12. FUTURE FINANCIAL INFORMATION

12.1 CONSOLIDATED PROFIT FORECASTS

The Directors of Dufu forecast the following consolidated profit of Dufu after the Public Issue (details of which are set out below) for the FYE 31 December 2006 and 2007, which have been prepared on a basis consistent with the accounting policies adopted and disclosed by the Group in its audited financial statements for the financial period from 1 January 2006 to 31 July 2006. The consolidated profit forecasts should be read in conjunction with the accompanying notes and assumptions as set out in the Reporting Accountants' Letter on Consolidated Profit Forecasts set out in Section 12.2 of this Prospectus.

	FYE 31.12.2006 RM'000	FYE 31.12.2007 RM'000
Revenue	102,061	115,281
Consolidated PBT	8,897	12,721
Less: Tax expenses	(1,093)	(1,728)
Consolidated PAT	7,804	10,993
Weighted average number of Dufu Shares in issue after taking into consideration the Acquisitions which were completed on 30 August 2006 and the expected completion of the IPO by 28 February 2007 ('000)	60,747	87,983
Based on PAT attributable to shareholders over the weighted average number of Dufu Shares in issue		
Basic EPS (sen)	12.85	12.49
Diluted EPS (sen)	12.85	12.49
PE multiple (times)*	5.45	5.60

For illustration, the EPS and PE multiple calculated based on PAT attributable to shareholders over the enlarged number of Dufu Shares of 90,000,000 are as follows:

Basic EPS (sen)	8.67	12.21
Diluted EPS (sen)	8.67	12.21
PE multiple (times)*	8.07	5.73

Note:

* *Based on the IPO price of RM0.70 per Dufu Share.*

There is no minority interest for the FYE 31 December 2006 and 31 December 2007.

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12.2 REPORTING ACCOUNTANTS' LETTER ON THE CONSOLIDATED PROFIT FORECASTS

(prepared for the inclusion in this Prospectus)

Deloitte.

Deloitte KassimChan (AF 0080)
Chartered Accountants
4th Floor, Wisma Wang
251-A, Jalan Burma
10350 Penang
Malaysia

Tel : +60(4) 2288255
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mypenang@deloitte.com
www.deloitte.com.my

3 January 2007

The Board of Directors
Dufu Technology Corp. Berhad
57-2, Persiaran Bayan Indah
Bayan Bay, Sungai Nibong
11900 PENANG
MALAYSIA

Dear Sirs,

DUFU TECHNOLOGY CORP. BERHAD (COMPANY NO.: 581612 A)
CONSOLIDATED PROFIT FORECASTS
FOR THE FINANCIAL YEARS ENDING 31 DECEMBER 2006 AND 2007

We have reviewed the consolidated profit forecasts of Dufu Technology Corp. Berhad ("Dufu") and its subsidiary companies ("the Group") for the financial years ending 31 December 2006 and 2007 as set out in the accompanying statement (which we have stamped for the purpose of identification) in accordance with the standard (ISAE 3400) applicable to the review of forecasts. The forecasts have been prepared for inclusion in the Prospectus of Dufu, in connection with the listing of and quotation for the entire issued and paid-up share capital of Dufu on the Second Board of Bursa Malaysia Securities Berhad and should not be relied on for any other purposes.

Our review has been undertaken to enable us to form an opinion as to whether the forecasts, in all material respects, are properly prepared on the basis of the assumptions made by the Directors and are presented on a basis consistent with the accounting policies adopted and disclosed by Dufu and its subsidiary companies in their audited financial statements for the financial period from 1 January 2006 to 31 July 2006. The Directors of Dufu are solely responsible for the preparation and presentation of the forecasts and the assumptions on which the forecasts are based.

Forecasts, in this context, mean prospective financial information prepared on the basis of assumptions as to future events which management expects to take place and the actions which management expects to take as of the date the information is prepared (best-estimate assumptions). While information may be available to support the assumptions on which forecasts are based, such information is generally future oriented and therefore uncertain. Thus, actual results are likely to be different from the forecasts since anticipated events frequently do not occur as expected and the variation could be material.

Deloitte KassimChan

3 January 2007
Dufu Technology Corp. Berhad
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Subject to the matters stated in the preceding paragraphs:

(i) nothing has come to our attention which causes us to believe that the assumptions made by the Directors, as set out in the accompanying statement, do not provide a reasonable basis for the preparation of the consolidated profit forecasts; and

(ii) in our opinion, the consolidated profit forecasts, so far as the calculations are concerned, are properly prepared on the basis of the assumptions made by the Directors and are presented on a basis consistent with the accounting policies adopted and disclosed by Dufu and its subsidiary companies in their audited financial statements for the financial period from 1 January 2006 to 31 July 2006.

We understand that this report will be used solely for inclusion in the Prospectus in connection with the abovementioned corporate exercise. As such, this report should not be used or referred to, in whole or in part, for any other purpose without our prior written consent.

Yours faithfully,

Deloitte KassimChan

DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants

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

Penang

DUFU TECHNOLOGY CORP. BERHAD (COMPANY NO.: 581612 A)
(Incorporated in Malaysia)

CONSOLIDATED PROFIT FORECASTS AND ASSUMPTIONS
FOR THE FINANCIAL YEARS ENDING 31 DECEMBER 2006 AND 2007

The Directors of Dufu Technology Corp. Berhad ("Dufu") forecast that the consolidated profit of Dufu and its subsidiary companies ("the Group") after the Public Issue (details of which are set out below) for the financial years ending 31 December 2006 and 2007, which have been prepared on a basis consistent with the accounting policies adopted and disclosed by the Group in its audited financial statements for the financial period from 1 January 2006 to 31 July 2006, will be as follows:

	2006 RM'000	2007 RM'000
Revenue	102,061	115,281
Consolidated profit before tax	8,897	12,721
Less: Tax expense	(1,093)	(1,728)
Consolidated profit after tax	7,804	10,993
Weighted average number of ordinary shares after Public Issue ('000)	60,747	87,983
Earnings per ordinary share (sen)		
- Basic	12.85	12.49
- Diluted	12.85	12.49
Price-earnings multiple (times)	5.45	5.60

The above consolidated profit forecasts of the Group for the years ending 31 December 2006 and 2007 are prepared based on the Group's Directors assessment of the present economic and operation conditions, and a number of best estimate assumptions regarding future events and actions which, at the date of the consolidated profit forecasts are prepared, the Directors of the Group, expect to take place. These future events may or may not take place. A forecast, by its very nature, is subject to uncertainties and unexpected events, many of which may be outside the control of the Group and its Directors. Also, events and circumstances often do not occur as anticipated and therefore actual results are likely to differ from the forecasts, and the differences may be material. The principal bases and assumptions upon which the consolidated profit forecasts have been prepared are as follows:

1. The Group will or has carried out the following corporate exercise:

   (i) Acquisition of the entire issued and fully paid-up share capital of Dufu Industries Sdn. Bhd. ("DISB") comprising 5,000,000 ordinary shares of RM1.00 each for a total purchase consideration of RM29,110,000 satisfied by the issuance of 58,220,000 new ordinary shares of RM0.50 each in Dufu at par; and

   Acquisition of the entire issued and fully paid-up share capital of I.P.G. Metal Industry (M) Sdn. Bhd. ("IPG") comprising 2,000,000 ordinary shares of RM1.00 each for a total purchase consideration of RM3,789,998 satisfied by the issuance of 7,579,996 new ordinary shares of RM0.50 each in Dufu at par.

   (hereinafter collectively referred to as the "Acquisitions")

   The Acquisitions were completed on 30 August 2006 and were accounted for using the purchase method of consolidation.

DUFU TECHNOLOGY CORP. BERHAD (COMPANY NO.: 581612 A)
(Incorporated in Malaysia)

(ii) Public issue of 24,200,000 new ordinary shares of RM0.50 each in Dufu ("Dufu Shares") at an issue price of RM0.70 per Dufu Share ("Public Issue"). The Public Issue is assumed to be completed in February 2007.

The gross proceeds from the Public Issue will be utilised within three years as follows:-

	RM'000
Purchase of machinery	7,000
Part settlement of hire purchase payables	5,000
Working capital	2,940
Estimated share issue expenses	2,000
Total	16,940

(iii) Offer for sale of 9,800,000 Dufu Shares at an offer price of RM0.70 per ordinary share payable in full upon application comprising:

(a) 1,000,000 ordinary shares of RM0.50 each for application by eligible employees of the Group; and

(b) 8,800,000 ordinary shares of RM0.50 each to Bumiputera investors approved by the Ministry of International Trade and Industry;

(iv) Establishment of an Employee Share Option Scheme ("ESOS") for eligible employees and directors of the Group. The number of ESOS options to be offered under the ESOS shall not exceed 15% of the issued and paid-up share capital of Dufu at any one time during the duration of the ESOS; and

(v) Listing of and quotation for the entire enlarged issued and paid-up share capital of Dufu comprising 90,000,000 ordinary shares of RM0.50 each on the Official List of the Second Board of Bursa Malaysia Securities Berhad.

2. There will be no significant changes to the prevailing world economic, social and political conditions (include risk of war, terrorism, sabotage, expropriation, nationalisation, re-negotiation or nullification of existing contracts) in Malaysia and elsewhere that will have direct or indirect effects on the activities or performance of the Group and the businesses of the Group's major customers and suppliers.

3. There will be no significant changes in the present legislation or Government regulations, rates and bases of duties, levies and taxes which will adversely affect the activities of the Group or the markets in which it operates.

4. There will be no significant fluctuations in foreign currency exchange and inflation rates from their present levels which would adversely affect the activities and operations of the Group.

5. There will be no significant changes in the prices of raw materials, labour, overheads and trading goods other than those already forecasted for.

6. There will be no significant changes in the customer demand, selling prices and product lines of the Group other than those already forecasted for.

7. There will be no major breakdown or disruption of manufacturing facilities, major industrial disputes, labour shortages, technological changes or any abnormal factors or changes both domestic and overseas, which will adversely affect the production, purchases and sales of the Group.

DUFU TECHNOLOGY CORP. BERHAD (COMPANY NO.: 581612 A)
(Incorporated in Malaysia)

8. There will be no significant changes in the present management structure, key personnel, ownership and operating and accounting policies adopted by the Group.

9. Existing financing facilities will remain available and that the level of interest rates will not change materially from those presently prevailing.

10. There will be no material acquisitions or disposals of property, plant and equipment or investments other than those already forecasted for.

