cleanliness standard;
- Excellent in quality system; and
- In-house laboratory testing capability to meet customer requirements.

According to the Department of Statistics, the Malaysian disk drive parts industry recorded sales of RM3.2 billion in 2005. The trade in storage devices including HDD approximated USD55.4 billion in 2005. The top exporter of storage devices were Singapore, China and Thailand. Malaysia exported RM7.4 billion worth of storage devices in the same year.

**15. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT
(Cont'd)**

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2.1.3 PRIMARY MARKETS FOR HDD

There are four (4) primary markets for HDD namely, the desktop PC market, mobile computer market, enterprise computing market and consumer electronics.

Desktop PC

The desktop PC market is the largest users of HDD. As the HDD is an integral part of the desktop PC, demand for HDD stems from new PCs as well as from upgrade and replacement markets. Most desktop PCs utilise the 3.5-inch HDD for storing electronic data. In addition to the internal HDD, there is also the external HDD market which caters to users requiring large data storing or back-up capacities. HDD manufacturers usually supplies HDD to Original Equipment Manufacturers such a Dell Inc., Hewlett Packard Company, Lenovo Group Ltd and Acer Co. Ltd., as well as to various PC distributors and retailers.

Mobile Computer

Mobile computers represent primarily laptops which have become more mainstream in recent years as they have become more affordable and cater to a wider range of customers. Laptops utilise smaller size disk drives of 2.5-inch to 1.8-inch as compared to the 3.5-inch HDD of desktop PCs for data storage. The HDD for the laptop is required to spin slower (lower rpm) as it needs to be more energy efficient. Apart from the laptop, other mobile computing devices include Personal Digital Assistant (“PDA”), handheld computers as well as tablet computers, most of which utilise a HDD for data storage.

Enterprise Computing

Enterprise computing generally refers to networks and other computing needs implemented throughout a large corporation. Therefore, the HDD for enterprise computing refers to SCSI and SATA based-HDD used in workstations, servers, and storage networks. HDD made for this segment are generally more robust due to the faster spin rates (higher rpm) and much larger storage capacities. Examples of usage of HDD in this segment include clustering applications for databases, scientific computing and electronic mail.

Consumer Electronics

The use of HDD in consumer electronic products has grown in recent years as the storage and playback of music, pictures and video becomes more popular among consumers. Currently, it is one of the fastest growing segments in the HDD industry. Today, a wide range of consumer electronics utilise HDD including Digital Video Recorders (“DVRs”), digital cameras, digital music players (“MP3 players”) and video game consoles. As such, HDD manufacturers will be serving consumer electronics manufacturers like Sony, JVC, Panasonic, Sanyo, Pioneer, etc. The three (3) largest users of HDD in the consumer electronics market are DVRs (storage and playback of digital TV), MP3 players (storage and playback of audio content), and game consoles.

**15. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT
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2.2 INDUSTRIAL SAFETY – SENSOR DEVICES

Apart from the HDD market, the precision machining industry also offers products and services to the sensor devices market. With the miniaturisation of the sensor devices over the years, the precision machining industry moved in tandem to produce parts and components that are smaller in size and dimension, and more precise.

The parts and components produced for the assembly of sensor devices are required to be of the highest quality and reliable to meet the stringent requirements set by global manufacturers such as First Technology and Honeywell International. These multinational companies offer a wide range of sensor products for various application markets (gas sensing, automotive sensor, medical devices, etc).

Gas Sensing

Gas sensing devices refer to sensor devices used in industrial, commercial and household applications. Today, miniature gas sensors are used in various industrial applications such as boilers, refrigeration and mining.

Automotive Safety Sensor

With the advancement in the automotive safety devices, sensors are integrated and used as active safety systems in cars, especially luxury passenger vehicles. Sensors are integrated with various parts of the cars for safety purposes. Several examples of automotive sensors are airbag sensors, combustion & antiknock sensors and rotation sensors (for antilock brake and traction control systems). Over the past few years, the number of sensors used in automobiles has increased tremendously as the standards for passenger safety rose due to pressures from governments and the general public.

Medical Sensor

In the medical application segment, the use of sensor involves medical devices such as temperature sensors.

2.3 TELECOMMUNICATION DEVICES: MOBILE PHONE

The precision machining industry plays a key role in the production of mobile phones as a mobile phone comprises various metal and plastic components/parts. Due to the intense competition between global mobile phone manufacturers, stringent standards are a norm in the manufacture of mobile phones. Hence, the parts and components produced must meet the set standards.

**15. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT
(Cont'd)**

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2.4 COMPUTER PERIPHERALS

The healthy and burgeoning PC market has spawned a vibrant computer peripherals market in Malaysia as well as globally. Locally, the establishment of manufacturing facilities by global players like Dell, NEC, Samsung, BenQ Technologies, and Fujitsu have helped to develop the local computer peripherals market. Manufacturers of computer peripherals have benefited from the establishment of companies that produce components and parts such as motherboards, cables, power supply units, connectors, printed circuit board assemblies, casings, plastic moulded parts, precision metal stamped machined parts, etc.

3 INDUSTRY DYNAMICS

3.1 SUBSTITUTE PRODUCTS

There are no appropriate substitute materials for the manufacture of HDD components such as clamps and spacers. Various types of metal are used because of their inherent strength, hardness, durability, electrostatic and heat transfer ability. Engineering plastic or composite parts could act as substitutes to metal components and turned parts in other application markets such as consumer electronics. Plastic parts which replace metal turned parts are used in general E&E applications such as home appliances and audio video products.

3.2 BARRIERS TO ENTRY

Long Term Relationship / Strategic Partnership

A successful company involved in the manufacture of HDD components and parts is required to meet the production cycles, and maintain the quality requirements of the HDD manufacturers. As competition in the HDD industry is reflected by volume-to-market (mass production to meet demand), reliability (stable and zero failure) and time-to-market (introduction of new HDD), HDD manufacturers require their suppliers to set the same operational standards as they do. The HDD industry has been around for more than two decades and is currently dominated by only a handful of multinational companies. Having preferred suppliers as part of their supply chain management are practice norms.

Current suppliers are viewed more as strategic partners due to the role they play in a HDD manufacturer's operations. For example, a long-term supplier to a HDD manufacturer would be very familiar with the requirements of that manufacturer and work very closely with the manufacturer to design, develop and produce components.

Hence, a new player entering the HDD components and parts market can only be achieved if the HDD manufacturer (i) is looking to expand the number of component suppliers, or (ii) has terminated or is looking to terminate the relationship with one of its current suppliers.

**15. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT
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In addition, there are vital considerations for potential entrants. Among them are:

- HDD component suppliers looking to get a foothold into the HDD component market are required to go through stringent component testing and trial periods (ranging from six months to one year);
- The supplier's manufacturing capacity may not be sufficient to meet the HDD manufacturer's production allocation requirements; and
- The supplier must be capable to manufacture products to meet stringent cleanliness requirements and have an in-house laboratory to support process monitoring and product certification.

Capital Intensive

The level of capital intensiveness in the precision machining industry is dependent on the type of application market. For example, in the manufacturing of HDD components, where precision and quality control are of utmost importance, manufacturers will have to equip themselves with advanced machinery and apply stringent process controls for production. The manufacturers have to set up their own laboratories and quality control departments to conduct quality control test. The cost of acquiring machinery may prohibitive to new entrants. The substantial investments required are not only for the acquisition of new machinery and equipment but also to constantly upgrade machinery and process maintenance and adding new supporting systems to enhance productivity and improve quality of their components in order to be competitive.

3.3 INDUSTRY RISKS AND CHALLENGES

Competition

One of the major challenges faced by manufacturers is price competition. With competition from low-cost producing countries coupled with rising raw material cost, customers expect to pay minimal price resulting in price battles among the lower-end machining operators. Companies invest in automation and multi-axis machining to counter the global market competitiveness. In Malaysia alone, there are approximately 170 companies that provide specialised precision machining services and general supporting machine services to meet the demand of the local manufacturing industry.

Globally, the HDD industry is a highly competitive market. Consolidation between the major players in the market (Hitachi and IBM; Seagate and Maxtor) in the market over the past few years have resulted in a larger playing field for component suppliers. However, competitions between these suppliers are intensified as these players have to compete for contracts from only a handful of customers. Price and quality differentiation have resulted the need for HDD manufacturers to source components and parts from suppliers which are able to provide high quality products, high volume and timely delivery.

**15. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT
(Cont'd)**

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Rapid Technology Change

The hard drive density, a measure of the amount of data a drive can hold, is estimated to double once every 12 to 18 months. The rapid improvement in technology underlines how competitive the industry environment is as each HDD manufacturer race to improve and commercialise their product in the shortest time-to-market.

In line with the changes in the demand for the HDD, especially for the small form factor HDD (i.e. 1.8-inch and >1-inch), there has been continuous changes in the specifications for the HDD to adapt to various applications. As such, continuous process engineering and process development on the manufacturing processes of HDD components and parts are essential in ensuring that it is able to meet the new specifications.

Flexibility in the manufacturing processes is also a requirement as the HDD today comes in various forms and storage capacity. As HDD manufacturers have to adapt to different consumer preferences, changes in their product specifications have to be adapted quickly and seamlessly by component and part suppliers. Factors like quality, consistency, first-to-market, time-to-market and volume-to-market are key determinants in production allocation by HDD manufacturers to component and part suppliers. Production allocation refers to the number of components/parts allocated to a supplier to manufacture at a given time.

Perpendicular Magnetic Recording (“PMR”) is a new method to extend the data density of a HDD. Instead of lying flat, the PMR method involves magnetising the disk so that the bits of data can be aligned vertically, perpendicular to the disk. This allows HDD manufacturers to put more bits of data on each square inch of disk space (data density), resulting in almost double the volume of data, based on current designs. The entire HDD industry is expected to go perpendicular in the next few years. Every major HDD manufacturer has announced plans for perpendicular HDD.

Other new methods of extending magnetic recording include patterned magnetic media, a promising method that circumvents the density limitations imposed through lithography (a method for printing on a smooth surface) to etch a pattern onto the platter.

Flash Memory

Currently, flash memory is the closest substitute to small form factor HDD. Flash memory is shock resistant (no moving parts) and consumes less power compared to a HDD. However, in terms of total capacity and pricing per GB, a HDD is still superior of flash memory. In general, the capacity requirements and end-applications differentiate a HDD from flash memory.

**15. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT
(Cont'd)**

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3.4 KEY INDUSTRY GROWTH DRIVERS

Desktop and Mobile Computers

The desktop and mobile computers segment, comprising mainly 3.5-inch to 2.5-inch drives, will continue make up the biggest segment of the global HDD market. Sales of PCs grew to surpass the 200 million mark in 2005, driven by affordable desktops and laptops.

The demand for HDD will continue to be strongly driven by the increasing proliferation of PCs in the household and commercial segments as a result of anticipated demand for the storage of digital photos, videos and on-demand TV shows. Mobile computers such as laptop computers are also expected to contribute appreciably to the demand for HDD as wider laptop selections and affordability drive adoption. The expected growth in demand for HDD-based products from various application markets will indirectly create demand for components and parts from the precision machining industry.

Another key driver for computer purchases in the Internet. Internet users are growing on a daily basis. In developed countries such as U.S. and U.K., the Internet penetration rate approximated 66% in 2005.

Consumer Electronics

Another key driver of future HDD growth will be the consumer electronics segment. This segment will include HDD made for consumer electronic devices such as portable music players, video cameras, game consoles and portable media players. It is becoming increasingly commonplace for consumers to carry their entertainment and personal data around, demonstrating an insatiable appetite for storing music, photos, videos and other personal documents. The popularity of, and the increasing demand for HDD-enabled consumer electronic devices is expected to drive demand for, HDD and is anticipated to eventually account for approximately 40% of all HDD shipments by 2008.

The attractiveness of this market segment has prompted Japanese electronics maker, Fujitsu, to begin producing the 1.8-inch HDD used in most HDD-dependent consumer electronics. Other major players in this segment include Toshiba, Seagate and Samsung.

Mobile Phones

Globally, the mobile phone market is dominated by major manufacturers such as Nokia AB, Motorola Incorporated and Samsung Electronics. In 2005, worldwide sales of mobile phones totalled more than 800 million units, recording an annual growth rate of approximately 21%. The introduction of new models, price competitiveness, new technology and the healthy replacement market are amongst the key industry growth drivers for the continuous growth of the global mobile phone market. Worldwide cellular connections, having hit the 2.5 billion mark in September 2006, are expected to reach 3 billion connections by the end of 2007.

15. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

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Between 2001 and 2005, sales of mobile phones in Malaysia recorded a compounded annual growth rate of 13.1%. In 2005, the sales value of mobile phones increased by 11.0% to RM9.1 billion compared to RM8.2 billion in the previous year. The increase in sales may be caused by the reduction in the price of mobile phones and the affordability of mobile telecommunication services. As of the second quarter of 2006, there are approximately 21.5 million mobile phone subscribers in Malaysia.

Other Precision Machining Market Opportunities

Apart from the demand for complex and cost-efficient high quality parts from HDD manufactures, the precision machining industry also offers products and services to a number of application markets for both the domestic and international markets. Noticeably, the precision machining industry has expanded to the manufacturing of components and parts for high technology industries such as the defence and aerospace industries. This is, in part, driven by improvements in Malaysia's manufacturing capabilities to cater for such industries which demand premium quality, high precision and product consistency. Engineering supporting companies involved with high precision technology are able to take advantage of their manufacturing competencies to diversify their activities to broad range of application markets and take advantage of export market opportunities to provide globally competitive products and services.

4 MARKET SIZE AND MAJOR PLAYERS

Seagate, HSGT, Maxtor and WD are the four (4) largest HDD manufacturers in the world. These four (4) companies, which collectively registered USD20.1 billion in revenue in 2005, are estimated to account for more than 70% of the global HDD industry revenue.

The global HDD manufacturers source HDD components from a handful of suppliers only. They are very stringent in their selection of component and parts suppliers as quality, reliability and delivery time are crucial in this competitive market. The production volume allocation for the component or part is determined on a quarterly basis. Quality and cost are two primary determinants for an increase in production allocation for a given quarter from its existing qualified suppliers.

Dufu Group's HDD segment contributed 82% of its revenue and 74% of the Group's PBT in FYE2005. Hence, the Group's competitors selected are suppliers that compete directly with the Group in the supply of HDD disk spacers and clamps to Seagate and Western Digital, the main contributors to the Group's revenue and profit. The list of players in this segment is as follows:

- Dufu
- Notion VTec Berhad
- Disk Precision Industries Pte Ltd

**15. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT
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5 CONCLUSION

The future prospects of the HDD industry remain positive and filled with exciting opportunities. The four largest HDD manufacturers in the world, namely Seagate, HGST, Western Digital and Maxtor recorded sterling results in 2005, collectively registering USD20 billion in revenue vis-à-vis USD17.3 billion in 2004. These four (4) companies represent more than 70% of the global HDD industry revenue. The global HDD shipment surpassed 380 million units in 2005 and is anticipated to grow to an estimated 550 million units by 2008.

The HDD has become a central, enabling technology for an increasingly wide range of products and applications. HDD, which has extended their adoption beyond traditional computing to include portable music players, video cameras, game consoles, portable media players, PDAs and media servers, are fundamentally changing the way people store, use and retrieve information. Strong demand from consumer electronics devices have provided new impetus for sustained growth. Additionally, these new applications are being created by a diverse customer base, requiring a wide range of storage products to meet their needs, as well as the traditional customers and applications that are driving new opportunities in traditional markets for storage.

Future potential application markets that will require storage being targeted by the HDD manufacturers include mobile phones, automobiles, digital home devices, handheld entertainment systems and other devices that will enable the consumer to take their information with them everywhere and share it with anyone.

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16. THE ESOS BY-LAWS

BY-LAWS OF THE ESOS

**DUFU TECHNOLOGY CORP. BERHAD
EMPLOYEES' SHARE OPTION SCHEME**

1. DEFINITIONS

1.1 Except where the context otherwise requires, the following expressions in these By-Laws have the following meanings:

“Act”	: The Companies Act, 1965 of Malaysia
“Bursa Depository”	: Bursa Malaysia Depository Sdn Bhd (165570-W)
“Board”	: The Board of Directors of Dufu or a duly authorised committee
“By-Laws”	: The By-Laws governing this ESOS
“CDS”	: Central Depository System
“Central Depositories Act”	: Securities Industry (Central Depositories) Act, 1991
“Deposited Security(ies)”	: A security standing to the credit of a Securities Account and includes a security in a Securities Account that is in suspense
“Depositor”	: A holder of a Securities Account
“Director”	: Any Director as defined in Section 4 of the Act and includes an Executive Director and a Non-Executive Director
“Dufu” or “Company”	: Dufu Technology Corp. Berhad (581612-A)
“Dufu Group” or “Group”	: Dufu and its subsidiary companies as defined in Section 5 of the Companies Act 1965, provided that the subsidiary companies are not dormant
“Dufu Share(s)”	: Ordinary share(s) of RM0.50 each in the capital of the Company
“Duration of the ESOS”	: The duration of the ESOS shall be for a period of five (5) years from the commencement of the ESOS as defined in By-Law 19.1 unless extended by the ESOS Committee under By-Law 19.2 or earlier terminated under By-Law 20
“Eligible Participant”	: Employee or Director who meets the criteria of eligibility for participation in the ESOS as set-out in By-Law 4
“Employee”	: An employee of the Dufu Group (excluding any dormant company) who meets the criteria of eligibility for participation in the ESOS as set out in By-Law 4
“ESOS”	: Dufu Employees’ Share Option Scheme
“ESOS Committee”	: The committee to be appointed by the Board to implement and administer the ESOS

16. THE ESOS BY-LAWS (Cont'd)

“Executive Director”	: An individual who holds the post of director in an executive capacity and is involved in the day to day management in any company in the Group and is on the payroll of such company
“Grantee”	: An Eligible Participant who has accepted an Offer in the manner indicated in By-Law 8
“Market Day”	: Any day between Mondays and Fridays, both days inclusive, which is not a market holiday or public holiday
“Maximum Allowable Allotment”	: The maximum number of new Dufu Shares in respect of which Offers may be made to Eligible Participants, as provided in By-Law 6
“Offer”	: An offer made in writing by the ESOS Committee to an Eligible Participant in the manner indicated in By-Law 5
“Offer Date”	: The date on which an Offer is made by the ESOS Committee to an Eligible Participant to participate in the ESOS
“Option(s)”	: The rights of a Grantee to subscribe for new Dufu Shares pursuant to the contract constituted by acceptance by an Eligible Participant, in the manner as set out in By-Law 8, of an Offer made to such Eligible Participant pursuant to By-Law 5
“Option Period”	: The period commencing on the Offer Date and expiring at the end of five (5) years from the Offer Date or such other period as may be specifically stated in the Offer provided no Option Period shall extend beyond the period provided for in By-Law 19.2 hereof or in event of a termination of the ESOS, the date of termination of the ESOS
“Option Price”	: The price per Dufu Share at which a Grantee shall be entitled to subscribe for new Dufu Shares as set out in By-Law 7
“Record of Depositors”	: A record of Depositors established by the Bursa Depository under the Rules of the Bursa Depository
“Securities Account”	: An account established by Bursa Depository for a Depositor for the recording of Deposited Securities and for dealings in such securities by the Depositor
“Securities Exchange”	: Bursa Malaysia Securities Berhad (635998-W)
“Securities Exchange LR”	: Listing Requirements of the Securities Exchange
“RM” and “sen”	: Ringgit Malaysia and sen, respectively

16. THE ESOS BY-LAWS (Cont'd)

1.2 In these By-Laws:

- 1.2.1 Reference to person(s) connected with an Eligible Participant shall have the same meaning given in the Securities Exchange LR;
- 1.2.2 Any reference to a statutory provision shall include any subordinate legislation made from time to time under the provision and any listing requirements, policies and/or guidelines of the Securities Exchange and/or any other relevant authorities (in each case, whether or not having the force of Law but, if not having the force of Law, the compliance with which is in accordance with the reasonable commercial practice of persons to whom such requirements, policies and/or guidelines are addressed to by the Securities Exchange and/or the other relevant authorities);
- 1.2.3 Any reference to a statutory provision shall include that provision as from time to time modified or re-enacted after the date of these By-Laws so far as such modification or re-enactment applies or is capable of applying to any Options offered and accepted prior to the expiry of the ESOS;
- 1.2.4 Words denoting the singular shall include the plural and references to gender shall include both genders and the neuter;
- 1.2.5 Any liberty or power which may be exercised or any determination which may be made under by this ESOS by the ESOS Committee may be exercised at the ESOS Committee's discretion;
- 1.2.6 The heading in these By-Laws are for convenience only and shall not be taken into account in the interpretation of these By-Laws; and
- 1.2.7 If an event occurs on a stipulated day which is not a Market Day, then the stipulated day will be taken to be the first Market Day after that day.

2. NAME OF ESOS

This ESOS will be named the "DUFU EMPLOYEES' SHARE OPTION SCHEME".

3. MAXIMUM NUMBER OF SHARES AVAILABLE UNDER THE ESOS

- 3.1 Subject to By-Law 3.2, the maximum number of new Dufu Shares which may be available under the ESOS shall not exceed, in aggregate, 15% of the total issued and paid-up share capital of the Company at any one time.
- 3.2 Notwithstanding the provision of By-Law 3.1 nor any other provisions herein contained, in the event the maximum number of new Dufu Shares comprised in the Options granted under the ESOS exceeds the aggregate of 15% of the issued and paid-up share capital of the Company as a result of the Company purchasing its own shares or undertakes any other corporate proposal resulting in the total number of shares to be issued under the ESOS exceeding 15% of its issued and paid-up capital, then no further options shall be offered until the total number of Shares to be offered under the ESOS falls below 15% of its issued and paid-up share capital.

However, any such Options already granted prior to the diminution of the issued and paid-up share capital of the Company shall remain valid and exercisable in accordance with the provisions of this ESOS.

- 3.3 The Company will during the Option Period, keep available sufficient authorised and unissued shares to satisfy all Options, which may be exercised, in whole or in part during the Option Period.

16. THE ESOS BY-LAWS (Cont'd)

4. ELIGIBILITY AND PARTICIPATION

- 4.1 Subject to the discretion of the ESOS Committee, any Eligible Participant of the Dufu Group is eligible to participate in the ESOS, if, as at the Offer Date, such Employee and Director:
- 4.1.1 has attained the age of eighteen (18) years on the Offer Date; and
 - 4.1.2 are either:
 - (a) Employees and Executive Directors who, as at the Offer Date are confirmed on the payroll of and employed by any company within the Group; or
 - (b) Non-Executive Directors, who as at the Offer Date are appointed as a Director of the Company.
- 4.2 Eligibility, however, does not confer on an Eligible Participant a claim or right to participate in the ESOS unless an Offer in writing has been made by the ESOS Committee to the Eligible Participant and the Eligible has accepted the Offer in accordance with the terms of the Offer and the ESOS.
- 4.3 Any allocation of Options under the ESOS to a Director of Dufu shall require the prior approval from the shareholders of Dufu in a general meeting unless such approval is no longer required under the Securities Exchange LR and Memorandum and Articles of Association of the Company.
- 4.4 No Eligible Participant shall participate at any one time in more than one (1) employee share option scheme currently implemented by any company within the Group notwithstanding that the Eligible Participant may be engaged or employed by more than one company within the Group.
- 4.5 The ESOS Committee may make more than one (1) offer to the Eligible Participant if at the time of the Offer such Eligible Participant is under the employment of or in the case of a Non-Executive Director appointed as a Director in any one (1) or more companies in the Group provided that the total number of Dufu Shares to be so offered under the Options to such Eligible Participant (inclusive of Dufu Shares already offered under previous Offers, if any) shall not exceed the Maximum Allowable Allotment of the Eligible Participant pursuant to By-Law 6, at the relevant time when the Offer is made.
- 4.6 Directors who represent the Malaysian Government or Malaysian Government institutions or agencies and Malaysian Government employees who are serving in the public service scheme as defined under Article 132 of the Malaysian Federal Constitution are not eligible to participate in the ESOS.

5. OFFER

- 5.1 The ESOS Committee may, within the Duration of the ESOS referred to in By-Law 19, make Offers to any Eligible Participant whom the ESOS Committee may in its discretion select to participate in the ESOS.
- 5.2 The ESOS Committee may in its discretion at any time and from time to time as it may deem fit make an Offer to any Eligible Participant whom the ESOS Committee may in its discretion select, to subscribe during the Option Period for new Dufu Shares in accordance with the terms of the ESOS. The ESOS Committee also has the discretion not to make any further or additional offers notwithstanding that there may be unissued share capital of the Company available for such Offer(s).