11. There will be no significant changes involving key customers and suppliers which will adversely affect the activities of the Group or the markets in which it operates.

12. There will be no material changes in the principal activities and structure of the Group.

13. There will be no major impairment of assets which will have a significant effect on the Group's profit.

14. Production capacity and the mix of sales will be achieved as planned and there will be no unusual quality issues resulting in reject of goods by customers.

15. The Group will not engage in any litigation and there will be no legal proceedings against the Group which will adversely affect the activities or performance of the Group or give rise to any liabilities which will materially affect the financial position and business of the Group.

16. The statutory income tax rates applicable to the Group for the financial year ending 31 December 2006 and 2007 will remain at their present levels except that the statutory income tax rate applicable to DISB for the financial year ending 31 December 2007 will change from 28% to 27%. DISB and IPG, the subsidiary companies acquired by Dufu pursuant to the Acquisitions, will continue to claim for reinvestment allowances under the Promotion of Investments Act, 1986 and the amount approved by the tax authorities will not vary significantly from the forecasted amount.

17. Share issue expenses are estimated to be approximately RM2,000,000 and will be paid in the financial year ending 31 December 2007. The share issue expenses will be set-off against the share premium account.

18. No options will be granted under the ESOS in the forecast years.

On behalf of the Board of Directors,

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

YONG POH YOW
Director

3 JAN 2007

12.3 DIRECTORS' ANALYSIS AND COMMENTARY ON THE CONSOLIDATED PROFIT FORECASTS

FYE 31 December 2006

Revenue

For the FYE 31 December 2006, the Group forecasts an increase in revenue of approximately RM33.85 million or 50% to RM102.06 million (FYE 31 December 2005: RM68.21 million). The increase in the Group's revenue is mainly due to the increase in the sale of HDD components.

Sales of HDD components will continue to be the Group's main revenue earner with the contribution forecast to be approximately 84% of the Group's revenue in FYE 31 December 2006. With the completion of Seagate's acquisition of its competitor, Maxtor, in May 2006, Seagate is the leading global HDD manufacturer, therefore, the Directors are confident that the Dufu Group, being one of the major suppliers of HDD components for Seagate, will be in an advantage position to increase its sales to Seagate. This is in view of the long established relationship and outstanding records with Seagate over the years.

PBT

PBT is expected to increase by approximately RM2.98 million or 50% to RM8.90 million in FYE 31 December 2006 (FYE 31 December 2005: RM5.92 million). The increase is in tandem with the increase in revenue of the Group.

FYE 31 December 2007

Revenue

For the FYE 31 December 2007, the Group forecasts an increase in revenue of approximately RM13.22 million or 13% to RM115.28 million (FYE 31 December 2006: RM102.06 million). The increase in the Group's revenue is mainly due to the anticipated increase in the sale of HDD components and also the sale of new range of products.

Sales of HDD components will continue to be the Group's main revenue earner with the contribution forecast to be approximately 84% of the Group's turnover in FYE 31 December 2007. However, the Group will continue to diversify its revenue segment with the acquisitions of new customers from other segments such as consumer electronics.

PBT

PBT is expected to increase by approximately RM3.82 million or 43% to RM12.72 million in FYE 31 December 2007 (FYE 31 December 2006: RM8.90 million). The increase is in tandem with the expected increase in revenue and gross profit margin of the Group.

The Directors of Dufu have reviewed and analysed the reasonableness of the bases and assumptions stated herein after due and careful inquiry in arriving at the consolidated profit forecasts for the FYE 31 December 2006 and 2007. The consolidated profit forecasts for the FYE 31 December 2006 and 2007 have been prepared based on bases and accounting principles consistent with those previously adopted in the preparation of the audited financial statements of the Group. The Directors of Dufu are of the opinion that the consolidated profit forecasts are reasonable, fair and achievable in the light of the prospects of the industry in which the Group operates (as disclosed in Section 7.2 of this Prospectus), the future plans, strategies and prospects of the Group (as disclosed in Section 7.1 of this Prospectus) and the forecast level of gearing, liquidity and working capital requirements of the Group.

12.4 SENSITIVITY ANALYSIS

The following sensitivity analysis is prepared by the management of the Dufu Group. The sensitivity analysis is prepared based on the consolidated profit forecasts assumptions as set out in Section 12.2 of this Prospectus and assuming all other things remain unchanged except for the 5% and 10% upward and downward variations in revenue and cost of sales. Notwithstanding the impact of the variations in revenue and cost of sales, there may exist other factors which have not been taken into account, which variations may have a significant impact, either positively or negatively, on the financial results of the Dufu Group.

The sensitivity analysis is as follows:

Variation in Revenue

FYE 31 December 2006	Revenue RM'000	PBT RM'000	PAT RM'000
Forecast	102,061	8,897	7,804
Variation			
Up 5%	107,164	14,000	12,279
Up 10%	112,267	19,103	16,755
Down 5%	96,958	3,794	3,328
Down 10%	91,855	(1,309)	(1,309)

FYE 31 December 2007	Revenue RM'000	PBT RM'000	PAT RM'000
Forecast	115,281	12,721	10,993
Variation			
Up 5%	121,045	18,485	15,974
Up 10%	126,809	24,249	20,955
Down 5%	109,517	6,957	6,012
Down 10%	103,753	1,193	1,031

Based on the above assumptions, the sensitivity analysis shows that the Group will remain profitable over the forecast years despite a 5% and 10% downward variation in revenue and 5% and 10% upward variation in revenue for the FYE 31 December 2006 and 2007 except for a downward in revenue of 10% or more in the FYE 31 December 2006.

Variation in Cost of Sales

FYE 31 December 2006	Revenue RM'000	PBT RM'000	PAT RM'000
Forecast	102,061	8,897	7,804
Variation			
Up 10%	102,061	264	232
Up 5%	102,061	4,581	4,018
Down 5%	102,061	13,214	11,511
Down 10%	102,061	17,530	15,376

12. FUTURE FINANCIAL INFORMATION *(Cont'd)*

FYE 31 December 2007	Revenue RM'000	PBT RM'000	PAT RM'000
Forecast	115,281	12,721	10,993
Variation			
Up 10%	115,281	2,465	2,130
Up 5%	115,281	7,593	6,562
Down 5%	115,281	17,849	15,424
Down 10%	115,281	22,977	19,856

Based on the above assumptions, the sensitivity analysis shows that the Group will remain profitable over the forecast years despite a 5% and 10% downward variation in cost of sales and 5% and 10% upward variation in cost of sales for the FYE 31 December 2006 and 2007.

12.5 DIVIDEND FORECASTS

The Company does not intend to declare any dividend for the FYE 31 December 2006.

The dividend forecast for the FYE 31 December 2007 is as follows:

	FYE 31 December 2007
Gross dividend per Dufu Share (sen)	1.50
Gross dividend per Dufu Share (%)	3.00
Net dividend per Dufu Share (sen)	1.09
Net dividend per Dufu Share (%)	2.19
Gross dividend yield based on the issue price of RM0.70 per Dufu Share (%)	2.14
Net dividend yield based on the issue price of RM0.70 per Dufu Share (%)	1.56
Gross dividend cover (times)	8.33
Net dividend cover (times)	11.46

Based the above and the enlarged issued and paid-up share capital of 90,000,000 Dufu Shares, the total gross dividend would be RM1,350,000. The declaration and payment of dividend are subject to the recommendation of the Board of Directors and/or shareholders' approval.

However, it is the policy of the Company to distribute profits to shareholders while leaving adequate reserves for the future growth of the Group. Dividends will depend on the following:

(i) financial conditions including but not limited to the Group's cash flow position prevailing at that point in time as assessed by the Directors of Dufu;

(ii) the availability of tax exempt income and tax credit for franking dividends pursuant to Section 108 of the Income Tax Act, 1967; and

(iii) future capital requirements.

Deloitte.

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3 January 2007

The Board of Directors
Dufu Technology Corp. Berhad
57-2, Persiaran Bayan Indah
Bayan Bay, Sungai Nibong
11900 PENANG
MALAYSIA

Dear Sirs,

1. INTRODUCTION

This report has been prepared by Deloitte KassimChan, an approved company auditor, for inclusion in the Prospectus of Dufu Technology Corp. Berhad (hereinafter referred to as "Dufu" or "Company") dated 31 JAN 2007 in connection with the following:

i. public issue of 24,200,000 new ordinary shares of RM0.50 each in Dufu ("Dufu Shares") at an issue price of RM0.70 per ordinary share;

ii. Offer for sale of 9,800,000 Dufu Shares at an offer price of RM0.70 per ordinary share payable in full upon application comprising:

   (a) 1,000,000 ordinary shares of RM0.50 each for application by eligible employees of Dufu and its subsidiary companies ("Dufu Group"); and

   (b) 8,800,000 ordinary shares of RM0.50 each to Bumiputera investors approved by the Ministry of International Trade and Industry; and

iii listing of and quotation for the entire enlarged issued and paid-up share capital of Dufu comprising 90,000,000 ordinary shares of RM0.50 each on the Second Board of the Bursa Malaysia Securities Berhad ("Bursa Securities").

2. GENERAL INFORMATION

2.1 Background

Dufu was incorporated in Malaysia under the Companies Act, 1965 on 30 May 2002 as a private limited company. On 26 December 2002, Dufu was converted into a public limited company under the name of Dufu Technology Corp. Berhad. Dufu is principally involved in investment holding and the provision of management services.

2.2 Corporate Exercise

In conjunction with, and as an integral part of the listing of and quotation for the entire enlarged issued and paid-up share capital of Dufu on the Second Board of Bursa Securities, Dufu Group will or has carried out the following corporate exercise which was approved by the relevant authorities:

(i) Acquisition of the entire issued and fully paid-up share capital of Dufu Industries Sdn. Bhd. ("DISB") comprising 5,000,000 ordinary shares of RM1.00 each for a total purchase consideration of RM29,110,000 satisfied by the issuance of 58,220,000 Dufu Shares at par; and

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Acquisition of the entire issued and fully paid-up share capital of I.P.G. Metal Industry (M) Sdn. Bhd. ("IPG") comprising 2,000,000 ordinary shares of RM1.00 each for a total purchase consideration of RM3,789,998 satisfied by the issuance of 7,579,996 Dufu shares at par.

(hereinafter collectively referred to as the "Acquisitions")

The Acquisitions were completed on 30 August 2006 and were accounted for using the purchase method of consolidation.