16. THE ESOS BY-LAWS (Cont'd)

- 5.3 Nothing in this ESOS shall prevent the ESOS Committee from making more than one (1) Offer to any Eligible Participant provided that:
- 5.3.1 the new Dufu Shares to be allotted shall always be in multiples of One Thousand (1,000) Dufu Shares; and
- 5.3.2 the total aggregate number of new Dufu Shares to be so allotted to any Eligible Participant shall not exceed the Maximum Allowable Allotment of each Eligible Participant as set out in By-Law 6.
- 5.4 The ESOS Committee shall state the following particulars in the letter of Offer:
- 5.4.1 the number of Shares that are being offered to the Eligible Participant;
- 5.4.2 the number of Shares which to the Eligible Participant shall be entitled to subscribe for upon the exercise of the Option being offered;
- 5.4.3 the Option Period;
- 5.4.4 the Option Price; and
- 5.4.5 the closing date for acceptance of the Offer.
- 5.5 Without prejudice to By-Law 20, the following provisions shall apply in the event of any error on the part of the Company in stating any particular in the letter of offer under By-Law 5.4 above:
- 5.5.1 Within thirty (30) days after discovery of the error, the Company shall issue a supplemental letter of offer, stating the correction to the particulars referred to in By-Law 5.4;
- 5.5.2 If the error relates to the Option Price payable, then the Option Price applicable shall be that stated in the supplemental letter of offer and shall take effect as if it were issued at the date of the original or earlier letter of offer save and except with respect to any Option which have already been exercised prior to the date of issuance of the supplemental letter of Offer.
- 5.5.3 Unless the error relates to the Option Price payable, the Option Price remains the same as that stated in the original or earlier letter of Offer;
- 5.6 Subject to the discretion of the ESOS Committee, the Offer shall lapse and be rendered null and void in the event of the death bankruptcy or insanity of an Eligible Participant or if the Eligible Participant shall cease to be employed by or cease to be appointed as a Director in any company within the Group for any reason whatsoever prior to the acceptance of the Offer by the Eligible Participant in the manner as set-out in By-Law 8.

6. MAXIMUM ALLOWABLE ALLOTMENT AND THE BASIS OF ALLOTMENT

- 6.1 Subject to the adjustments which may be made under By-Law 14, the aggregate maximum number of new Dufu Shares that may be subscribed pursuant to the exercise of the Option offered to any of the Eligible Participants of the Dufu Group who are entitled to participate in the ESOS shall be at the sole and absolute discretion of the ESOS Committee after taking into consideration the position, performance, seniority and the length of service of the Eligible Participants in the Dufu Group or such other matters which the ESOS Committee may in its sole and absolute discretion deem fit subject to the following:
- 6.1.1 the number of new Dufu Shares allocated, in aggregate, to the Directors and senior management of the Dufu Group shall not exceed 50% of the new Dufu Shares available under the ESOS; and

16. THE ESOS BY-LAWS (Cont'd)

- 6.1.2 the allocation to an Eligible Participant who, either singly or collectively through persons connected with the director or employee holding 20% or more of the issued and paid-up share capital in the Company must not exceed 10% of the total new Dufu Shares to be issued under the ESOS.

7. OPTION PRICE

- 7.1 The Option Price shall be the weighted average market price of the Dufu Shares for the five (5) Market Days immediately preceding the Offer Date with an allowance for a discount of not more than 10% thereon at the ESOS Committee's discretion provided that the Option Price shall in no event be less than the par value of the Dufu Shares. If the Option is granted as part of the listing proposal of Dufu, the Option Price must not be less than the initial public offer price.
- 7.2 The Option Price shall be stipulated on each certificate of Option.
- 7.3 The Option Price shall be adjusted to any adjustments in accordance with By-Law 14.

8. ACCEPTANCE OF THE OFFER

- 8.1 The Offer to participate in the ESOS shall be valid for acceptance for a period of fourteen (14) days from the Offer Date or such longer period as may be determined by the ESOS Committee on a case by case basis at its discretion. The acceptance of an Offer shall be made by way of a written notice from the Eligible Participant to the ESOS Committee in the form prescribed by the ESOS Committee from time to time. In the event that the Eligible Participant fails to accept the Offer within the prescribed period, the Offer shall automatically lapse PROVIDED THAT the ESOS Committee shall not be precluded from making a new Offer to the Eligible Participant subsequently.
- 8.2 Acceptance of the Offer by an Eligible Participant shall be accompanied by the payment of Ringgit Malaysia One (RM1.00) as non-refundable consideration for the grant of the Option.
- 8.3 Within thirty (30) days after the due acceptance of the Offer in accordance with the provisions of By-Law 8.2, the ESOS Committee shall issue to the Grantee a certificate of Option in such form as may be determined by the ESOS Committee from time to time stating, inter alia, the number of Shares granted, the Options Price and the Option Period.
- 8.4 An Option shall be personal to the Grantee and cannot be assigned, transferred or otherwise disposed of in any manner whatsoever.
- 8.5 The Option may be cancelled at the discretion of the Grantee by notice in writing to the ESOS Committee.

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16. THE ESOS BY-LAWS (Cont'd)

9. EXERCISE OF OPTIONS

9.1 An Option may be exercised by the Grantee by notice in writing to the Company in the prescribed form from time to time during the Option Period in respect of all or any part of the new Dufu Shares comprised in the Option, provided that where an Option is exercised in respect of a part of the new Dufu Shares comprised therein, the number of new Dufu Shares of which such Option may be exercised shall not be less than One Thousand (1,000) and shall be in multiples of One Thousand (1,000). Notwithstanding anything herein to the contrary in the event of any alteration in the share capital of the Company during the Option Period in accordance with By-Law 14 which results in the number of Dufu Shares comprised in an Option not being in multiples of One Thousand (1,000), then the requirement that an Option shall be exercised in multiples of not less than One Thousand (1,000) new Dufu Shares shall not be applicable for the Grantee's final exercise of the Option.

9.2 Subject to By-Law 14 hereof, the ESOS Committee may, at any time and from time to time, before or after an Option is granted, limit the exercise of the Option to a maximum number of new Dufu Shares and/or such percentage of the total new Dufu Shares comprised in the Option during such periods within the Option Period and impose any other terms and/or conditions deemed appropriate by the ESOS Committee in its discretion including amending/varying any terms and conditions imposed earlier.

The partial exercise of an Option shall not preclude the Grantee from exercising the Option for the remaining duration of the Option Period in respect of the balance of the new Dufu shares comprised in the Option.

Any new Dufu Shares comprised in an Option not subscribed for in any year following the date on which the Option was granted, may be subscribed for in any subsequent year until and including the last year of the Option Period.

9.3 Every such written notice referred to in By-Law 9.1 hereof must be in the form prescribed by the ESOS Committee from time to time and accompanied by a remittance (calculated in accordance with the provisions of By-Law hereof) for the full amount of the subscription monies for the new Dufu Shares in respect of which notice is given. Within ten (10) Market Days from the receipt by the Company of the aforesaid notice and remittance from the Grantee, the Company shall allot such new Dufu Shares to the Grantee accordingly, subject to and in accordance with the provisions of the Articles of Association of the Company, the Central Depositories Act and the Rules of the Bursa Depository.

9.4 A grantee who exercised his Option shall provide the ESOS Committee with his Securities Account or the Securities Account of his authorised nominee, as the case may be, in the notice referred to in By-Law 9.1. The new Dufu Shares to be issued pursuant to the exercise of an Option will be credited into the Securities Account of the Grantee or his Authorised Nominee, as the case may be and a notice of allotment stating the number of shares credited into such CDS account will be issued and dispatched to the Grantee or the Grantee's Authorised Nominee with a copy to the Grantee, as the case may be, within ten (10) Market Days from the date of receipt by the Company of the written notice of the exercise of the Option together with the requisite remittance. No physical share certificate(s) will be issued.

9.5 A Grantee serving under an employment contract may exercise any remaining unexercised Option within twenty five (25) days before the expiry of the employment contract if the remaining duration of the contract as at the date on which the Option is granted is less than the Option Period.

9.6 No Options shall be exercisable after the expiry of the Option Period.

16. THE ESOS BY-LAWS (Cont'd)

- 9.7 In the event that a Grantee is subject to disciplinary proceedings (whether or not such disciplinary proceedings will give rise to a dismissal or termination of service) the ESOS Committee may, in its discretion, suspend and/or cancel the right of the Grantee to exercise his Option pending the outcome of such disciplinary proceedings. The ESOS Committee may impose such terms and conditions as the ESOS Committee shall deem appropriate having regard to the nature of the charges made or brought against the Grantee and the outcome of such disciplinary proceedings PROVIDED ALWAYS THAT in the event that such Grantee shall subsequently be found to be not guilty of the charges which gave rise to such disciplinary proceedings, the ESOS Committee shall reinstate the rights of such Grantee to exercise his Option PROVIDED THAT such reinstatement is within the Duration of the ESOS in accordance with By-Law 19.
- 9.8 Notwithstanding the provisions of By-Law 9.3, the Board (including directors that had resigned but were on the Board during the Option Period), the ESOS Committee, the Company and/or any officer of the Company shall not under any circumstances be held liable for any cost, loss, expense and/or damages whatsoever or howsoever arising in any event relating to the delay on the part of the Company in allotting the new Dufu Shares within the stipulated deadline or in procuring the Securities Exchange to list the new Dufu Shares subscribed for a Grantee.
- 9.9 Subject to the discretion of the ESOS Committee, failure by the Grantee to comply with the procedure for an exercise of an Option as stipulated in By-Laws 9.1 to 9.5 herein will invalidate the purported exercise of such Option by an Eligible Participant.
- 9.10 Every Option shall be subject to the condition that no new Dufu Shares shall be issued to a Grantee pursuant to the exercise of an Option if such issue would be contrary to any Law, enactment, rules and/or regulations of any legislative or non-legislative body which may be in force during the Option Period or such period as may be extended.
- 9.11 The Company will undertake to keep available sufficient unissued Dufu Shares to satisfy all outstanding Options.
- 9.12 The Options shall not carry any right to vote at any general meeting of the Company and a Grantee shall not be entitled to any dividends, rights or other entitlements on his unexercised Options.

10. TERMINATION OF THE OPTION

- 10.1 Subject to By-Law 10.2, all remaining unexercised Options shall forthwith lapse and/or be deemed to be cancelled and cease to be exercisable in relation to any new Dufu Shares in respect of which such Options have not been exercised upon the occurrence of one or more of the following events, unless otherwise determined by the ESOS Committee:
- 10.1.1 the Grantee ceasing to be in employment with Dufu Group in which event the Grantee shall be deemed to have ceased to be so employed by Dufu as of the date of the notice of termination tendered by or given by the Grantee to the Company, unless such notice shall be withdrawn prior to its effective date; or
- 10.1.2 in the event of death, insanity or bankruptcy of the Grantee;
- 10.1.3 in the event of any misconduct on the part of the Grantee as determined by the ESOS Committee in its discretion;
- 10.1.4 in the event of any breach on the part of the Grantee of the By-Laws or of any of the terms of the Option.

16. THE ESOS BY-LAWS (Cont'd)

- 10.1.5 winding up or liquidation of the Company, in which event the Option shall be automatically terminated on the following date:
- (a) in the case of a voluntary winding up:
 - (i) the date on which a provisional liquidator is appointed by the Company; or
 - (ii) the date on which the shareholders of the Company passed a resolution to voluntarily wind up the Company; or
 - (b) in the case of an involuntary winding up, the date on which a petition for winding up is served on the Company; or
- 10.1.6 termination of the ESOS pursuant to By-Law 20;
- 10.1.7 in the event of any Non-Executive Director ceasing to act as a Director for any reason whatsoever, in which event the Option shall be automatically terminated upon the last day of his appointment; or
- 10.1.8 upon the happening of any other event which results in the Grantee being deprived of the beneficial ownership of the Option.

Upon the termination of Options pursuant to any event under By-Law 10.1 above, the Grantee shall have no right for compensation or damages or any claim against the Company from any loss of any right or benefit or prospective right or benefit under the ESOS which he might otherwise have enjoyed, whether for wrongful dismissal or breach of contract or loss of office or otherwise howsoever arising from his ceasing to hold office or employment or from the suspension of his right to exercise his Options or his Options ceasing to be valid.

10.2 Where the Grantee ceases his/her employment or appointment with the Company by reason of:

- 10.2.1 retirement on attaining the retirement age under Dufu's retirement policy;
- 10.2.2 retirement before attaining the normal retirement age but with the consent of the Board;
- 10.2.3 redundancy or any voluntary separation scheme;
- 10.2.4 ill-health, injury, physical or mental disability; or
- 10.2.5 any other circumstances which are acceptable to the ESOS Committee,

he/she may exercise his/her unexercised Option or Options within the relevant Option Period or Periods. Similarly in respect of Grantees who are Non-Executive Directors, the ESOS Committee may at its absolute discretion allow the Option to remain exercisable during the Option Period on such terms and conditions as it shall deem fit if cessation of his/her directorship occurs as a result of ill-health, injury, physical or mental disability or any other circumstances considered relevant to the ESOS Committee in the exercise of their discretion.