(ii) Public issue of 24,200,000 Dufu Shares at an issue price of RM0.70 per Dufu Share ("Public Issue");

The gross proceeds from the Public Issue will be utilised within three years as follows:-

	RM'000
Purchase of machinery	7,000
Part settlement of hire purchase payables	5,000
Working capital	2,940
Estimated share issue expenses	2,000
Total	16,940

(iii) Offer for sale of 9,800,000 Dufu Shares at an offer price of RM0.70 per ordinary share payable in full upon application comprising:

(c) 1,000,000 ordinary shares of RM0.50 each for application by eligible employees of Dufu Group; and

(d) 8,800,000 ordinary shares of RM0.50 each to Bumiputera investors approved by the Ministry of International Trade and Industry;

(iv) Establishment of an Employee Share Option Scheme ("ESOS") for eligible employees and directors of the Dufu Group. The number of options to be offered under the ESOS shall not exceed 15% of the issued and paid-up share capital of Dufu at any one time during the duration of the ESOS; and

(v) Listing of and quotation for the entire enlarged issued and paid-up share capital of Dufu comprising 90,000,000 ordinary shares of RM0.50 each on the Official List of the Second Board of Bursa Securities.

2.3 Share Capital

The authorised and issued and paid-up share capital of Dufu as of the date of this report is as follows:

	No. of shares	Par value RM	Amount RM
Authorised			
Shares	200,000,000	0.50	100,000,000
Issued and fully paid-up			
Ordinary shares	65,800,000	0.50	32,900,000

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Details of the changes in the issued and paid-up share capital of Dufu since the date of its incorporation are as follows:

Date of allotment/ Sub-division	No. of ordinary shares allotted/ Sub-divided	Par value RM	Consideration/ Type of issue	Cumulative issued and paid-up share capital RM
30 May 2002	2	1	Subscribers' shares	2
24 January 2006	4^	0.50	Sub-division of par value	2
30 August 2006	58,220,000	0.50	Issued at par for the acquisition of DISB	29,110,002
30 August 2006	7,579,996	0.50	Issued at par for the acquisition of IPG	32,900,000

^ On 24 January 2006, the issued and paid-up share capital of Dufu was sub-divided from one (1) ordinary share of RM1.00 each into two (2) new ordinary shares of RM0.50 each.

Upon completion of the Public Issue, the issued and paid-up share capital of Dufu would be increased by 24,200,000 new Dufu Shares to 90,000,000 Dufu Shares credited as fully paid-up.

2.4 Subsidiary Companies

Details of the subsidiary companies of Dufu as of the date of this report are as follows:

Name	Date/ Country of incorporation	Issued and paid-up share capital	Effective equity interest %	Principal activities
Direct holdings				
Dufu Industries Sdn Bhd. ("DISB")	22 October 1987/ Malaysia	RM5,000,000	100	Design, develop, manufacture, assemble and trade of die components and precision machining of vice, computer peripherals and parts, for hard disk drive.
I.P.G. Metal Industry (M) Sdn. Bhd. ("IPG")	19 September 1989/ Malaysia	RM2,000,000	100	Manufacture of precision steel moulds, parts and components for electronic equipment.

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Name	Date/ Country of incorporation	Issued and paid-up share capital	Effective equity interest %	Principal activities
Indirect holdings				
* Dufu Industries Services Pte. Ltd. ("DISPL")	29 May 2002/ Singapore	SGD2	100	Processing and trading of high quality computer disk-drive related components.

* This company is wholly owned by DISB

2.5 Dividends

No dividends have been paid or declared by Dufu and the subsidiary companies of Dufu for the past three financial years ended 31 December 2003 to 2005 and seven months ended 31 July 2006.

3. AUDITORS AND AUDITED FINANCIAL STATEMENTS

The financial statements of Dufu from the date of its incorporation to 31 July 2006 were audited by Deloitte KassimChan, Penang, Malaysia and were not subject to any qualification.

The financial statements of DISB and IPG for the past three financial years ended 31 December 2003 to 2005 and seven months ended 31 July 2006 were audited by Deloitte KassimChan, Penang, Malaysia and were not subject to any qualification.

The financial statements of DISPL for the past three financial years ended 31 December 2003 to 2005 and seven months ended 31 July 2006 were audited by Rohan, Mah and Partners, Singapore and were not subject to any qualification.

The auditor's report on the consolidated financial statements of DISB for the past three financial years ended 31 December 2003 to 2005 and seven months ended 31 July 2006 are set out in Appendix I, Appendix II, Appendix III and Appendix IV.

4. BASIS OF PREPARATION

The financial information and financial statements of Dufu, DISB, IPG and DISPL presented in this report are based on:

i. Audited financial statements of Dufu, DISB, IPG and DISPL for the financial years ended 31 December 2003 to 2005 and seven months ended 31 July 2006; and

ii. Unaudited management accounts of Dufu, DISB, IPG and DISPL for the seven months ended 31 July 2005.

There are no restatements to the audited financial statements of Dufu, DISB, IPG and DISPL for the financial years/ periods under review, which have been dealt with in this report.

This report is prepared on a basis consistent with the accounting policies normally adopted by Dufu and its subsidiary companies and in accordance with the applicable Malaysian Accounting Standards Board ("MASB") approved accounting standards in Malaysia.

Deloitte KassimChan

5. INCOME STATEMENTS

The income statements of each company within the Dufu Group based on their respective audited financial statements for the past three financial years ended 31 December 2003 to 2005 and seven months ended 31 July 2006 and based on unaudited management accounts for the seven months ended 31 July 2005 are as follows:

5.1 Dufu

	Financial years ended 31 December			7 months ended 31 July	
	2003 RM'000	2004 RM'000	2005 RM'000	2005 RM'000 #	2006 RM'000
Revenue	-	-	-	-	-
Pre-operating expenses	(1)	(4)	(8)	(1)	(2)
Loss before tax	(1)	(4)	(8)	(1)	(2)
Tax expense	-	-	-		-
Loss after tax	(1)	(4)	(8)	(1)	(2)
Number of ordinary shares in issue	2	2	2	2	4
Loss per ordinary share (RM)					
- Basic	500	2,000	4,000	500	500
- Diluted	500	2,000	4,000	500	500

\# Unaudited and for comparison purpose.

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5.2 DISB

	Financial years ended 31 December			7 months ended 31 July	
	2003 RM'000	2004 RM'000	2005 RM'000	2005 RM'000 #	2006 RM'000
Revenue	24,743	27,679	50,613	27,378	37,149
Cost of sales	(20,567)	(20,402)	(41,351)	(22,743)	(30,549)
Gross profit	4,176	7,277	9,262	4,635	6,600
Administrative expenses	(2,489)	(2,584)	(3,950)	(2,051)	(2,699)
Other operating expenses	(36)	(43)	(452)	-	(290)
Other operating income	607	572	1,301	687	1,829
Profit from operations	2,258	5,222	6,161	3,271	5,440
Finance costs	(573)	(862)	(952)	(605)	(594)
Profit before tax	1,685	4,360	5,209	2,666	4,846
Tax expense	(122)	(732)	(298)	(240)	(493)
Profit after tax	1,563	3,628	4,911	2,426	4,353
Gross profit margin (%)	16.88	26.29	18.30	16.93	17.77
Profit after tax margin (%)	6.32	13.11	9.70	8.86	11.72
Number of ordinary shares in issue ('000)	5,000	5,000	5,000	5,000	5,000
Earnings per ordinary share (sen)					
- Basic	31.26	72.56	98.22	48.52	87.06
- Diluted	31.26	72.56	98.22	48.52	87.06
Trade receivables' turnover period (days)	109	100	104	61	103
Trade payables' turnover period (days)	115	90	50	38	43
Inventory's turnover period (days)					
- Raw materials	144	181	43	60	24
- Work-in-progress	33	23	9	8	10
- Finished goods	43	83	24	38	28

\# Unaudited and for comparison purpose.

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5.3 IPG

	Financial years ended 31 December			7 months ended 31 July	
	2003	2004	2005	2005	2006
	RM'000	RM'000	RM'000	RM'000 #	RM'000
Revenue	4,905	6,401	8,671	4,331	5,724
Cost of sales	(3,625)	(5,019)	(7,049)	(3,476)	(4,711)
Gross profit	1,280	1,382	1,622	855	1,013
Administrative expenses	(975)	(921)	(919)	(541)	(692)
Distribution costs	(6)	(8)	(12)	-	(43)
Other operating expenses	(2)	(4)	(92)	-	(51)
Other operating income	220	249	389	225	228
Profit from operations	517	698	988	539	455
Finance costs	(30)	(37)	(45)	(24)	(94)
Profit before tax	487	661	943	515	361
Tax income/ (expense)	170	(85)	(168)	(168)	(40)
Profit after tax	657	576	775	347	321
Gross profit margin (%)	26.10	21.59	18.71	19.74	17.70
Profit after tax margin (%)	13.39	9.00	8.94	8.01	5.61
Number of ordinary shares in issue ('000)	2,000	2,000	2,000	2,000	2,000
Earnings per ordinary share (sen)					
- Basic	32.85	28.80	38.75	17.35	16.05
- Diluted	32.85	28.80	38.75	17.35	16.05
Trade receivables' turnover period (days)	82	98	90	61	69
Trade payables' turnover period (days)	101	78	79	77	76
Inventory's turnover period (days)					
- Raw materials	175	92	57	129	84
- Work-in-progress	23	11	17	18	10
- Finished goods	14	15	10	20	36

\# Unaudited and for comparison purpose.

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5.4 DISPL

	Financial years ended 31 December			7 months ended 31 July	
	2003	**2004**	**2005**	**2005**	**2006**
	RM'000	**RM'000**	**RM'000**	**RM'000** #	**RM'000**
Revenue	29,824	27,229	55,944	28,034	43,099
Cost of sales	(28,306)	(25,699)	(54,217)	(27,108)	(41,571)
Gross profit	1,518	1,530	1,727	926	1,528
Administrative expenses	(1,511)	(1,540)	(1,579)	(929)	(1,491)
Other operating income	4	27	2	132	7
Profit from operations	11	17	150	129	44
Finance costs	-	(2)	(3)	(2)	(2)
Profit before tax	11	15	147	127	42
Tax expense	-	(17)	(35)	-	-
Profit/ (loss) after tax	11	(2)	112	127	42
Gross profit margin (%)	5.09	5.62	3.09	3.30	3.55
Profit/ (loss) after tax margin (%)	0.04	(0.01)	0.20	0.45	0.10
Number of ordinary shares in issue	2	2	2	2	2
Earnings/ (loss) per ordinary share (RM)					
- Basic	5,500	(1,000)	56,000	63,500	21,000
- Diluted	5,500	(1,000)	56,000	63,500	21,000
Trade receivables' turnover period (days)	97	90	93	54	81
Trade payables' turnover period (days)	127	165	144	91	138
Inventory's turnover period (days)					
- Raw materials	4	2	7	-	7
- Finished goods	23	38	25	42	27

\# Unaudited and for comparison purpose.

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6. BALANCE SHEETS

The balance sheets of each company within the Dufu Group based on their respective audited financial statements as of the end of the past three financial years ended 31 December 2003 to 2005 and seven months ended 31 July 2006 are as follows:

6.1 Dufu

	As of 31 December			As of
	2003	**2004**	**2005**	**31 July 2006**
	RM'000	**RM'000**	**RM'000**	**RM'000**
CURRENT ASSETS				
Prepaid expenses	41	41	41	459
Cash and bank balances	5	5	5	5
Total Current Assets	46	46	46	464
TOTAL ASSETS	46	46	46	464
<u>EQUITY AND LIABILITIES</u>				
CAPITAL AND RESERVE				
Share capital	*	*	*	*
Accumulated losses	(11)	(15)	(23)	(25)
Total Equity	(11)	(15)	(23)	(25)
CURRENT LIABILITIES				
Sundry payable and accrued expenses	57	61	69	489
Total Current Liabilities	57	61	69	489
TOTAL EQUITY AND LIABILITIES	46	46	46	464

* RM2

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6.2 DISB

	As of 31 December 2003 RM'000	As of 31 December 2004 RM'000	2005 RM'000	As of 31 July 2006 RM'000
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	20,829	24,260	27,063	30,233
Investment property	-	3,424	3,710	3,547
Investment in a subsidiary company	*	*	*	*
Investment in club membership, at cost	61	61	61	61
Total Non-Current Assets	20,890	27,745	30,834	33,841
CURRENT ASSETS				
Inventories	6,740	8,887	6,053	7,539
Trade receivables	2,054	2,769	4,399	4,313
Other receivables and prepaid expenses	879	757	1,350	2,299
Amount owing by a subsidiary company	7,327	8,829	11,826	13,927
Tax recoverable	-	-	-	1
Cash and bank balances	114	30	82	384
Total Current Assets	17,114	21,272	23,710	28,463
TOTAL ASSETS	38,004	49,017	54,544	62,304

* RM4

(FORWARD)

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	As of 31 December			As of 31 July
	2003	2004	2005	2006
	RM'000	RM'000	RM'000	RM'000
EQUITY AND LIABILITIES				
CAPITAL AND RESERVE				
Share capital	5,000	5,000	5,000	5,000
Reserves	15,835	19,463	24,374	28,727
Total Equity	20,835	24,463	29,374	33,727
NON-CURRENT AND DEFERRED LIABILITIES				
Long-term loans	4,088	6,230	5,467	7,539
Hire-purchase payables	1,412	2,048	3,672	5,494
Amount owing to a director	504	504	-	-
Deferred tax liabilities	1,734	2,167	1,997	2,170
Total Non-Current and Deferred Liabilities	7,738	10,949	11,136	15,203
CURRENT LIABILITIES				
Trade payables	2,734	1,937	2,874	3,666
Other payables and accrued expenses	2,494	4,738	3,750	3,979
Bank borrowings	2,283	3,289	3,027	1,103
Long-term loans	825	1,414	1,383	899
Hire purchase payables	1,080	1,934	2,929	3,727
Tax liabilities	15	293	71	-
Total Current Liabilities	9,431	13,605	14,034	13,374
Total Liabilities	17,169	24,554	25,170	28,577
TOTAL EQUITY AND LIABILITIES	38,004	49,017	54,544	62,304

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6.3 IPG

	As of 31 December 2003 RM'000	2004 RM'000	2005 RM'000	As of 31 July 2006 RM'000
ASSETS				
NON-CURRENT AND DEFERRED ASSETS				
Property, plant and equipment	2,081	2,135	1,967	6,778
Deferred tax assets	170	82	-	-
Total Non-Current and Deferred Assets	2,251	2,217	1,967	6,778
CURRENT ASSETS				
Inventories	958	997	1,077	1,847
Trade receivables	1,106	1,725	2,135	1,850
Other receivables and prepaid expenses	491	52	459	430
Amount owing by a director	-	195	-	-
Fixed deposits with a licensed bank	-	-	500	500
Cash and bank balances	451	236	443	213
Total Current Assets	3,006	3,205	4,614	4,840
TOTAL ASSETS	5,257	5,422	6,581	11,618
EQUITY AND LIABILITIES				
CAPITAL AND RESERVE				
Share capital	2,000	2,000	2,000	2,000
Retained profit	440	1,016	1,791	2,112
Total Equity	2,440	3,016	3,791	4,112
NON-CURRENT AND DEFERRED LIABILITIES				
Hire-purchase payables	350	154	62	2,913
Deferred tax liabilities	-	-	86	126
Amount owing to a director	1,010	460	-	-
Total Non-Current and Deferred Liabilities	1,360	614	148	3,039
CURRENT LIABILITIES				
Trade payables	324	423	660	906
Other payables and accrued expenses	812	1,069	906	1,231
Hire-purchase payables	320	196	169	1,328
Bank borrowings	-	103	906	1,001
Tax liabilities	1	1	1	1
Total Current liabilities	1,457	1,792	2,642	4,467
Total Liabilities	2,817	2,406	2,790	7,506
TOTAL EQUITY AND LIABILITIES	5,257	5,422	6,581	11,618

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6.4 DISPL

	As of 31 December			As of
	2003	**2004**	**2005**	**31 July 2006**
	RM'000	**RM'000**	**RM'000**	**RM'000**
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	47	200	151	130
CURRENT ASSETS				
Inventories	2,123	2,866	4,817	6,638
Trade receivables	7,076	6,411	12,015	15,749
Other receivables and prepaid expenses	24	25	32	29
Cash and bank balances	1,373	2,586	627	1,152
Total Current Assets	10,596	11,888	17,491	23,568
TOTAL ASSETS	10,643	12,088	17,642	23,698
EQUITY AND LIABILITIES				
EQUITY AND RESERVE				
Share capital	*	*	*	*
Reserves	12	10	106	145
Total Equity	12	10	106	145
NON-CURRENT AND DEFERRED LIABILITIES				
Hire-purchase payables	-	104	88	84
Deferred tax liabilities	-	15	11	11
Total Non-Current and Deferred Liabilities	-	119	99	95
CURRENT LIABILITIES				
Trade payables	2,627	3,057	5,043	9,415
Other payables and accrued expenses	159	101	309	139
Amount owing to holding company	7,286	8,787	12,034	13,882
Hire-purchase payables	-	13	12	12
Tax liabilities	-	1	39	10
Amount owing to a director	559	-	-	-
Total Current Liabilities	10,631	11,959	17,437	23,458
Total liabilities	10,631	12,078	17,536	23,553
TOTAL EQUITY AND LIABILITIES	10,643	12,088	17,642	23,698

* RM4

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7. STATEMENTS OF CHANGES IN EQUITY

The statements of changes in equity of each company within the Dufu group based on their respective audited financial statements for the past three financial years ended 31 December 2003 to 2005 and seven months ended 31 July 2006 and based on unaudited management accounts for the seven months ended 31 July 2005 are as follows:

7.1 Dufu

	Share Capital RM'000	Accumulated Losses RM'000	Total RM'000
Balance as of 1 January 2003	*	(10)	(10)
Net loss after tax for the year	-	(1)	(1)
Balance as of 31 December 2003	*	(11)	(11)
Net loss after tax for the year	-	(4)	(4)
Balance as of 31 December 2004	*	(15)	(15)
Net loss after tax for the year	-	(8)	(8)
Balance as of 31 December 2005	*	(23)	(23)
Net loss after tax for the period		(2)	(2)
Balance as of 31 July 2006	*	(25)	(25)
<u>Unaudited</u>			
Balance as of 1 January 2005	*	(15)	(15)
Net loss after tax for the period	-	(1)	(1)
Balance as of 31 July 2005	*	(16)	(16)

* RM2

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7.2 DISB

	Share Capital RM'000	Revaluation Reserve RM'000	Retained Profit RM'000	Total RM'000
Balance as of 1 January 2003	5,000	2,848	11,424	19,272
Net gain not recognised in the income statement:				
Transfer of revaluation surplus	-	(98)	98	-
Net profit after tax for the year	-	-	1,563	1,563
Balance as of 31 December 2003	5,000	2,750	13,085	20,835
Net gain not recognised in the income statement:				
Transfer of revaluation surplus	-	(99)	99	-
Net profit after tax for the year	-	-	3,628	3,628
Balance as of 31 December 2004	5,000	2,651	16,812	24,463
Net gain not recognised in the income statement:				
Transfer of revaluation surplus	-	(99)	99	-
Net profit after tax for the year	-	-	4,911	4,911
Balance as of 31 December 2005	5,000	2,552	21,822	29,374
Net gain not recognised in the income statement:				
Transfer of revaluation surplus	-	(57)	57	-
Net profit after tax for the period	-	-	4,353	4,353
Balance as of 31 July 2006	5,000	2,495	26,232	33,727
Unaudited				
Balance as of 1 January 2005	5,000	2,651	16,812	24,463
Net gain not recognised in the income statement:				
Transfer of revaluation surplus	-	(57)	57	-
Net profit after tax for the period	-	-	2,426	2,426
Balance as of 31 July 2005	5,000	2,594	19,295	26,889

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7.3 IPG

	Share Capital RM'000	(Accumulated Losses)/ Retained Profit RM'000	Total RM'000
Balance as of 1 January 2003	2,000	(217)	1,783
Net profit after tax for the year	-	657	657
Balance as of 31 December 2003	2,000	440	2,440
Net profit after tax for the year	-	576	576
Balance as of 31 December 2004	2,000	1,016	3,016
Net profit after tax for the year	-	775	775
Balance as of 31 December 2005	2,000	1,791	3,791
Net profit after tax for the period	-	321	321
Balance as of 31 July 2006	2,000	2,112	4,112
Unaudited			
Balance as of 1 January 2005	2,000	1,016	3,016
Net profit after tax for the period	-	347	347
Balance as of 31 July 2005	2,000	1,363	3,363