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16. THE ESOS BY-LAWS (Cont'd)

11. TAKEOVER

Notwithstanding By-Law 9 above and subject to the provisions of any applicable statutes, rules, regulations and/or conditions issued by the relevant authorities, in the event of:

- 11.1 a takeover offer being made for the Company through a general offer to acquire the whole of the issue share capital of the Company (or such part thereof not at the time owned by the person making the general offer ("Offeror") or any persons acting in concert with the Offeror) a Grantee will be entitled, within six (6) months of such a general offer being made, to exercise all or any part of his Options and the Directors shall use their best endeavours to procure that such a general offer be extended to any new Dufu Shares that may be issued pursuant to the exercise of Options under this By-Law; and
- 11.2 the Offeror becoming entitled or bound to exercise the right of compulsory acquisition of Dufu Shares under the provisions of any applicable statutes, rules and/or regulations and gives notice to the Company that it intends to exercise such right on a specific date, a Grantee will be entitled to exercise all or any part of his Option from the date of service of the said notice to the Company until and inclusive of the date on which the right of compulsory acquisition is exercised.

PROVIDED ALWAYS THAT any Option to the extent unexercised after the expiry of the periods stipulated in the aforesaid circumstances shall remain in force and continue to be exercisable until the expiry of the Option Period applicable there.

12. SCHEME OF ARRANGEMENT, AMALGAMATION, RECONSTRUCTION

Notwithstanding By-Law 9 above and subject to the discretion of the ESOS Committee, in the event of the court sanctioning a compromise or arrangement between the Company and its members proposed for the purposes of, or in connection with, a scheme of arrangement and reconstruction of the Company under Section 176 of the Companies Act 1965 or its amalgamation with any other company or companies under Section 178 of the Companies Act 1965, a Grantee may be entitled to exercise all or any part of his Option or Options at any time commencing from the date upon which the compromise or arrangement is sanctioned by the court and ending with the date upon which it becomes effective PROVIDED ALWAYS THAT any part of an Option which remains unexercised after the expiry of the period stipulated above shall remain in force and continue to be exercisable until the expiry of the Option Period applicable thereto.

13. RETENTION PERIOD AND LIQUIDATION

- 13.1 The new Dufu Shares to be issued and allotted to a Grantee pursuant to the exercise of any Option or Options will not be subject to any retention period or restriction on transfer. However the Grantee is encouraged to hold the Dufu Shares as an investment rather than to realise immediate gains from its disposal.
- 13.2 The new Dufu Shares to be allotted and issued to the Grantee who is an Executive Director pursuant to the exercise of any Option will not be subjected to any retention period or restriction on transfer. However any Grantee who is a Non-Executive Director must not sell, transfer or assign Dufu Shares obtained through the exercise of his Options with one (1) year from the Offer Date.
- 13.3 In the event of the liquidation of the Company, all unexercised or partially exercised Options shall cease and be null and void, which termination shall take effect in the event a resolution is passed or a court order is made for the winding-up of the Company.

16. THE ESOS BY-LAWS (Cont'd)

14. ALTERATION OF SHARE CAPITAL DURING THE OPTION PERIOD

14.1 In the event of any alteration in the capital structure of the Company during the Option Period whether by way of a rights issue, bonus issue or other capitalisation issue, consolidation or subdivision of Dufu shares or reduction of capital or any other variation of capital, the Company shall cause such adjustment to be made to:

- (a) the number of new Dufu Shares in respect of which an Option has not been exercised; and/or
- (b) the Option Price;

as shall be necessary to give a Grantee the same proportion of the issued capital of the Company as that to which he was entitled to prior to the events giving rise to such adjustment to ensure that the capital outlay to be incurred by the Grantees in exercising Options remain unaffected.

14.2 Subject to the By-Law 14.6, the Option Price, the number of shares comprised in the Option held by a Grantee, and the par value of the shares which a Grantee is entitled to subscribe for upon exercising the Option shall from time to time be adjusted by the Directors in consultation with the adviser and certified by the external auditors of the Company to be in accordance with the following relevant provisions:

- (a) if and whenever a share by reason of any consolidation or subdivision shall have a different par value, then:
 - (i) the Option Price shall be adjusted by multiplying it by the revised par value and dividing the result by the former par value; and
 - (ii) the number of shares Options held by a Grantee shall be adjusted by multiplying the existing number of Options held at the former par value and divided by the revised par value.

Each such adjustment will be effective from the close of business of Securities Exchange on the Market Day immediately preceding the date on which the consolidation or subdivision becomes effective (that is, the date when the shares are traded on Securities Exchange at the new par value).

- (b) If and whenever the Company shall make any issue of shares to shareholders credited as fully paid, by way of capitalisation of profits or reserves (including any share premium account and capital redemption reserve fund), the Option Price shall be adjusted by multiplying it by the following fraction:

$$\frac{Z}{Z + Y}$$

and the number of Options shall be adjusted by multiplying the existing number of Options held, by the following fraction:

$$\frac{Z + Y}{Z}$$

Where:

- Z - the aggregate number of issued and fully paid up shares on the record date immediately before such capitalisation issue; and
- Y - the aggregate number of shares to be issued pursuant to any allotment to shareholders credited as fully paid by way of capitalisation of profits or reserves (including share premium account and capital redemption reserve fund).

16. THE ESOS BY-LAWS (Cont'd)

Each such adjustment will be effective (if appropriate, retroactively) from the commencement of the day next following the record date for such issue.

- (c) If and whenever the Company shall make:
- (i) a Capital Distribution to shareholders whether on a reduction of capital or otherwise (but excluding any cancellation of capital which is lost or unrepresented by available assets); or
 - (ii) any offer or invitation to shareholders whereunder they may acquire or subscribe for shares by way of rights;

then and in respect of each such case, the Option Price shall be adjusted by multiplying it by the following fraction:

$$\frac{X - W}{X}$$

and in respect of each such case referred to in By-Law 14.2(c)(ii), the subscriptions of rights shall be adjusted by multiplying the existing number of Options held by the following fraction:-

$$\frac{X}{X - W^*}$$

Where:

- X - the current market price of each share on Market Day immediately preceding the date on which the Capital Distribution or, as the case may be, the offer or invitation is publicly announced to Securities Exchange or (failing any such announcement), immediately preceding the date of the Capital Distribution or, as the case may be, of the offer or invitation; and
- W - (aa) in the case of an offer or invitation to acquire or subscribe for shares by way of rights referred to in By-Law 14.2(c)(ii), the value of rights attributable to one share (as defined below); or
 - (bb) in the case of any other transaction falling within this By-Law 14.2(c) of this ESOS, the fair market value, as determined (with the concurrence of the Auditors) by an adviser, of that portion of Capital Distribution attributable to one (1) share.

For the purpose of sub-paragraph (aa) of W above, the "value of the rights attributable to one (1) share" shall be calculated in accordance with the formula:

$$\frac{X - V}{U + 1}$$

Where:

- X - as X above;
- V - the Option Price for one (1) additional share under the terms of such offer or invitation or one (1) additional security convertible into shares or one (1) additional security with rights to acquire or subscribe for shares under the invitation, as the case may be;

16. THE ESOS BY-LAWS (Cont'd)

U - the number of shares which it is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional share or security convertible into shares or rights to acquire or subscribe for shares, as the case may be; and

W* - the value of rights attributable to one (1) share (as defined below);

For the purpose of definition W* above, the "value of the rights attributable to one (1) share" shall be calculated in accordance with the formula:

$$\frac{X - V^*}{U^* + 1}$$

Where:

X - as X above;

V* - the Option Price for one (1) additional share under the terms of offer or invitation;

U* - the number of shares which it is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional share.

For the purpose of this By-Law 14.2(c) in this ESOS "**Capital Distribution**" shall (without prejudice to the generality of that expression) include distribution in cash or specie or by way of issue of shares or other securities credited as fully or partly paid up by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund). Any dividend charged or provided for in the accounts of any period shall (whenever paid and howsoever described) be deemed to be a Capital Distribution unless it is paid out of the aggregate of the net profits attributable to the shareholders for any period as shown in the audited consolidated profit and loss accounts of the Company.

- 14.3 The following provisions shall apply in relation to an adjustment which is made pursuant to By-Law 14.1:
- (a) Adjustments other than on a bonus issue must be confirmed in writing by the external auditors of the Company (acting as experts and not as arbitrators);
 - (b) Any adjustment to the Option Price shall be rounded down to the nearest one (1) sen and in no event shall the Option Price be reduced to an amount which is below the par value of the Dufu Shares; and
 - (c) Any fractional entitlement will be disregarded in determining a Grantee's entitlement to subscribe for Dufu Shares and the Grantee's entitlement will be rounded down to the nearest whole number.
- 14.4 By-Law 14.1 shall not be applicable where an alteration in the capital structure of the Company arises from, inter-alia, any of the following:
- (a) an issue of Dufu Shares pursuant to the exercise of Options under the ESOS; or
 - (b) an issue of securities as consideration for an acquisition; or
 - (c) an issue of securities as a private placement; or
 - (d) an issue of securities as a special issue approved by the relevant governmental authorities; or
 - (e) a restricted issue of securities; or

16. THE ESOS BY-LAWS (Cont'd)

(f) an issue of Dufu Shares arising from any conversion rights in respect of securities convertible into new Dufu Shares including but not limited to warrants and convertible loan stocks; or

(g) issue of further Options to Eligible Employees under the By-Laws.

14.5 Any adjustment pursuant to By-Law 14.1 shall be made at the following times:

(a) in the case of a rights issue, bonus issue or other capitalisation issue, on the Market Day immediately following the date of entitlement in respect of such issue; or

(b) in the case of a consolidation or subdivision of Dufu Shares or reduction of capital, on the Market Day immediately following the date of allotment of new Dufu Shares of the Company in respect of such consolidation, subdivision or reduction.

Upon any adjustment being made, the Option Committee shall give notice in writing to the Grantee, or the Grantee's legal or personal representative where the Grantee is deceased, to inform him of the adjusted Option Price and/or the adjusted number of Shares comprised in the Option and the event giving rise thereto.

14.6 Notwithstanding the By-Laws 14.1 and 14.2 and subject to By-Law 14.4 herein, should there be any other circumstances where the Directors consider adjustments should be made in the circumstances set out in By-Law 14.1, where the Directors consider that the adjustments provided under By-Law 14.2 should not be made or should be calculated on a different basis or that adjustments should be made notwithstanding that no such adjustment is required under those provisions, the Company may appoint an adviser to consider whether for any reason whatsoever the adjustment should be modified or nullified or an adjustment be made instead of no adjustment in such manner as may be considered by such adviser to be appropriate.

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16. THE ESOS BY-LAWS (Cont'd)

15. QUOTATION OF SHARES

The new Dufu Shares referred to in By-Law 3 above and the new Dufu Shares (if any) to be allotted and issued to the Grantee will not be listed or quoted on the Securities Exchange until the Option is exercised in accordance with By-Law 9 above whereupon the Company shall make the necessary application to the Securities Exchange for the listing of and quotation for such new Dufu Shares and use its best endeavours to obtain permission for the dealing therein.

16. RANKING OF NEW DUFU SHARES

The new Dufu Shares to be allotted upon any exercise of any Options granted shall upon allotment and issue, rank *pari passu* in all respects with the existing Dufu Shares' voting rights, rights to all dividends and distributions arising in a liquidation PROVIDED ALWAYS that the new Dufu Shares so allotted will not be entitled to any dividends, rights, allotments and/or other distributions unless such new Dufu Shares are specified as being credited to the Securities Account of the Grantee in the Record of Depositors maintained by the Company with the Bursa Depository and requested by the Company from the Bursa Depository for the purpose of determining persons entitled to such dividends, rights, allotments, and/or distributions in accordance with the Company's Articles of Association.

17. ADMINISTRATION

The ESOS shall be administered by the ESOS Committee consisting of such persons appointed by the Board. The ESOS Committee shall administer the ESOS in such manner as it shall in its discretion deem fit. For the purpose of administering the ESOS, the ESOS Committee may do all such acts and things and enter into any transactions, agreements, deeds, documents or arrangements, and make rules, regulations or impose terms and conditions or delegate part of its power relating to the administration of the ESOS, as the ESOS Committee may in its discretion deem fit necessary and/or expedient for the implementation of the ESOS. The Board shall have power from time to time to rescind the appointment of any person to the ESOS Committee as it deems fit.

The Board shall have power at any time and from time to time to assume and/or exercise or execute any of the powers and authorities conferred upon the ESOS Committee pursuant to this By-Laws.