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7.4 DISPL

	Share Capital RM'000	Retained Profit RM'000	Exchange Reserve RM'000	Total RM'000
Balance as of 1 January 2003	*	1	-	1
Net profit after tax for the year	-	11	-	11
Balance as of 31 December 2003	*	12	-	12
Net loss after tax for the year	-	(2)	-	(2)
Balance as of 31 December 2004	*	10	-	10
Exchange loss on translation of net assets	-	-	(16)	(16)
Net profit after tax for the year	-	112	-	112
Balance as of 31 December 2005	*	122	(16)	106
Net profit after tax for the period	-	42	-	42
Exchange loss on translation of net assets	-	-	(3)	(3)
Balance as of 31 July 2006	*	164	(19)	145
Unaudited				
Balance as of 1 January 2005	*	10	-	10
Exchange loss on translation of net assets	-	-	(48)	(48)
Net profit after tax for the period	-	127	-	127
Balance as of 31 July 2005	*	137	(48)	89

* RM4

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8. CASH FLOW STATEMENTS

The cash flow statements of each company within the Dufu Group based on their respective audited financial statements for the past three financial years ended 31 December 2003 to 2005 and seven months ended 31 July 2006 and based on unaudited management accounts for the seven months ended 31 July 2005 are as follows:

8.1 Dufu

	Financial years ended 31 December			7 months ended 31 July	
	2003 RM'000	2004 RM'000	2005 RM'000	2005 RM'000 #	2006 RM'000
CASH FLOW FROM OPERATING ACTIVITIES					
Loss before tax	(1)	(4)	(8)	(1)	(2)
Increase in:					
Prepaid expenses	(20)	-	-	-	(418)
Sundry payable and accrued expenses	21	4	8	1	420
NET INCREASE IN CASH AND CASH EQUIVALENTS	-	-	-	-	-
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	5	5	5	5	5
CASH AND CASH EQUIVALENTS CARRIED FORWARD	5	5	5	5	5

\# Unaudited and for comparison purpose.

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8.2 DISB

	Financial years ended 31 December			7 months ended 31 July	
	2003 RM'000	2004 RM'000	2005 RM'000	2005 RM'000 #	2006 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax	1,685	4,360	5,209	2,666	4,846
Adjustments for:					
Depreciation of property, plant and equipment	2,827	3,215	3,627	2,030	2,372
Interest expenses	573	862	952	581	594
Bad debts written off	2	-	-	-	-
Allowance for slow moving inventories no longer required	(82)	-	-	-	(289)
(Gain)/ Loss on disposal of property, plant and equipment	(12)	2	(22)	20	-
Unrealised loss/ (gain) on foreign exchange	-	-	-	49	(434)
Depreciation of investment property	-	93	265	163	163
Allowance for slow moving inventories	-	-	172	-	-
Operating profit before working capital changes	4,993	8,532	10,203	5,509	7,252
(Increase)/ Decrease in:					
Inventories	(350)	(2,147)	2,662	1,435	(1,197)
Trade receivables	157	(715)	(1,630)	(1,553)	86
Other receivables and prepaid expenses	(228)	122	(593)	(21)	(949)
Amount owing by subsidiary company	(3,857)	(1,502)	(2,997)	-	(1,667)
Increase/ (Decrease) in:					
Trade payables	1,518	(797)	937	1,510	792
Other payables and accrued expenses	(1,159)	2,230	(977)	(1,726)	226
Cash generated from operations	1,074	5,723	7,605	5,154	4,543
Tax paid	(258)	(21)	(690)	(240)	(392)
Net cash generated from operating activities	816	5,702	6,915	4,914	4,151

(FORWARD)

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	Financial years ended 31 December			7 months ended 31 July	
	2003	2004	2005	2005	2006
	RM'000	RM'000	RM'000	RM'000 #	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from disposal of property, plant and equipment	45	58	899	847	-
Purchase of property, plant and equipment	(1,520)	(7,236)	(1,951)	(1,449)	(1,216)
Addition to investment property	-	-	(551)	(551)	-
Increase in amount owing by a director	-	-	-	(509)	-
Net cash used in investing activities	(1,475)	(7,178)	(1,603)	(1,662)	(1,216)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from hire-purchase payable	1,969	-	-	-	301
Increase/ (Decrease) in bank borrowings	1,559	(102)	(1,458)	(852)	1,103
Proceeds from long-term loans	290	3,762	600	600	2,440
Repayment of hire-purchase payables	(1,041)	(1,497)	(2,737)	(1,631)	(2,007)
Repayment of long-term loans	(883)	(1,031)	(1,394)	(771)	(852)
Interest paid	(580)	(848)	(963)	(581)	(591)
Repayment of finance lease payables	(56)	-	-	-	-
Decrease in amount owing to a director	-	-	(504)	(504)	-
Net cash generated from/ (used in) financing activities	1,258	284	(6,456)	(3,739)	394
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	599	(1,192)	(1,144)	(487)	3,329
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	(1,208)	(609)	(1,801)	(1,801)	(2,945)
CASH AND CASH EQUIVALENTS CARRIED FORWARD	(609)	(1,801)	(2,945)	(2,288)	384

Unaudited and for comparison purpose.

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8.3 IPG

	Financial years ended 31 December			7 months ended 31 July	
	2003	2004	2005	2005	2006
	RM'000	RM'000	RM'000	RM'000 #	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax	487	661	943	515	361
Adjustments for:					
Depreciation of property, plant and equipment	329	359	380	220	323
Interest expense	30	37	45	24	94
Bad debts written off	14	-	-	-	-
Allowance for slow moving inventories no longer required	(24)	(48)	-	-	-
(Gain)/ Loss on disposal of property, plant and equipment	(1)	1	(37)	-	-
Allowance for slow moving inventories	-	-	90	-	51
Operating profit before working capital changes	835	1,010	1,421	759	829
(Increase)/ Decrease in:					
Inventories	(42)	9	(170)	(575)	(821)
Trade receivables	(248)	(619)	(410)	(411)	285
Other receivables and prepaid expenses	331	439	(407)	(33)	29
Increase/ (Decrease) in:					
Trade payables	26	99	237	737	246
Other payables and accrued expenses	(10)	257	(163)	(26)	325
Cash generated from operations	892	1,195	508	451	893
Tax paid	(1)	-	-	-	-
Tax refunded	-	3	-	-	-
Net cash generated from operating activities	891	1,198	508	451	893
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from disposal of property, plant and equipment	2	4	37	-	5
Purchase of property, plant and equipment	(99)	(418)	(212)	(96)	(673)
(Increase)/ decrease in amount owing by a director	-	(195)	195	195	-
Net cash (used in)/ generated from investing activities	(97)	(609)	20	99	(668)

(FORWARD)

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	Financial years ended 31 December			7 months ended 31 July	
	2003 RM'000	2004 RM'000	2005 RM'000	2005 RM'000 #	2006 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Decrease in amount owing to a director	(608)	(550)	(460)	(460)	-
Repayment of hire-purchase payables	(296)	(320)	(219)	(124)	(456)
Interest paid	(30)	(37)	(45)	(24)	(94)
Increase/ (Decrease) in bank borrowings	-	103	442	3	(260)
Proceeds from hire-purchase payable	-	-	100	100	-
Fixed deposits held as security value	-	-	(500)	-	-
Net cash used in financing activities	(934)	(804)	(682)	(505)	(810)
NET DECREASE/ (INCREASE) IN CASH AND CASH EQUIVALENTS	(140)	(215)	(154)	45	(585)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	591	451	236	236	82
CASH AND CASH EQUIVALENTS CARRIED FORWARD	451	236	82	281	(503)

Unaudited and for comparison purpose.

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8.4 DISPL

	Financial years ended 31 December			7 months ended 31 July	
	2003 RM'000	**2004 RM'000**	**2005 RM'000**	**2005 RM'000 #**	**2006 RM'000**
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax	11	15	147	127	42
Adjustment for:					
Depreciation of property, plant and equipment	14	55	58	33	33
Interest income	(1)	(2)	(2)	(1)	(1)
Interest expense	-	2	3	2	2
Unrealised loss on foreign exchange	-	-	-	9	-
Operating profit before working capital changes	24	70	206	170	76
(Increase)/ Decrease in:					
Inventories	(494)	(743)	(1,951)	(2,446)	(1,821)
Receivables	(1,215)	664	(5,611)	(5,904)	(3,731)
Increase in payables	1,971	1,314	5,441	6,308	6,050
Cash generated from/ (used in) operations	286	1,305	(1,915)	(1,872)	574
Tax paid	-	(1)	-	-	(29)
Net cash generated from/ (used in) operating activities	286	1,304	(1,915)	(1,872)	545
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest income	1	2	2	1	1
Purchase of property, plant and equipment	(45)	(91)	(18)	(8)	(15)
Net cash used in investing activities	(44)	(89)	(16)	(7)	(14)
CASH FLOWS FROM FINANCING ACTIVITIES					
Interest paid	-	(2)	(3)	(2)	(2)
Repayment of hire-purchase payables	-	-	(25)	(8)	(4)
Decrease in amount owing to a director	-	-	-	(1)	-
Net cash used in financing activities	-	(2)	(28)	(11)	(6)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENT	242	1,213	(1,959)	(1,890)	525
CASH AND CASH EQUIVALENT BROUGHT FORWARD	1,131	1,373	2,586	2,586	627
CASH AND CASH EQUIVALENT CARRIED FORWARD	1,373	2,586	627	696	1,152

Unaudited and for comparison purpose.

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9. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF DISB AND ITS SUBSIDIARY COMPANY ("DISB GROUP") FOR THE PAST THREE FINANCIAL YEARS ENDED 31 DECEMBER 2003 TO 2005 AND SEVEN MONTHS ENDED 31 JULY 2006

As DISB Group accounted for 75% or more of the proforma consolidated profit before tax of the Dufu Group for the past three financial years ended 31 December 2003 to 2005 and seven months ended 31 July 2006, the audited consolidated financial statements of DISB Group are summarised as follows:

9.1 CONSOLIDATED INCOME STATEMENTS OF DISB GROUP

	Note	Financial years ended 31 December			7 months ended 31 July
		2003	2004	2005	2006
		RM'000	RM'000	RM'000	RM'000
Revenue		33,645	35,840	62,301	49,985
Other operating income		610	599	1,511	1,789
Changes in inventories of finished goods and work-in-progress		732	2,564	(1,965)	3,115
Raw materials used		(3,200)	(3,214)	(9,730)	(9,773)
Purchase of trading and semi-finished goods		(13,242)	(12,153)	(24,202)	(23,637)
Staff costs	9.5.4	(7,649)	(8,577)	(8,924)	(5,929)
Depreciation of property, plant and equipment	9.5.7	(2,841)	(3,270)	(3,686)	(2,405)
Depreciation of investment property	9.5.8	-	(93)	(265)	(163)
Other operating expenses		(5,815)	(6,460)	(9,097)	(8,107)
Profit from operations		2,240	5,236	5,943	4,875
Finance costs		(573)	(864)	(955)	(596)
Income from other investments		1	2	2	1
Profit before tax	9.5.5	1,668	4,374	4,990	4,280
Tax expense	9.5.6	(122)	(749)	(333)	(399)
Net profit after tax for the year		1,546	3,625	4,657	3,881

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9.2 CONSOLIDATED BALANCE SHEETS OF DISB GROUP

	Note	As of 31 December 2003	2004	2005	As of 31 July 2006
		RM'000	RM'000	RM'000	RM'000
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	9.5.7	20,875	24,458	27,221	30,375
Investment property	9.5.8	-	3,424	3,710	3,547
Investment in club memberships, at cost		61	61	61	61
Total Non-Current Assets		20,936	27,943	30,992	33,983
CURRENT ASSETS					
Inventories	9.5.9	8,863	11,753	10,296	13,247
Trade receivables	9.5.10	9,131	9,180	16,414	20,062
Other receivables and prepaid expenses	9.5.11	902	782	1,382	2,327
Tax Recoverable		-	-	-	96
Cash and bank balances		1,488	2,616	709	1,536
Total Current Assets		20,384	24,331	28,801	37,268
TOTAL ASSETS		41,320	52,274	59,793	71,251
EQUITY AND LIABILITIES					
CAPITAL AND RESERVE					
Share capital	9.5.12	5,000	5,000	5,000	5,000
Reserves	9.5.13	15,847	19,471	24,121	28,003
Total Equity		20,847	24,471	29,121	33,003
NON-CURRENT AND DEFERRED LIABILITIES					
Long-term loans	9.5.14	4,088	6,230	5,468	7,539
Hire-purchase payables	9.5.15	1,412	2,152	3,760	5,577
Amount owing to a director	9.5.16	504	503	-	-
Deffered tax liabilities	9.5.17	1,734	2,182	2,008	2,182
Total Non-Current and Deferred Liabilities		7,738	11,067	11,236	15,298

(FORWARD)

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	Note	As of 31 December 2003	2004	2005	As of 31 July 2006
		RM'000	RM'000	RM'000	RM'000
CURRENT LIABILITIES					
Trade payables	9.5.18	5,361	4,994	7,916	13,081
Other payables and accrued expenses	9.5.19	2,612	4,798	4,059	4,117
Bank borrowings	9.5.20	2,283	3,289	3,027	1,103
Long-term loans	9.5.14	825	1,414	1,383	899
Hire-purchase payables	9.5.15	1,080	1,947	2,941	3,740
Amount owing to a director	9.5.16	559	-	-	-
Tax liabilities		15	294	110	10
Total Current Liabilities		12,735	16,736	19,436	22,950
Total Liabilities		20,473	27,803	30,672	38,248
TOTAL EQUITY AND LIABILITIES		41,320	52,274	59,793	71,251

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9.3 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY OF DISB GROUP

	Share Capital RM'000	Revaluation Reserve RM'000	Exchange Reserve RM'000	Retained Profit RM'000	Total RM'000
Balance as of 1 January 2003	5,000	2,849	-	11,452	19,301
Net gain not recognised in the income statements:					
Transfer of revaluation surplus	-	(99)	-	99	-
Net profit after tax for the year	-	-	-	1,546	1,546
Balance as of 31 December 2003	5,000	2,750	-	13,097	20,847
Net gain not recognised in the income statements:					
Transfer of revaluation surplus	-	(99)	-	99	-
Translation difference in a subsidiary company	-	-	(1)	-	(1)
Net profit after tax for the year	-	-	-	3,625	3,625
Balance as of 31 December 2004	5,000	2,651	(1)	16,821	24,471
Net gain not recognised in the income statements:					
Transfer of revaluation surplus	-	(99)	-	99	-
Translation difference in a subsidiary company	-	-	(7)	-	(7)
Net profit after tax for the year	-	-	-	4,657	4,657
Balance as of 31 December 2005	5,000	2,552	(8)	21,577	29,121

(FORWARD)

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	Share Capital RM'000	Revaluation Reserve RM'000	Exchange Reserve RM'000	Retained Profit RM'000	Total RM'000
Net gain not recognised in the income statements:					
Transfer of revaluation surplus	-	(57)	-	57	-
Translation difference in a subsidiary company	-	-	1	-	1
Net profit after tax for the period	-	-	-	3,881	3,881
Balance as of 31 July 2006	5,000	2,495	(7)	25,515	33,003

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9.4 CONSOLIDATED CASH FLOW STATEMENTS OF DISB GROUP

	Financial years ended 31 December			7 months ended 31 July
	2003	**2004**	**2005**	**2006**
	RM'000	**RM'000**	**RM'000**	**RM'000**
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	1,668	4,374	4,990	4,280
Adjustments for:				
Depreciation of property, plant and equipment	2,841	3,270	3,686	2,405
Interest expenses	573	864	955	596
Allowance for slow moving inventories	70	33	172	-
Unrealised loss/ (gain) on foreign exchange	37	46	(7)	23
Bad debts written off	2	-	1	-
Allowance for slow moving inventories no longer required	(82)	-	-	(289)
(Gain)/ Loss on disposal of property plant and equipment	(12)	2	(22)	-
Interest income	(1)	(2)	(2)	(1)
Depreciation of investment property	-	93	265	163
Operating profit before working capital changes	5,096	8,680	10,038	7,177
(Increase)/ Decrease in:				
Inventories	(946)	(2,923)	1,285	(2,662)
Trade receivables	(1,194)	(96)	(7,235)	(3,648)
Other receivables and prepaid expenses	(249)	120	(600)	(945)
Increase/ (Decrease) in:				
Trade payables	(826)	(367)	2,922	5,143
Other payables and accrued expenses	(1,080)	2,172	(728)	55
Cash generated from operations	801	7,586	5,682	5,120
Tax paid	(258)	(22)	(691)	(421)
Net cash generated from operating activities	543	7,564	4,991	4,699

(FORWARD)

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	Note	Financial years ended 31 December 2003 RM'000	2004 RM'000	2005 RM'000	7 months ended 31 July 2006 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from disposal of property, plant and equipment		45	58	898	-
Interest received		1	2	2	1
Purchase of property, plant and equipment	9.5.7	(1,564)	(7,326)	(1,969)	(1,233)
Addition to investment property	9.5.8	-	-	(551)	-
Net cash used in investing activities		(1,518)	(7,266)	(1,620)	(1,232)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from hire-purchase payable	9.5.7	1,969	-	-	301
Increase/(Decrease) in bank borrowings		1,559	(101)	(1,458)	1,103
Increase/(Decrease) in amount owing to a director		558	(560)	(503)	-
Proceeds from long-term loans		290	3,762	600	2,439
Repayment of hire-purchase payables		(1,041)	(1,497)	(2,754)	(2,011)
Repayment of long-term loans		(883)	(1,031)	(1,393)	(852)
Interest paid		(580)	(850)	(966)	(593)
Repayment of finance lease payable		(56)	-	-	-
Net cash generated from/ (used in) financing activities		1,816	(277)	(6,474)	387

(FORWARD)

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	Note	Financial years ended 31 December 2003	2004	2005	7 months ended 31 July 2006
		RM'000	**RM'000**	**RM'000**	**RM'000**
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		841	21	(3,103)	3,854
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/ PERIOD		(77)	764	785	(2,318)
CASH AND CASH EQUIVALENTS AT END OF YEAR/ PERIOD	9.5.21	764	785	(2,318)	1,536

9.5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF DISB GROUP FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2003 TO 2005 AND SEVEN MONTHS ENDED 31 JULY 2006

9.5.1 GENERAL INFORMATION

DISB is principally involved in design, develop, manufacture, assemble and trade of die components and precision machining of vice, computer peripherals and parts, for hard disk drive. The subsidiary company, DISPL is principally involved in processing and trading of high quality computer disk-drive related components. There have been no significant changes in the nature of the activities of the Group during the past three financial years ended 31 December 2003 to 2005 and seven months ended 31 July 2006.

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

9.5.2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of DISB Group have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable Malaysian Accounting Standards Board ("MASB") approved accounting standards in Malaysia.

9.5.3 SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Commencing 1 January 2006, DISB Group adopted all the new and revised Financial Reporting Standards ("FRS") issued by MASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2006. The adoption of these new and revised FRS has no material effect on the financial statements of DISB Group.

Basis of Consolidation

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

The results of subsidiary acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

Business Combination

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

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

Goodwill

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

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

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

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

Revenue and Revenue Recognition

Revenue represents gross invoiced values of goods sold less returns and discounts.

Sales of goods are recognised upon delivery of products and when the risks and rewards of ownership have passed. Rental income is accrued on a timely basis, by reference to the agreements entered. Interest income is recognised on a time proportion basis that takes into account the effective yield on the asset. Other operating income is recognised on an accrual basis.

Foreign Currency Conversion

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

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

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

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

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

Income Tax

Deferred tax is accounted for in respect of temporary differences arising from differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that all future taxable profit will be available against which the deferred tax assets can be utilised.

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Borrowing Costs

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

Employee Benefit Costs

i. Short-term benefits

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

ii. Defined contribution plans

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

Property, Plant and Equipment

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

The annual depreciation rates are as follows:

	Rates
Short leasehold land	1.79%
Buildings	6.67%
Plant and machinery	10%
Computers	12% & 33.33%
Tools and implements	10% & 20%
Electrical installation	10%
Air conditioners	12%
Office equipment	12% & 20%
Furniture and fittings	8% & 20%
Renovation	10%
Motor vehicles	10% & 16%

The unexpired lease period of the DISB Group's short leasehold land is as follows:

	31 December 2003	31 December 2004	31 December 2005	31 July 2006
Unexpired lease period	48 years	47 years	46 years	46 years

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DISB Group carried certain of its land and buildings at revalued amounts and placed reliance on the transitional provisions of International Accounting Standards 16 (Revised) as adopted by Malaysian Accounting Standards Board which provides exemption from the need to make regular revaluations for such assets. Effective from 23 September 1997, no further revaluations were carried out. The aggregate carrying amount of such assets as of year end that will be depreciated over the remaining useful lives of the relevant asset is as follows:

	31 December 2003	31 December 2004	31 December 2005	31 July 2006
	RM'000	RM'000	RM'000	RM'000
Aggregate carrying amount of revalued assets	6,162	5,886	5,589	5,416

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

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

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

Investment Property

Investment property, which is property held to earn rentals, is stated at cost less accumulated depreciation. Depreciation is computed on the straight-line method in order to write-off the cost to its residual value over its estimated useful life at a rate of 6.67% per annum.