18. AMENDMENT AND/OR MODIFICATION TO THE ESOS

18.1 The Board shall have the power at any time and from time to time by resolution to amend and/or modify all or any of the provisions of the ESOS PROVIDED THAT no such amendment and/or modification shall be made in particular but not limited to By-Laws 1, 3, 4, 6, 7, 8, 10, 13, 14, 16, and 19 which would either materially prejudice the rights then accrued to any Grantee without the Grantee's prior consent or alter to the advantage of any Grantee in respect of any provisions of the ESOS without the prior approval of the Company's shareholders in a general meeting, provided that such prior approval is required by the relevant regulatory provisions governing the ESOS.

18.2 Any amendment/modification to the By-Laws shall not require the prior approval of the Securities Exchange, provided always that a person with legal qualifications or the adviser of the Company shall upon each amendment/modification, issue a confirmation letter to the Securities Exchange confirming that the relevant modification/amendment made does not contravene any provision of the Securities Exchange LR on ESOS and the Rules of the Bursa Depository.

16. THE ESOS BY-LAWS (Cont'd)

19. DURATION OF THE ESOS

19.1 Subject to By-Law 19.2, the effective date for the implementation of the ESOS shall be the date of full compliance with the provisions of the Securities Exchange LR on ESOS including the following:

- 19.1.1 submission of final copy of the By-Laws of the ESOS to the Securities Exchange;
- 19.1.2 receipt of approval-in-principle for the issuance and listing of the Dufu Shares to be issued under the ESOS from the Securities Exchange;
- 19.1.3 procurement of shareholders' approval for the ESOS;
- 19.1.4 receipt of approval of any other relevant authorities, where applicable; and
- 19.1.5 fulfilment of all conditions attached to the above approvals, if any,

whereupon Dufu's adviser shall submit a confirmation letter to Securities Exchange stating the effective date of full compliance with the aforesaid together with a certified true copy of the relevant resolution passed by the shareholders in the general meeting and such confirmation is to be submitted to Securities Exchange no later than five (5) Market Days after the effective date of implementation of these By-Laws. The ESOS shall then be in force for a period of five (5) years commencing from the date of such confirmation letter to be submitted to Securities Exchange by the adviser.

- 19.2 The ESOS may at the discretion of the Options Committee be extended or renewed (as the case may be) provided always that the initial scheme period stipulated in By-Law 19.1 and such extension of the ESOS made pursuant to this By-Law shall not in aggregate exceed a duration of ten (10) years. For the avoidance of doubt, no further sanction, approval or authorisation of the shareholders of the Company in a general meeting is required for any such extension or renewal (as the case may be).
- 19.3 No further Options shall be granted upon expiration of the initial ESOS period stipulated in By-Law 19.1 or such extension thereof in the event that the duration of the ESOS is extended pursuant to By-Law 19.2.

20. MID-STREAM TERMINATION OF THE ESOS

20.1 Notwithstanding the provisions of By-Law 19, the Company has the right to terminate the ESOS at any time during the Duration of the ESOS provided the following approval(s)/consent(s) are obtained:

- 20.1.1 the consent of Dufu's shareholders at a general meeting wherein at least a majority of the shareholders present voted in favour of the termination; and
- 20.1.2 the written consent of all Grantees who have yet to exercise their Options, either in part or in whole.

20.2 In the event of any termination under By-Law 20.1, the following shall apply:

- 20.2.1 No further Offers shall be made by the ESOS Committee from the date of the last of the above conditions in By-Law 20.1 have been obtained ("Termination Date");
- 20.2.2 All Offers not accepted by the Eligible Participants shall automatically lapse on the Termination Date and be rendered null and void; and
- 20.2.3 All outstanding Options which have yet to be exercised by Grantees shall be automatically terminated on the Termination Date.

16. THE ESOS BY-LAWS (Cont'd)

21. SUBSEQUENT EMPLOYEES' SHARE OPTION SCHEME

The Company may establish a new employees' share option scheme after the expiry of the ESOS or upon termination of the ESOS subject to the approval of the Securities Exchange.

22. DISPUTES

In the event of any dispute between the ESOS Committee and an Eligible Participant or Grantee, as to any matter or thing of any nature arising hereunder, the ESOS Committee shall determine such dispute or difference by a written decision given to the Eligible Participant or Grantee, as the case may be. The said decision shall be final and binding on the parties unless the Eligible Participant or Grantee, as the case may be, shall dispute the same by written notice to the ESOS Committee within fourteen (14) days of the receipt of the written decision, in which case such dispute shall be referred to the decision of the external auditors of the Company for the time being, acting as experts and not as arbitrators, whose decision shall be final and binding in all respects. In the event that the external auditors are unable to reach a decision in respect of the dispute, such dispute shall be referred to the Board for decision, whose decision shall be final and binding in all respects provided that any Director of the Company who also sits on the ESOS Committee shall abstain from voting.

23. COMPENSATION

23.1 An Eligible Participant or Grantee who ceases to hold office or employment shall not be entitled to any compensation for the loss of any right or benefit or prospective right or benefit under the ESOS which he might otherwise have enjoyed whether such compensation is claimed by way of damages of wrongful dismissal or other breach of contract or by way of compensation for loss of office.

23.2 No Eligible Participant or Grantee or legal or personal representatives shall bring any claim, action or proceeding against the Company or the ESOS Committee or any other party for compensation, loss or damages whatsoever and howsoever arising from the suspension of his rights to exercise his Option or his Option ceasing to be valid pursuant to the provisions of these Bye-Laws, or as the same may be amended from time to time in accordance with By-Law 18 hereof.

24. TRANSFERS FROM/TO OTHER COMPANIES RELATED TO THE GROUP

24.1 In the event that:

24.1.1 an employee or executive director who was employed in a company which is not within the Dufu Group and is subsequently transferred from such company within the Dufu Group.

24.1.2 an employee or executive director who was in the employment of a company which subsequently becomes a member of the Dufu Group as a result of a restructuring exercise or otherwise involving Dufu and/or any company within the Dufu Group with any of the first mentioned company in (i) below;

(the first mentioned company in By-Laws 24.1.1 and 24.1.2 above are referred to as the "Previous Company"), such an employee of the Previous Company (the "Affected Employee"), will, if the Affected Employee satisfies all conditions under By-Law 4:

(a) be entitled to continue to exercise all such unexercised Option(s) which were granted to him under the Previous Company's ESOS in accordance with the By-Laws of such Previous Company's ESOS but he shall not, upon such transfer or restructuring or divestment as the case may be, be eligible to participate for further options of such Previous Company's ESOS;

16. THE ESOS BY-LAWS (Cont'd)

- (b) be eligible to participate in this ESOS only for the remaining duration of this ESOS, subject to the ESOS Committee's approval;
- (c) if the Affected Employee had participated in the Previous Company's ESOS, the number of new Dufu Shares to be offered to such Affected Employee under this ESOS shall be subject to the discretion of the ESOS Committee after taking into consideration, among others, the number of shares comprised in the option that were offered or exercised under the Previous Company's ESOS, and the Maximum Allowable Allotment under this ESOS.

25. DIVESTMENT FROM THE GROUP

- 25.1 If a Grantee who was in the employment with a company in the Group which was subsequently divested wholly or in part from the Group which resulted in a subsequent holding of 50% or less by the Group, then such Grantee:
 - 25.1.1 may be entitled to continue to exercise all such unexercised Options which were granted to him under this ESOS within a period of three (3) months from the date of such divestment and within the Option Period, failing which the right of such employee to subscribe for the number of new Dufu Shares or any part thereof granted under such unexercised Options shall automatically lapse upon the expiry of the said three (3) months period and be null and void and no further force and effect; and
 - 25.1.2 shall not be eligible to participate for further Options under this ESOS.
- 25.2 For the purpose of this By-Law 25.1, a company shall be deemed divested from the Group in the event that such company would no longer be a subsidiary of the Company pursuant to Section 5 of the Act.

26. COSTS AND EXPENSES

All costs and expenses incurred in relation to this ESOS including but not limited to the costs and expenses relating to the issue and allotment of the new Dufu Shares upon the exercise of any Option shall be borne by the Company.

27. NOT A TERM OF EMPLOYMENT

This ESOS does not form part nor shall it in any way be construed as part of the terms and conditions of employment of any employee.

28. ARTICLES OF ASSOCIATION

Notwithstanding the terms and conditions contained in this ESOS, if a situation of conflict should arise between this ESOS and the Articles of Association of the Company, the provisions of the Articles of Association of the Company shall at all times prevail.

16. THE ESOS BY-LAWS (Cont'd)

29. TAXES

All taxes (including income tax) arising from the exercise of any Option under this ESOS shall be borne by the Grantee.

30. DISCLAIMER OF LIABILITY

Notwithstanding any provisions herein contained, the ESOS Committee and the Company shall not under any circumstances be held liable for any costs, losses, expenses and damages whatsoever and howsoever arising in any event including but not limited to the Company's delay in issuing and allotting the Shares.

31. GOVERNING LAW

This ESOS shall be governed by and construed in accordance with the Laws of Malaysia. The Grantees, by accepting the Options in accordance with this ESOS and the Company submit to the non-exclusive jurisdiction of the courts of Malaysia.

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17. ADDITIONAL INFORMATION

17.1 SHARE CAPITAL

- (i) No Dufu Shares will be allotted or issued on the basis of this Prospectus later than twelve (12) months after the date of this Prospectus.
- (ii) The Company have no founder, management or deferred shares. There is only one (1) class of shares, namely, ordinary shares of RM0.50 each, all of which rank equally with one another.
- (iii) Other than the Dufu Shares issued pursuant to the Acquisitions and the new Dufu Shares to be issued pursuant to the Public Issue and the ESOS, no capital of the Company or of its subsidiary companies has been issued or been agreed to be issued or is proposed to be issued as fully or partly paid-up, for cash or otherwise, within the two (2) years immediately preceding the date of this Prospectus.
- (iv) As at the date of this Prospectus, other than the 1,000,000 Offer Shares reserved for the eligible employees of the Group and the ESOS, there are no share schemes involving the Group's employees.
- (v) As at the date of this Prospectus, other than the ESOS as disclosed in Section 16 of this Prospectus, no capital of the Company or any of its subsidiary companies is under option or agreed conditionally or unconditionally to be put under option.
- (vi) As at the date of this Prospectus, the Group does not have any outstanding convertible debt securities.
- (vii) Save for the Public Issue and the ESOS, there is no present intention on the part of our Directors to issue any part of the authorised but unissued share capital of the Company.

17.2 ARTICLES OF ASSOCIATION

The following provisions are reproduced from our Articles of Association ("Articles"). The words and expressions appearing in the following provisions shall bear the same meaning used in the articles unless they are otherwise defined here or the context otherwise requires:

(i) Transfer of Securities

The provision in our Articles in respect of the arrangements for the transfer of Shares and restrictions on their free transferability are as follows:

Article 41

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.

Article 42

- (i) Where –
 - (a) the securities of the Company are listed on an Approved Market Place; and

17. ADDITIONAL INFORMATION (Cont')

- (b) the Company is exempted from compliance with Section 14 of the Securities Industry (Central Depositories) Act, 1991 or Section 29 of the Securities Industry (Central Depositories) (Amendment) Act, 1998, as the case may be, under the Rules of the Bursa Depository in respect of such securities, the Company shall, upon request by securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the registrar of the Company in the jurisdiction of the Approved Market Place (hereinafter referred to as "the Foreign Register"), to the register of holders maintained by the registrar of the Company in Malaysia (hereinafter referred to as "the Malaysian Register") subject to the following conditions :-
- (i) there shall be no change in the ownership of such securities; and
 - (ii) the transmission shall be executed by causing such securities to be credited directly into the securities account of such securities holder.
- (2) For the avoidance of doubt, if the Company fulfils the requirements of paragraph (a) and (b) of Article 42(1), it shall not be allowed to transmit any securities from the Malaysian Register into the Foreign Register.

Article 43

- (1) Subject to the Central Depositories Act and the Rules, the Directors may in their absolute discretion and without assigning any reason thereof authorise its registrar to cause the Bursa Depository to decline to register any transfer of share upon which the Company has a lien or which are not fully paid-up.
- (2) Subject to the Central Depositories Act and the Rules, the Directors may also authorise its registrar to cause the Bursa Depository to decline to register any transfer unless such other evidence as the Director may reasonably require to show the right of the transferor to make the transfer is deposited at such place as the Directors may appoint.

Article 44

The Register of Members may be closed at such time and for such period as the Directors may from time to time determine PROVIDED ALWAYS that they shall not be closed for more than thirty (30) days in any year. Any notice of intention to fix a books closing date and the reason therefor shall be published in a daily newspaper circulating in Malaysia and shall also be given to the Bursa Securities, such notice shall state the books closing date, which shall be at least twelve (12) clear market days after the date of notification to the Bursa Securities, and the address of the share registry at which documents will be accepted for registration. In relation to such closure, the Company shall give written notice, in accordance with the Rules to issue the appropriate Record of Depositors.