Other Investments

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

Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion. Cost is determined on the weighted average method.

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

Receivables

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

Borrowings and Payables

Borrowings and payables are stated at cost.

Hire-Purchase

Property, plant and equipment acquired under hire-purchase arrangements are capitalised in the financial statements and the corresponding obligations are treated as liabilities. Interest is allocated to the income statements to give a constant periodic rate of interest on the remaining hire-purchase liabilities.

Leased Assets

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

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

Share Capital

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Cost incurred directly attributable to the issuance of the shares are accounted for as a deduction from share premium, otherwise the cost is charged to the income statements if there is insufficient share premium.

Cash and Cash Equivalents

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

Financial Instruments

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

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

Contingent Liabilities

A contingent liability is disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

9.5.4 STAFF COSTS

	Financial year ended 31 December			7 months ended
	2003	2004	2005	31 July 2006
	RM'000	RM'000	RM'000	RM'000
Staff costs:				
Contributions to Employees' Provident Fund and Central Provident Fund	590	584	545	370
Other staff costs	7,059	7,993	8,379	5,559
	7,649	8,577	8,924	5,929

Staff costs include directors' remuneration, salaries, bonuses, contributions to central and employees' provident fund and all other staff related expenses.

9.5.5 PROFIT BEFORE TAX

Profit before tax is arrived at:

	Financial year ended 31 December			7 months ended
	2003	2004	2005	31 July 2006
	RM'000	RM'000	RM'000	RM'000
After charging:				
Interest on:				
Long-term loans	268	468	433	214
Hire-purchase	148	206	329	243
Bank overdraft	112	125	119	115
Bank borrowings	43	65	74	24
Leasing	2	-	-	-
Directors' remuneration:				
Employees' provident fund	19	17	17	21
Other emoluments	473	477	502	296
Rental of premises	80	84	82	48
Allowance for slow moving inventories	70	33	172	-
Rental of hostel	40	70	91	53
Unrealised loss on foreign exchange	37	46	-	23

(FORWARD)

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	Financial year ended 31 December 2003	2004	2005	7 months ended 31 July 2006
	RM'000	RM'000	RM'000	RM'000
Realised loss on foreign exchange	36	41	280	813
Audit fee:				
Current year				
Statutoty	30	30	45	24
Special	-	-	-	31
(Over)/ Underprovision in prior year	5	-	3	(8)
Bad debts written off	2	-	1	-
Rental of motor vehicles	-	-	-	8
Rental of office equipment	2	3	2	1
Loss on disposal of property, plant and equipment	-	2	-	-
And crediting:				
Rental income	86	155	256	109
Allowance for slow moving inventories no longer required	82	-	-	289
Gain on disposal of property, plant and equipment	12	-	22	-
Realised gain on foreign exchange	10	35	389	389
Interest income	1	2	2	1
Unrealised gain on foreign exchange	-	-	7	-

9.5.6 TAX EXPENSE

	Financial year ended 31 December 2003	2004	2005	7 months ended 31 July 2006
	RM'000	RM'000	RM'000	RM'000
Current tax expense	187	298	507	209
Deferred tax (Note 9.5.17)	(60)	448	(12)	150
	127	746	495	359
(Over)/ underprovision in prior years				
Current tax	(5)	3	-	16
Deferred tax		-	(162)	24
	122	749	333	399

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

	Financial year ended 31 December			7 months ended
	2003	2004	2005	31 July 2006
	RM'000	RM'000	RM'000	RM'000
Accounting profit	1,668	4,374	4,990	4,280
Tax amount at the statutory income tax rate of 28%	467	1,225	1,397	1,198
Tax effect on non-taxable or non-deductible items:				
Non-deductible expenses	64	108	232	135
Non-taxable income	(13)	(1)	(82)	(30)
Tax saving from claim on reinvestment allowance	(380)	(585)	(1,025)	(931)
Tax saving from double deduction on handicapped employees	(10)	-	(15)	(10)
Effect of different tax rate in a subsidiary company	(1)	(1)	(12)	(3)
	127	746	495	359
(Over)/ underprovision in prior years				
Current tax	(5)	3	-	16
Deferred tax	-	-	(162)	24
Tax expense	122	749	333	399

The applicable tax rate of 28% used in the above numerical reconciliations of tax of the DISB Group is determined based on the statutory income tax rate prevailing for DISB.

The approximate amount of unabsorbed capital allowances and unutilised reinvestment allowances of DISB Group which are subject to agreement by the tax authorities are as follows:

	As of 31 December			As of
	2003	2004	2005	31 July 2006
	RM'000	RM'000	RM'000	RM'000
Unabsorbed capital allowances	-	-	590	800
Unutilised reinvestment allowances	4,221	5,696	2,532	1,206

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9.5.7 PROPERTY, PLANT AND EQUIPMENT

Cost or Valuation	Beginning of year RM'000	Additions RM'000	Disposals RM'000	End of year RM'000
31 December 2003:				
At 1997 valuation:				
Short leasehold land	4,800	-	-	4,800
Building	3,200	-	-	3,200
At cost:				
Buildings	196	-	-	196
Plant and machinery	22,274	1,041	(366)	22,949
Computers	480	42	-	522
Tools and implements	1,486	483	-	1,969
Electrical installation	544	87	-	631
Air conditioners	288	20	-	308
Office equipment	157	12	-	169
Furniture and fittings	144	19	-	163
Renovation	364	-	-	364
Motor vehicles	457	-	(195)	262
	34,390	1,704	(561)	35,533

Accumulated Depreciation	Beginning of year RM'000	Charge for the year RM'000	Disposals RM'000	End of year RM'000
31 December 2003:				
At 1997 valuation:				
Short leasehold land	442	84	-	526
Building	1,120	192	-	1,312
At cost:				
Buildings	87	34	-	121
Plant and machinery	8,945	2,130	(333)	10,742
Computers	229	50	-	279
Tools and implements	455	164	-	619
Electrical installation	329	55	-	384
Air conditioners	160	26	-	186
Office equipment	66	19	-	85
Furniture and fittings	71	11	-	82
Renovation	115	34	-	149
Motor vehicles	326	42	(195)	173
	12,345	2,841	(528)	14,658

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Cost or Valuation	Beginning of year	Additions	Disposals	Reclassification	End of year
	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2004:					
At 1997 valuation:					
Short leasehold land	4,800	-	-	-	4,800
Building	3,200	-	-	-	3,200
At cost:					
Buildings	196	3,442	-	(3,638)	-
Plant and machinery	22,949	5,640	(748)	-	27,841
Computers	522	148	(1)	-	669
Tools and implements	1,969	279	-	20	2,268
Electrical installation	631	731	-	-	1,362
Air conditioners	308	44	(5)	-	347
Office equipment	169	2	(2)	(20)	149
Furniture and fittings	163	18	-	-	181
Renovation	364	-	-	-	364
Motor vehicles	262	126	-	-	388
	35,533	10,430	(756)	(3,638)	41,569

Accumulated Depreciation	Beginning of year	Charge for the year	Disposals	Reclassification	End of year
	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2004:					
At 1997 valuation:					
Short leasehold land	526	84	-	-	610
Building	1,312	192	-	-	1,504
At cost:					
Buildings	121	-	-	(121)	-
Plant and machinery	10,742	2,508	(690)	-	12,560
Computers	279	84	(1)	-	362
Tools and implements	619	193	-	8	820
Electrical installation	384	62	-	-	446
Air conditioners	186	31	(4)	-	213
Office equipment	85	15	(1)	(8)	91
Furniture and fittings	82	13	-	-	95
Renovation	149	34	-	-	183
Motor vehicles	173	54	-	-	227
	14,658	3,270	(696)	(121)	17,111

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Cost or Valuation	Beginning of year	Additions	Disposals	Reclassification	End of year
	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2005:					
At 1997 valuation:					
Short leasehold land	4,800	-	-	-	4,800
Building	3,200	-	-	-	3,200
At cost:					
Plant and machinery	27,841	5,327	(2,450)	175	30,893
Computers	669	69	-	-	738
Tools and implements	2,268	368	-	(175)	2,461
Electrical installation	1,362	255	-	-	1,617
Air conditioners	347	37	-	-	384
Office equipment	149	39	-	-	188
Furniture and fittings	181	72	-	-	253
Renovation	364	39	-	-	403
Motor vehicles	388	669	-	-	1,057
Assets under installation	-	450	-	-	450
	41,569	7,325	(2,450)	-	46,444

Accumulated Depreciation	Beginning of year	Charge for the year	Disposals	Reclassification	End of year
	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2005:					
At 1997 valuation:					
Short leasehold land	610	84	-	-	694
Building	1,504	213	-	-	1,717
At cost:					
Plant and machinery	12,560	2,704	(1,574)	2	13,692
Computers	362	93	-	-	455
Tools and implements	820	221	-	(2)	1,039
Electrical installation	446	136	-	-	582
Air conditioners	213	35	-	-	248
Office equipment	91	17	-	-	108
Furniture and fittings	95	17	-	-	112
Renovation	183	36	-	-	219
Motor vehicles	227	130	-	-	357
	17,111	3,686	(1,574)	-	19,223

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Cost or Valuation	Beginning of period	Additions	Disposals	Reclassification	End of period
	RM'000	RM'000	RM'000	RM'000	RM'000
31 July 2006:					
At 1997 valuation:					
Short leasehold land	4,800	-	-	-	4,800
Building	3,200	-	-	-	3,200
At cost:					
Plant and machinery	30,893	4,557	-	450	35,900
Computers	738	22	-	-	760
Tools and implements	2,461	196	-	-	2,657
Electrical installation	1,617	-	-	-	1,617
Air conditioners	384	62	-	-	446
Office equipment	188	10	-	-	198
Furniture and fittings	253	32	-	-	285
Renovation	403	31	-	-	434
Motor vehicles	1,057	649	-	-	1,706
Assets under installation	450	-	-	(450)	-
	46,444	5,559	-	-	52,003