Article 45

There shall be paid to the Company in respect of the registration of any probate, letters of administration, certificate of marriage or death, power of attorney or other document relating to or affecting the title of any shares, such fee, not exceeding Ringgit Malaysia Three (RM3.00) or such other sum as may be permitted by the Bursa Securities and as the Directors may from time to time require or prescribe.

17. ADDITIONAL INFORMATION (Cont')

Article 46

Nothing in these Articles shall preclude the Directors from recognising a renunciation of the allotment of any share by the allottee in favour of some other person.

Article 47

All transfer of securities deposited with a Bursa Depository, including but not limited to the Deposited Security, shall be in compliance with the relevant laws and rules.

(ii) Remuneration of Directors

The provisions in our Articles dealing with the remuneration of the Directors are as follows:

Article 105

The fees of the Directors shall be such fixed sum as shall from time to time be determined by an ordinary resolution of the Company and shall (unless such resolution otherwise provided) be divisible among the Directors as they may agree, or, failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such fees are payable shall be entitled only to rank in such division for a proportion of the fees related to the period during which he has held office Provided Always that -

- (a) fees payable to non-executive Directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover;
- (b) salaries payable to executive Directors may not include a commission on or percentage of turnover;
- (c) fees payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting; and
- (d) any fee paid to an alternate Director shall be agreed upon between himself and the Director nominating him and shall be paid out of the remuneration of the latter.

Article 106

- (1) The Directors shall be entitled to be reimbursed for all travelling or such reasonable expenses as may be incurred in attending and returning from meetings of the Directors or of any committee of the Directors or general meetings or otherwise howsoever in or about the business of the Company in the course of the performance of their duties as Directors.
- (2) If by arrangement with the Directors, any Director shall perform or render any special duties or services outside his ordinary duties as a Director in particular without limiting to the generality of the foregoing if any Director being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of Directors, the Directors may pay him special remuneration, in addition to his Director's fees, and such special remuneration may be by way of a fixed sum, or otherwise as may be arranged.

17. ADDITIONAL INFORMATION (Cont')

(iii) Voting and Borrowing Powers of Directors

The provisions in our Articles dealing with powers of Directors, in particular, the voting powers of the Directors in proposals, arrangements or contracts in which they are interested and the borrowing powers exercisable by them are as follows:

Article 110

- (1) The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertakings, property and uncalled capital, or any part thereof, and to issue debentures and other securities whether outright or as security for any debt, liability or obligation of the Company or of any related third party Provided Always that nothing contained in these Articles shall authorise the Directors to borrow any money or mortgage or charge any of the Company's undertaking, property or any uncalled capital or to issue debentures and other securities whether outright or as security for any debt, liability or obligation of an unrelated third party.
- (2) The Directors shall cause a proper register to be kept in accordance with Section 115 of the Act of all mortgages and charges specifically affecting the property of the Company and shall duly comply with the requirements of Section 108 of the Act in regard to the registration of mortgages and charges therein specified and otherwise.
- (3) If the Directors or any of them, or any other person, shall become personally liable for the payment of any sum primarily due from the Company, the Directors may execute or cause to be executed any mortgage, charge or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the Directors or persons so becoming liable as aforesaid from any loss in respect of such liability.

Article 125

A meeting of the Directors for the time being at which a quorum is present shall be competent to exercise all or any of the powers, authorities and discretion by or under these Articles vested in or exercisable by the Directors generally. Subject to these Articles, questions arising at any meeting of the Directors shall be decided by a majority of votes. Where two (2) Directors form a quorum, the Chairman of a meeting at which only such a quorum is present, or at which only two (2) Directors are competent to vote on the question at issue, shall not have a casting vote.

Article 130

No Director shall vote in respect of any contract or arrangement in which he has directly or indirectly a personal interest, and if he should do so his vote shall not be counted.

(iv) Changes in Capital and Variation of Class Rights

The provisions in our Articles as to changes in share capital or variation of class rights which are no less stringent than those provided in the Act are as follows:

17. ADDITIONAL INFORMATION (Cont')

Article 3

Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, and subject to the Act, the Central Depositories Act and to the conditions, restrictions and limitations expressed in these Articles and to the provisions of any resolution of the Company, the Directors may allot, grant options over or otherwise dispose of the unissued share capital of the Company to such persons, at such time and on such terms and conditions, with such preferred or deferred or other special rights as they think proper, PROVIDED ALWAYS THAT -

- (a) no shares shall be issued at a discount except in compliance with the provisions of the Act;
- (b) no shares shall be issued which shall have the effect of transferring a controlling interest in the Company without the prior approval of the members in general meeting;
- (c) in the case of shares other than ordinary shares, no special rights shall be attached until the same have been expressed in these Articles;
- (d) every issue of shares or options to employees and/or Directors of the Company or its subsidiaries shall be approved by the members in general meeting;
- (e) in the case of shares offered to the public for subscription, the amount payable on application on each share shall not be less than five per cent (5%) of the nominal amount of the share.

Article 4

Without prejudice to any special rights previously conferred on the holders of any share or class of shares already issued, but subject to the Act and these Articles, any shares in the Company (whether forming part of the original capital or not) may be issued or have attached thereto such preferred, deferred or other special rights, or such restrictions, whether in regard to dividend, return of capital, voting or otherwise, as the Company may from time to time by ordinary resolution determine provided that -

- (a) the total nominal value of preference shares issued shall not exceed the total nominal value of the issued ordinary shares at any time;
- (b) (i) Preference shareholders shall have the same rights as ordinary shareholders as regards receiving notices, reports and audited accounts and attending general meetings of the Company. PROVIDED always that preference shareholders shall not have the right to vote at any general meeting of the Company except on each of the following circumstances: -
 - (a) when the dividend or part of the dividend on the share is in arrears for more than six (6) months;
 - (b) on a proposal to reduce the company's share capital;
 - (c) on a proposal for the disposal of the whole of the Company's property, business and undertaking;

17. **ADDITIONAL INFORMATION (Cont')**

- (d) on a proposal that affects rights attached to the share;
 - (e) on a proposal to wind up the Company; and
 - (f) during the winding up of the Company.
- (ii) A holder of the Preference Share must be entitled to a return of capital in preference to holders of Ordinary Shares when the Company is wound up.
- (c) the Company shall not unless with the consent of the existing preference shareholders at a class meeting or pursuant to Article 20 hereof issue further preference capital ranking in priority above preference shares already issued but may issue preference shares ranking equally therewith.

Subject to the Act, any preference shares may be issued on the terms that they are, or at the option of the Company are liable, to be redeemed.

Article 7

In addition to all other powers of paying commissions, the Company (or the Board on behalf of the Company) may exercise the powers conferred by Section 58 of the Act of applying its shares or capital moneys in paying commissions to persons subscribing or procuring subscriptions for shares of the Company, or agreeing so to do whether absolutely or conditionally, provided that the rate per cent or the amount of the commission paid or agreed to be paid shall be disclosed in the manner required by the Act and shall not exceed ten per cent (10%) of the price at which the shares in respect whereof the commission is paid are issued or an amount equivalent thereto. The Company (or the Board on behalf of the Company) may also on any issue of the shares pay such brokerage as may be lawful.

Article 9

Subject to any direction to the contrary that may be given by the Company in general meeting, all new shares or other convertible securities shall, before they are issued, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled. The offer shall be made by notice specifying the number of shares or securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or securities offered, the Directors may dispose of those shares or securities in such manner as they think most beneficial to the Company. The Directors may likewise also dispose of any new shares or securities which (by reason of the ratio which the new shares or securities bear to shares or securities held by persons entitled to an offer of new shares or securities) cannot, in the opinion of the Directors, be conveniently offered under this Article.

Article 10

Except as required by law and as provided under the Rules, no person shall be recognised by the Company as holding any share upon any trust and the Company shall not even when having notice thereof be bound or compelled to recognise any equitable, contingent, future or partial interest in any share, or any interest in any fractional part of a share, or (except only as by these Articles otherwise expressly provided or as required by law) any other right in respect of any share except an absolute right to the entirety thereof in the registered holder.

17. ADDITIONAL INFORMATION (Cont')

Article 11

Notwithstanding Article 10 above, the Company may apply to the Bursa Securities for waiver (if required) of the convening of an extraordinary general meeting to obtain shareholders' approval for further issues of shares (other than bonus or rights issue) where -

- (a) in accordance with the provisions of Section 132D of the Act there is still in effect a resolution approving the issuance of shares by the Company; and
- (b) the aggregate issues of which in any one financial year (other than by way of bonus or rights issues) do not exceed ten per cent (10%) of the issued share capital of the Company.

Article 12

Subject to and in accordance with the Act, the Companies Regulations 1966 and the Rules and requirements of the Bursa Securities, the Bursa Depository, the Securities Commission and any other relevant authorities, the Company shall have the power to purchase its own shares. Any ordinary shares in the Company so purchased by the Company shall be dealt with as provided by the Act and the requirements of the Bursa Securities and or any other relevant authority.

Article 20

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of shares of that class) may, whether or not the Company is being wound up, be varied or abrogated with the consent in writing of the holders of three-fourths (3/4) of the issued shares of that class, or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of these Articles relating to general meetings shall mutatis mutandis apply, but so that the necessary quorum shall be two (2) persons at least holding or representing by proxy one-tenth (1/10) of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll. To every such special resolution the provisions of Section 152 of the Act shall, with such adaptations as are necessary, apply.

Article 21

The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking as regards to participation in the profits or assets of the Company in some or in all respects *pari passu* therewith.

Article 56

The Company may from time to time, whether all the shares for the time being authorised shall have been issued or all the shares for the time being issued shall have been fully paid up or not, by ordinary resolution increase its share capital by the creation and issue of new shares, such new capital to be of such amount to be divided into shares of such respective amounts and to carry such rights or to be subject to such conditions or restrictions in regard to dividend, return of capital or otherwise as the Company may direct in the resolution authorising such increase.

17. ADDITIONAL INFORMATION (Cont')

Article 57

Subject to any direction to the contrary that may be given by the Company in general meeting, any original shares for the time being unissued and not allotted and any new shares from time to time to be created shall, before they are issued, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion, as nearly as the circumstances admit, to the amount of the existing shares to which they are entitled. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the Directors, be conveniently offered under these Articles.

Article 58

Except so far as otherwise provided by the condition of issue, any capital raised by the creation of new shares shall be considered as part of the original share capital of the Company. All new shares shall be subject to the provisions herein contained with reference to allotments, the payment of calls and installments, transmissions, forfeiture, lien or otherwise and shall also be subject to the Rules.

Article 59

- (1) The Company may from time to time by ordinary resolution -
- (a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
 - (b) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association (subject nevertheless to the provisions of the Act) and so that in the subdivision the proportion between the amount paid and the amount (if any) unpaid on each reduced share shall be the same as it was in the case of the shares from which the reduced share is derived. Any resolution whereby any share is sub-divided may determine that, as between the holders of shares resulting from such subdivision, one or more of such shares may have such preferred or other special rights over, or may be given any preference or advantage as regards dividends, return of capital voting or otherwise over the other or others of such shares; or
 - (c) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.
- (2) The Company may by special resolution reduce its share capital and any capital redemption reserve fund or any share premium account in any manner authorised by the Act and subject to any consent required by the law.

17. ADDITIONAL INFORMATION (Cont')

17.3 PROMOTER, DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

- (i) The Directors are not required to hold any qualification share in the Company unless otherwise so fixed by us in general meeting.
- (ii) Other than salaries, allowances, or employment-related benefits and the ESOS as disclosed in Sections 8.2.4 and 16 of this Prospectus as well as the purchase consideration paid pursuant to the Acquisitions as detailed in Section 5.3.1 of this Prospectus, there are no amounts or benefits paid or given within the two (2) years immediately preceding the date of this Prospectus, nor is it intended to be so paid or given, to any promoter, director or substantial shareholder of the Company.
- (iii) None of the Directors or substantial shareholders of Dufu has any interest in any contract or arrangement subsisting at the date of this Prospectus which is significant in relation to the Group's business, taken as a whole.

17.4 MATERIAL LITIGATION

As at the Latest Practicable Date, neither the Company nor its subsidiary companies are engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, which may have a material effect on the financial position of the Company and/or its subsidiary companies upon becoming enforceable, and the Directors of Dufu do not have any knowledge of any proceedings pending or threatened against the Company and/or its subsidiary companies or any facts likely to give rise to any proceedings which may materially and adversely affect the financial position or business of the Company and/or its subsidiary companies.

17.5 MATERIAL CONTRACTS

Save as disclosed below, there are no contracts which are material (not being contracts entered into in the ordinary course of business) that have been entered into by the Company and its subsidiary companies within the two (2) years immediately prior to the date of this Prospectus:

- (i) Conditional share sale agreement dated 13 March 2006 entered into between Dufu, as purchaser, and Hsu, Chin-Shui, Lee, Hui-Ta a.k.a. Li Hui Ta, Wong Ser Yian and Yong Poh Yow, as vendors, for:
 - (a) the acquisition of 5,000,000 ordinary shares of RM1.00 each in DISB representing the entire issued and paid-up capital of DISB for a purchase consideration of RM29,110,000 fully satisfied by the issue of 58,220,000 Shares at par; and
 - (b) the acquisition of 2,000,000 ordinary shares of RM1.00 each in IPG representing the entire issued and paid-up capital of IPG for a purchase consideration of RM3,789,998 fully satisfied by the issue of 7,579,996 Shares at par.
- (ii) A letter of award dated 22 June 2006 was issued to Rimbaco Sdn Bhd by DISB for the construction of a 3-story factory building on part of Lot H.S. (D) 7972, P.T. 1886, Kawasan Perindustrian Free Trade Zone, Fasa IV, MK. 12, Daerah Barat Daya, Hilir Sungai Keluang 2, Bayan Lepas, Penang for a contract sum of RM 9.1 million payable progressively based upon architect's certificate.
- (iii) Underwriting Agreement dated 7 November 2006 entered into between the Company and Alliance for the underwriting of 6,000,000 Public Issue Shares reserved for application by the Malaysian Public and between the Offerors and Alliance for the underwriting of up to 1,000,000 Unsubscribed Pink Form Shares (if any), for underwriting commission at the rate of 2.0% of the issue price of RM0.70 per Share.

17. ADDITIONAL INFORMATION (Cont')

17.6 PUBLIC TAKE-OVER OFFERS

None of the following has occurred in the last financial year and/or the current financial year up to the date of this Prospectus:

- (i) public take-over offers by third parties for the shares of the Company or any of its subsidiary companies; or
- (ii) public take-over offers by the Company or any of its subsidiary companies for other companies' shares.

17.7 CONTROL OVER THE GROUP

Save for the substantial shareholders as disclosed in Section 8.1 of this Prospectus, there are no persons who are able to, directly or indirectly, jointly or severally, exercise control over the Dufu Group.

17.8 CONSENTS

The written consents of the Adviser/Underwriter/Placement Agent, the Solicitors, the Principal Bankers, the Issuing House, the Share Registrar and the Company Secretaries to the inclusion in this Prospectus of their names in form and context in which their names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn.

The written consent of the Auditors and Reporting Accountants to the inclusion in this Prospectus of its name, Accountants' Report and letters relating to the consolidated profit forecasts for the FYE 31 December 2006 and 2007, the proforma consolidated balance sheet as at 31 July 2006 and the proforma financial information of the Dufu Group, in the form and context in which they appear in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

The written consent of the Independent Market Researcher to the inclusion in this Prospectus of its name and the Executive Summary of the Independent Market Research Report and all references thereto in the form and context in which they appear in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

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17. ADDITIONAL INFORMATION (Cont')

17.9 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at our registered office (or such other place as the SC may determine) during office hours for a period of twelve (12) months from the date of this Prospectus.

- (i) The Memorandum and Articles of Association;
- (ii) The Reporting Accountants' letter relating to the proforma consolidated financial information as included in Section 11 of this Prospectus;
- (iii) The Accountants' Report as included in Section 13 of this Prospectus;
- (iv) The Reporting Accountants' letter relating to the consolidated profit forecasts for the FYE 31 December 2006 and 2007 as included in Section 12 of this Prospectus;
- (v) The Reporting Accountants' letter relating to the proforma consolidated balance sheet as at 31 July 2006 as included in Section 11 of this Prospectus;
- (vi) The Directors' Report as included in Section 14 of this Prospectus;
- (vii) The audited financial statements of Dufu, DISB, IPG and DISPL for the FYE 31 December 2003 to 2005 and the 7-month period ended 31 July 2006;
- (viii) The Independent Market Research Report dated 15 March 2006 (updated General Economic Overview, Industry Overview and Industry Outlook on 26 October 2006) together with the Executive Summary thereof as included in Section 15 of this Prospectus;
- (ix) The material contracts referred to under Section 17.5 of this Prospectus;
- (x) The By-laws of the ESOS; and
- (xi) The letters of consent referred to under Section 17.8 of this Prospectus.

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18. PROCEDURE FOR APPLICATION AND ACCEPTANCE

18.1 OPENING AND CLOSING OF APPLICATIONS

OPENING OF APPLICATIONS: 10.00 A.M. ON 31 JANUARY 2007.

CLOSING OF APPLICATIONS: 5.00 P.M. ON 9 FEBRUARY 2007.

Our Directors and the Underwriter may mutually decide, at their absolute discretion, to extend the date and time for the closing of applications to any later date or dates. If the date for the closing of applications is extended, the dates of the balloting, allotment and listing would be extended accordingly. Any extension of the date for the closing of applications will be announced in a widely circulated English newspaper and Bahasa Malaysia newspaper not less than one (1) market day before the original date of the closing of applications. Late applications will not be accepted.

18.2 ELIGIBILITY

You can only apply for Dufu Shares if you fulfil all of the following:

- (i) You must have a CDS account. If you do not have a CDS account, you may open one (1) by contacting any ADA;
- (ii) You must be one (1) of the following:
 - (a) A Malaysian citizen that is at least eighteen (18) years old as at the closing of applications;
 - (b) A corporation/institution incorporated in Malaysia where, there is a majority of Malaysian citizens on your board of directors/trustee and if you have a share capital, more than half of your issued share capital, excluding preferred share capital, is held by Malaysians;
 - (c) A superannuation, provident or pension funds established or operating in Malaysia; and

Applications from trustee, persons under eighteen (18) years of age, sole proprietorships, partnerships or other incorporated bodies or associates, other than corporation/institutions referred to in (ii)(b) or (c) above or the trustees thereof will not be accepted; and

- (iii) The applicant is not a directors or employees of the Issuing House or their immediate family members.

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18. PROCEDURE FOR APPLICATION AND ACCEPTANCE (Cont'd)

18.3 PROCEDURES FOR APPLICATION**18.3.1 Methods of Application**

Investors should note that the method of applicant varies between the classes of application as follows:-

CLASS OF APPLICANTS	APPLICATION METHOD
The eligible employees who have contributed to the Group's success	Pink Application Form only
Identified Bumiputera investors for placement of shares (for individuals and non individuals, e.g. corporations and institutions)	Blue Application Form only
Malaysian public (for individuals)	White Application Form or ESA*
Malaysian public (for non individuals, e.g. corporations and Institutions)	White Application Form only

Note:

* A surcharge of RM2.50 per ESA will be charged by the Participating Financial Institutions.

18.3.2 Procedures for Application By Way of Application Form

The eligible employees of the Group will be distributed **Pink** Application Forms. Their application must follow the notes and instructions in the said documents and where relevant, this Prospectus.

The Malaysian Public and the identified Bumiputera investors for the placement of shares should follow the following procedure in making their applications:

Step 1: Obtain application documents**(i) Malaysian Public**

Obtain the White Application Form together with the Official "A" and "B" envelopes and this Prospectus. These documents can be obtained subject to availability from the following parties:

- (a) Alliance;
- (b) participating organisations of the Securities Exchange;
- (c) members of the Association of Banks in Malaysia;
- (d) members of the Malaysian Investment Banking Association; and
- (e) Issuing House.

18. PROCEDURE FOR APPLICATION AND ACCEPTANCE (Cont'd)

(ii) Identified Bumiputera Investors for Placement of Dufu Shares

Obtain the Blue Application Form together with the official envelope and this Prospectus. These documents can be obtained, subject to availability, from Dufu and the Placement Agent.

Step 2: Read the Prospectus

In accordance with Section 41(2) of the SCA, the Application Forms are accompanied by this Prospectus. You are advised to read and understand the Prospectus before making your application.

Step 3: Complete the Application Form

Complete the relevant Application Form legibly and **STRICTLY** in accordance with the notes and instructions printed on it and in this Prospectus.

(i) Personal Particulars

You must ensure that your personal particulars submitted in your application are identical with the records maintained by the Bursa Depository. Please inform the Bursa Depository promptly of any changes to your personal particulars.

If you are an individual and you are not a member of the armed forces or police, your name and national registration identity card ("NRIC") number must be the same as:

- (a) your NRIC;
- (b) any valid temporary identity document issued by the National Registration Department from time to time; or
- (c) your "Resit Pengenalan Sementara (JPN 1/9)" issued pursuant to Peraturan 5(5), Peraturan-peraturan Pendaftaran Negara 1990.

If you are a member of the armed forces or police, your name and your armed forces or police personnel number, as the case may be must be exactly as that stated in your authority card.

For corporations/institutions, the name and certificate of incorporation number must be the same as that stated in the certificate of incorporation.

(ii) CDS Account Number

You must state your CDS account number in the space provided in the Application Form. Invalid or third party CDS accounts will **not** be accepted. CDS account in the name of nominees will only be accepted if you are an identified private placee.

(iii) Details of Payment

You must state the details of your payment in the appropriate boxes provided in the White or Blue Application Form.

Step 4: Prepare appropriate form of payment (Applicable to Malaysian public – White Form applicants only and identified private placees – Blue Form applicants only)

Prepare the correct form of payment in RM for the FULL amount payable for the IPO Shares based on the IPO Price, which is RM0.70 per Dufu Share.

18. PROCEDURE FOR APPLICATION AND ACCEPTANCE (Cont'd)

Payment must be made out in favor of “**MI! SHARE ISSUE ACCOUNT NO. 433**” and crossed “**A/C PAYEE ONLY**” (excluding ATM statements) and endorsed on the reverse side with your name and address. We only accept the following forms of payment:

- (i) banker’s draft or cashier’s order purchased within Malaysia only and drawn on a bank in Kuala Lumpur (differentiated by a special red band for Bumiputera applicants);
- (ii) cheques issued by participating licensed finance companies in Malaysia and drawn on a bank in Kuala Lumpur (differentiated by a special red band for Bumiputera applicants);
- (iii) money order or postal order (for applicants from Sabah and Sarawak only);
- (iv) Guaranteed Giro Order (“GGO”) from Bank Simpanan Nasional Malaysia Berhad (differentiated by a special red band for Bumiputera applicants); or
- (v) ATM statement obtained only from any of the following:
 - Affin-ACF Finance Berhad;
 - Alliance Bank Malaysia Berhad;
 - AmBank (M) Berhad;
 - CIMB Bank Berhad (Formerly known as Bumiputra-Commerce Bank Berhad);
 - EON Bank Berhad;
 - Hong Leong Bank Berhad;
 - Malayan Banking Berhad;
 - Public Bank Berhad;
 - RHB Bank Berhad; or
 - Southern Bank Berhad

Applications with excess or insufficient remittances or inappropriate will not be accepted.

Step 5: Finalise application

(i) Malaysian Public

Insert the White Application Form with payment and a legible photocopy of your identification document (NRIC/valid temporary identity document issued by the National Registration Department/“Resit Pengenalan Sementara (JPN 1/9)“/authority card/certificate of incorporation) into Official “A” envelope and seal it. Write your name and address on the outside of the Official “A” and “B” envelopes. The name and address written must be **identical** to your name and address as per your NRIC/“Resit Pengenalan Sementara (JPN 1/9)“/authority card/valid temporary identity documents issued by the National Registration Department/authority card/certificate of incorporation. Affix a stamp on the Official “A” envelope and insert Official “A” envelope into Official “B” envelope.

18. PROCEDURE FOR APPLICATION AND ACCEPTANCE (Cont'd)

(ii) Identified Bumiputera Investors for Placements of Dufu Shares

Insert the Blue Application Form payment and a legible photocopy of your identification document (NRIC/Valid temporary identify document issued by the National Registration Department/ "Resit Pengenalan Sementara (JPN 1/9)"/authority card/certificate of incorporation) into the official envelope.

Step 6: Submit Application

(i) Malaysian Public

You can submit your application in envelope "B" by either one (1) of the following methods:

- (a) despatch by **ORDINARY POST** to:
Malaysian Issuing House Sdn Bhd
27th Floor, Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
P.O. Box 13269
50804 Kuala Lumpur
- (b) **DELIVER BY HAND** and deposit in the Drop-in Boxes provided at the back portion of Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur, so as to arrive not later than 5.00 p.m. on 9 February 2007 or such further period or periods as the Directors of Dufu and the Underwriter may mutually decide in their absolute discretion; or

Applications may also be **DELIVERED IN A DRIVE-IN-MANNER** at Stadium Hoki Tun Razak, Jalan Duta, Kuala Lumpur on 9 February 2007, between 10.00 a.m. to 5.00 p.m. only.

(ii) Identified Bumiputera Investors for Placement of Dufu Shares

You can submit your application in the official envelope by either one (1) of the following methods:

- (a) despatch by **REGISTERED POST** to:
Dufu Technology Corp. Berhad
57-2 Persiaran Bayan Indah
Bayan Bay, Sungai Nibong
11900 Penang
- (b) **DELIVER BY HAND** to:
Alliance Investment Bank Berhad
19th Floor, Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur

No acknowledgement of the receipt of Application Forms or application monies will be made by Dufu, Issuing House or Placement Agent.

18. PROCEDURE FOR APPLICATION AND ACCEPTANCE (Cont'd)

18.3.3 Procedures for Application By Way of an ESA

Applications for Dufu Shares by way of ESA are only applicable for members of the Malaysian Public who are individuals. Please read carefully and follow the terms of this Prospectus, the procedures, terms and conditions for ESA and the procedures set out in the ATM screens of the Participating Financial Institutions before making an ESA.

Step 1: Set up an account

Before making an application by way of ESA, you **must have both** of the following:

- (i) an account with any of the following Participating Financial Institutions and an ATM card issued by that Participating Financial Institution to access the said bank account:
 - AmBank (M) Berhad;
 - Bank Muamalat Malaysia Berhad;
 - CIMB Bank Berhad (Formerly known as Bumiputra-Commerce Bank Berhad);
 - EON Bank Berhad;
 - HSBC Bank Malaysia Berhad;
 - Malayan Banking Berhad;
 - OCBC Bank (Malaysia) Berhad; or
 - Standard Chartered Bank Malaysia Berhad (selected branches only); and
- (ii) sufficient funds in your bank account with the relevant Participating Financial Institution at the time you make the application.

Step 2: Read the Prospectus

You are advised to read and understand the Prospectus before making your application.

Step 3: Apply at a Participating Financial Institution's ATM

- (i) Go to an ATM of the Participating Financial Institution at their selected branches.

Your ATM card issued by a Participating Financial Institution must not be used to apply for shares at an ATM belonging to another Participating Financial Institution.

You may apply for the IPO Shares at an ATM of the Participating Financial Institution situated in another country or a place outside of Malaysia.
- (ii) Choose the ESA option at the ATM. You must follow the procedures set out in the ATM screen of the Participating Financial Institution, or else your application will be rejected.
- (iii) Enter the following information through the ATM where the instructions on the screen require you to do so:
 - Personal Identification Number (PIN);
 - **MIH Share Issue Account Number 433;**
 - Number of IPO Shares applied for and/or the RM amount to be debited from your account; and
 - CDS account number.

18. PROCEDURE FOR APPLICATION AND ACCEPTANCE (Cont'd)

Use your own CDS account when applying for the IPO Shares, even when you have a joint account with any of the Participating Financial Institutions. The above are the minimum disclosures from you.

- (iv) You will have to confirm and undertake that the following mandatory statements are true and correct by depressing predesignated keys or buttons on the ATM keyboard:
- You are at least eighteen (18) years of age as at the closing date of the share application;
 - You are a Malaysian citizen residing in Malaysia;
 - You have read the Prospectus and have understood and agreed with the terms and conditions of this application;
 - This is the only application that you are submitting; and
 - You give consent to the Participating Financial Institution and Bursa Depository to disclose information pertaining to yourself and your account with the Participating Financial Institution and Bursa Depository to the Issuing House and other relevant authorities.
- (v) You must complete all the steps and follow the instructions set out on the ATM screen.
- (vi) Upon completion of your application, you will receive a computer-generated transaction slip ("Transaction Record") confirming the details of your application. The Transaction Record is a record that you have completed a transaction at the ATM and not a record that the Issuing House or us have received any part of your application.

Do not submit your Transaction Record with any Application Form. It is for your own retention.

ONLY ONE (1) APPLICATION FORM FROM EACH APPLICANT WILL BE CONSIDERED. MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED.

ALL APPLICATIONS MUST BE FOR ONE HUNDRED (100) ORDINARY SHARES OR MULTIPLES THEREOF.

18.4 TERMS AND CONDITIONS

The terms and conditions for the applications are as follows:-

- (i) You are required to pay the issue price of RM0.70 for each IPO Share you have applied for.
- (ii) You can submit only one (1) application for the IPO Shares. For example, if you submit an application using a White Application Form, you cannot submit an ESA.

The Issuing House acting under the authority of our Directors has the discretion to reject applications that appears to be multiple applications.

18. PROCEDURE FOR APPLICATION AND ACCEPTANCE (Cont'd)

We wish to caution you that if you submit more than one (1) application in your own name or by using the name of other, with or without their consent, you will be committing an offence under Section 87A of the Securities Industry Act, 1983 ("SIA") and may be punished with a minimum fine of RM1,000,000 and jail term of up to ten (10) years under Section 88 of the SIA.

- (iii) Your application must be for at least 100 Shares or multiples thereof.
- (iv) Your application must be made in connection with and subject to this Prospectus and our Memorandum and Articles of Association. You agree to be bound by our Memorandum and Articles of Association.
- (v) Your submission of an application does not necessarily mean that your application will be successful. Any submission of application is irrevocable.
- (vi) We or the Issuing House will not issue any acknowledgement of the receipt of your application or application monies.
- (vii) You must ensure that your personal particulars submitted in your application and/or your personal particulars are recorded by the Participating Financial Institution are correct and identical with the records maintained by Bursa Depository. Otherwise, your application is liable to be rejected. Bursa Depository will have to be promptly notified of any change in your address failing which the notification letter of successful allocation will be sent to your registered/correspondence address last maintained with Bursa Depository.
- (viii) Your remittances having presented for payment shall not signify that your application has been accepted. Our acceptance of your application to subscribe for or purchase the IPO Shares shall be constituted by the issue of notices of allotment for the IPO Shares to you.
- (ix) Submission of your CDS account number in your application includes your authority/consent in accordance with Malaysian laws for Bursa Depository and the Participating Financial Institution (as the case may be) to disclose information pertaining to your CDS account and other relevant information to us, Issuing House and any relevant regulatory bodies (as the case may be).

Your agree to accept our decision as final should we decide not to allot any shares to you.

- (x) Additional terms and conditions for ESAs are as follows:
 - (a) You agree and undertake to subscribe for or purchase and to accept the number of IPO Shares applied for as stated in the Transaction Record or any lesser amount that may be allotted or allocated to you.
 - (b) Your confirmation by depressing the key or button on the ATM shall be treated as your acceptance of the number of IPO Shares allotted or allocated to you.
 - (c) Should you be allotted any IPO Shares, you shall be bound by our Memorandum and Articles of Association.
 - (d) You confirm that you are not applying for IPO Shares as a nominee of other persons and that your ESA is made on your account as a beneficial owner.

18. PROCEDURE FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (e) You request and authorise us to credit the IPO Shares allotted to you into your CDS account and to issue share certificate(s) representing those IPO Shares allotted in the name of Bursa Malaysia Depository Nominees Sdn Bhd and sent them to Bursa Depository.
- (f) You acknowledge that your application is subject to electrical, electronic, technical, transmission, communication and computer-related faults and breakdowns, fires and other events which are not in our control, or the control of the Issuing House, the Participating Financial Institution or Bursa Depository. You irrevocable agree that you are deemed not to have made an application if we or the Issuing House do not receive your application or your application data is wholly or partially lost, corrupted or inaccessible to us or the Issuing House. You shall not make any claim whatsoever against us, the Issuing House, the Participating Financial Institution or Bursa Depository.
- (g) You irrevocable authorise Bursa Depository to complete and sign on your behalf as transferee or renounce any instrument of transfer and/or other documents required for the transfer of the IPO Shares allocated to you.
- (h) You agree that in the event of legal disputes arising from the use of ESAs, our mutual rights, obligations and liabilities shall be determined under the laws of Malaysia and be bound by the decisions of the Courts of Malaysia.

18.5 AUTHORITY OF DIRECTORS AND THE ISSUING HOUSE

If you are successful in your application, our Directors reserve the right to require you to appear in person at the registered office of the Issuing House within fourteen (14) days of the date of the notice issued to you to ascertain your application is genuine and valid. Our Directors are not responsible for any loss or non-receipt of the said notice nor shall they be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

Applicants will be selected in a manner to be determined by our Directors. Due consideration will be given to the desirability of allotting or allocating Dufu Shares to a reasonable number of applicants with a view to establishing an adequate market for Dufu Shares.

The Issuing House, on the authority of our Directors, reserves the right to:

- (i) reject applications which do not conform to the instructions in this Prospectus or are illegible, incomplete or inaccurate;
- (ii) reject or accept any application, in whole or in part, on a non-discriminatory basis without giving any reason; and
- (iii) bank in all application monies from unsuccessful/partially successful Bumiputera applicants which would subsequently be refunded without interest by registered post.

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18. PROCEDURE FOR APPLICATION AND ACCEPTANCE (Cont'd)

18.6 OVER/UNDER-SUBSCRIPTION

In the event of over-subscription, the Issuing House will conduct a ballot in the manner approved by our Directors to determine acceptance of applications. In determining the manner of balloting, our Directors will consider the desirability of distributing the IPO Shares to a reasonable number of applicants for the purpose of broadening our shareholding base and establishing an adequate market in the trading of Dufu Shares. Pursuant to the Securities Exchange LR, we need to have a minimum number of 1,000 public shareholders holding not less than 100 Dufu Shares each upon listing and completion of this IPO. We expect to achieve this at the point of listing. In the event that the above requirement is not met, we may not be allowed to proceed with the listing. In the event thereof, monies paid in respect of all applications will be returned without interest.

In the event of an under-subscription by the Malaysian public, all the IPO Shares not applied for will be subscribed by the Underwriter pursuant to the Underwriting Agreement dated 7 November 2006.

Where your successfully balloted application is subsequently rejected, the full amount of your application monies will be refunded without interest to you within ten (10) market days from the date of the final ballot to your address registered with the Bursa Depository.

18.7 UNSUCCESSFUL/PARTIALLY SUCCESSFUL APPLICATIONS

If you are unsuccessful/partially successful in your application, your application monies will be returned without interest in the following manner.

18.7.1 For applications by way of White Application Form

- (i) The application monies or the balance thereof, as the case may be, will be returned to you via the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by registered post to your last address maintained with Bursa Depository (for partially successful applications) within ten (10) Market Days from the date of the final ballot.
- (ii) If your application was rejected because you did not provide a CDS account number, your application monies will be sent to the address stated in the NRIC or "Resit Pengenaln Sementara (JPN 1/9)" or any valid temporary identity document issued by the National Registration Department from time to time.
- (iii) The Issuing House reserves the right to bank in all application monies from unsuccessful Bumiputera applicants. These monies will be refunded by registered post to your last address maintained with Bursa Depository or as per item (ii) above (as the case may be) within ten (10) market days from the date of the final ballot.

18.7.2 For application by way of ESA

- (i) The Issuing House shall inform the Participating Financial Institutions of the non-successful or partially successful application within two (2) market days after the balloting date. The application monies or the balance thereof will be credited into your account with the Participating Financial Institution without interest within two (2) market days after the receipt of confirmation from the Issuing House.
- (ii) You may check your account on the fifth (5th) market day from the balloting day.

18. PROCEDURE FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (iii) A number of applications will be reserved to replace any balloted applications which are rejected, the application monies relating to these applications which are subsequently rejected will be refunded without interest by the Issuing House by way of cheques by registered post or ordinary post. The cheques will be issued not later than ten (10) market days from the date of the final ballot. For applications that are held in reserve and are subsequently unsuccessful (or only partly successful), the Participating Financial Institution will arrange for a refund of the application money (or any part thereof) without interest within ten (10) market days from the date of the final ballot.

18.8 SUCCESSFUL APPLICATIONS

If you are successful in your application:

- (i) The IPO Shares allocated to you will be credited into your CDS account. No share certificates will be issued to you.
- (ii) A notice of allotment will be despatched to you at the address last maintained with Bursa Depository where you have an existing CDS account at your own risk prior to the listing. This is your only acknowledgement of acceptance of the application.

18.9 ENQUIRIES

You may contact the Issuing House if you have any queries on the White Application Form at 03-26932075 (10 lines). If you have any enquiry with regards to your ESA, you may refer to the relevant Participating Financial Institution.

If you are applying for the IPO Shares as a Malaysian Public, you may check the status of your application by logging into the Issuing House's website at www.mih.com.my, or by calling MIH Enquiry Services at 03-26932075 (10 lines) or your ADA within five (5) to ten (10) Market Days (during office hours only) after the balloting date.

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