Accumulated Depreciation	Beginning of period	Charge for the period	Disposals	Reclassification	End of period
	RM'000	RM'000	RM'000	RM'000	RM'000
31 July 2006:					
At 1997 valuation:					
Short leasehold land	694	49	-	-	743
Building	1,717	124	-	-	1,841
At cost:					
Plant and machinery	13,692	1,772	-	-	15,464
Computers	455	55	-	-	510
Tools and implements	1,039	146	-	-	1,185
Electrical installation	582	82	-	-	664
Air conditioners	248	19	-	-	267
Office equipment	108	12	-	-	120
Furniture and fittings	112	12	-	-	124
Renovation	219	22	-	-	241
Motor vehicles	357	112	-	-	469
	19,223	2,405	-	-	21,628

	As of 31 December			As of 31 July
	2003	2004	2005	2006
	RM'000	RM'000	RM'000	RM'000
Net Book Value:				
At 1997 valuation:				
Short leasehold land	4,274	4,190	4,106	4,057
Building	1,888	1,696	1,483	1,359
At cost:				
Buildings	75	-	-	-
Plant and machinery	12,207	15,281	17,201	20,436
Computers	243	307	283	250
Tools and implements	1,350	1,448	1,422	1,472
Electrical installation	247	916	1,035	953
Air conditioners	122	134	136	179
Office equipment	84	58	80	78
Furniture and fittings	81	86	141	161
Renovation	215	181	184	193
Motor vehicles	89	161	700	1,237
Assets under installation	-	-	450	-
	20,875	24,458	27,221	30,375

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

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

	As of 31 December			As of 31 July
	2003	2004	2005	2006
	RM'000	RM'000	RM'000	RM'000
At cost:				
Short leasehold land	1,343	1,343	1,343	1,343
Building	2,367	2,367	2,367	2,367
	3,710	3,710	3,710	3,710
Accumulated depreciation:				
Short leasehold land	283	307	331	345
Building	1,321	1,490	1,659	1,758
	1,604	1,797	1,990	2,103
Carrying amounts	2,106	1,913	1,720	1,607

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During the years 2003 to 2005 and seven months ended 31 July 2006, the aggregate cost of property, plant and equipment acquired by DISB are analysed as follows:

	Financial years ended 31 December			7 months ended
	2003	2004	2005	31 July 2006
	RM'000	RM'000	RM'000	RM'000
Acquired by means of hire-purchase	140	3,104	5,356	4,326
Acquired by means of cash	1,564	7,326	1,969	1,233
Aggregate cost	1,704	10,430	7,325	5,559

Certain plant and machinery of DISB Group which was acquired in year 2002 and 2005 with an aggregate cost of RM1,981,000 and RM314,000 respectively was used to obtain hire-purchase finance of RM1,969,000 and RM301,000 respectively in year 2003 and the seven months ended 31 July 2006.

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

	As of 31 December			As of
	2003	2004	2005	31 July 2006
	RM'000	RM'000	RM'000	RM'000
Plant and machinery	3,221	5,842	9,050	11,478
Tools and implements	164	147	129	119
Motor vehicles	-	-	592	1,141
	3,385	5,989	9,771	12,738

The total carrying value of the property, plant and equipment of DISB Group that are pledged to a local licensed bank as securities for banking facilities granted to DISB as mentioned in Note 9.5.20 is as follows:

	As of 31 December			As of
	2003	2004	2005	31 July 2006
	RM'000	RM'000	RM'000	RM'000
Carrying value of property, plant and equipment pledged	20,829	24,260	27,063	30,233

As of 31 July 2006, a building of DISB Group with a carrying amount of RM1,359,000 is pledged to a local bank as securities for credit facilities granted to I.P.G. Metal Industry (M) Sdn. Bhd., a company of which one of the director of DISB is also the director of this company.

In year 2004, one of the building of DISB Group with cost and accumulated depreciation of RM3,638,000 and RM121,000 held to earn rentals from I.P.G. Metal Industry (M) Sdn. Bhd. had been reclassified to investment property to comply with the requirements of FRS 140, Investment Property.

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9.5.8 INVESTMENT PROPERTY

	As of 31 December 2003	2004	2005	As of 31 July 2006
	RM'000	RM'000	RM'000	RM'000
Cost:				
At beginning of year/ period	-	-	3,638	4,189
Reclassification from property, plant and equipment	-	3,638	-	-
Additions	-	-	551	-
At end of year/ period	-	3,638	4,189	4,189
Accumulated depreciation:				
At beginning of year/ period	-	-	214	479
Reclassification from accumulated depreciation of property, plant and equipment	-	121	-	-
Charge for the year/ period	-	93	265	163
At end of year/ period	-	214	479	642
Carrying Amount	-	3,424	3,710	3,547

The investment property is a factory building rented by DISB to I.P.G. Metal Industry (M) Sdn. Bhd. ("IPG"), a company in which one of the director of DISB is also the director of this company. On 30 August 2006, DISB and I.P.G. Metal Industry (M) Sdn. Bhd. become wholly owned subsidiary companies of Dufu. The fair value of the investment property cannot be determined reliably as it is rented to a related party for which comparable market transactions and market prices are not available.

All DISB Group's investment property is held under freehold interests.

DISB Group has pledged all of their investment property to a local licensed bank as securities for banking facilities granted to DISB.

The property rental income earned by the DISB Group from its investment and direct operating expense arising on the investment property are as follows:

	Financial year ended 31 December 2003	2004	2005	7 Months ended 31 July 2006
	RM'000	RM'000	RM'000	RM'000
Rental income	-	48	144	84
Direct operating expenses	-	-	24	24

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9.5.9 INVENTORIES

	As of 31 December			As of
	2003	2004	2005	31 July 2006
	RM'000	RM'000	RM'000	RM'000
At cost:				
Raw materials	1,568	1,757	2,197	2,535
Work-in-progress	1,918	1,454	945	1,480
Finished goods	4,265	7,334	5,946	8,346
Tools and instruments	1,112	1,208	1,208	886
	8,863	11,753	10,296	13,247

The total carrying value of the inventories of DISB Group that are pledged to a local licensed bank as securities for banking facilities granted to DISB as mentioned in Note 9.5.20 is as follows:

	As of 31 December			As of
	2003	2004	2005	31 July 2006
	RM'000	RM'000	RM'000	RM'000
Carrying value of inventories pledged	6,740	8,887	6,053	7,540

9.5.10 TRADE RECEIVABLES

Trade receivables comprise amounts receivable for the sale of goods. The credit periods granted to customers of DISB Group range from 30 to 90 days.

Analysis of trade receivables by currencies:

	As of 31 December			As of
	2003	2004	2005	31 July 2006
	RM'000	RM'000	RM'000	RM'000
United States Dollar	7,945	7,328	14,766	16,848
Ringgit Malaysia	951	1,848	1,632	2,961
Singapore Dollar	235	4	16	253
	9,131	9,180	16,414	20,062

9.5.11 OTHER RECEIVABLES AND PREPAID EXPENSES

	As of 31 December			As of
	2003	2004	2005	31 July 2006
	RM'000	RM'000	RM'000	RM'000
Other receivables	470	532	291	1,255
Deposits for purchase of machinery	-	-	650	374
Other deposits	310	40	101	91
Prepaid expenses	122	210	340	607
	902	782	1,382	2,327

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9.5.12 SHARE CAPITAL

	As of 31 December 2003 RM'000	2004 RM'000	2005 RM'000	As of 31 July 2006 RM'000
Authorised:				
5,000,000 shares of RM1 each	5,000	5,000	5,000	5,000
Issued and fully paid:				
5,000,000 ordinary shares of RM1 each	5,000	5,000	5,000	5,000

9.5.13 RESERVES

	As of 31 December 2003 RM'000	2004 RM'000	2005 RM'000	As of 31 July 2006 RM'000
Non-distributable:				
Revaluation reserve	2,750	2,651	2,552	2,495
Exchange reserve	-	(1)	(8)	(7)
	2,750	2,650	2,544	2,488
Distributable:				
Retained profit	13,097	16,821	21,577	25,515
	15,847	19,471	24,121	28,003

The revaluation reserve is used to record increase and decrease in revaluation of non-current assets, as described in the accounting policies. This amount arose from the revaluation of DISB Group's leasehold land and building as disclosed in Note 9.5.7 net of the related deferred tax liabilities.

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

Distributable reserves are those available for distribution by way of dividends. Based on the estimated tax credits and tax exempt income available and the prevailing tax rate applicable to dividends as of 31 July 2006, the tax credits and tax exempt income position is sufficient to frank dividends of about RM25,600,000 out of DISB's retained profit. Any distribution of dividends in excess of this amount will be subject to additional income tax of 28%.

9.5.14 LONG-TERM LOANS

	As of 31 December 2003 RM'000	2004 RM'000	2005 RM'000	As of 31 July 2006 RM'000
Secured:				
Amount outstanding	4,913	7,644	6,851	8,438
Less: Portion due within one year	(825)	(1,414)	(1,383)	(899)
Portion due after one year	4,088	6,230	5,468	7,539

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The long-term loans obtained from a local licensed bank bear interest at rates ranging from 0% to 1% per annum above the lending bank's base lending rate and are secured by charges as mentioned in Note 9.5.20. The periods in which the long-term portion of the amount outstanding is repayable are as follows:

	As of 31 December 2003 RM'000	2004 RM'000	2005 RM'000	As of 31 July 2006 RM'000
Later than 1 year and not later than 2 years	892	1,404	1,063	751
Later that 2 years and not later than 5 years	2,272	2,875	2,192	2,020
Later than 5 years	924	1,951	2,213	4,768
	4,088	6,230	5,468	7,539

The effective interest rates for the long-term loans is as follows:

	Financial year ended 31 December 2003	2004	2005	7 months ended 31 July 2006
Effective interest rates	7.25% to 7.75%	3.88% to 7.00%	3.88% to 7.25%	5.75% to 7.75%

9.5.15 HIRE-PURCHASE PAYABLES

	As of 31 December 2003 RM'000	2004 RM'000	2005 RM'000	As of 31 July 2006 RM'000
Total amount outstanding	2,858	4,644	7,494	10,502
Less: Interest-in-suspense outstanding	(366)	(545)	(793)	(1,185)
Principal outstanding	2,492	4,099	6,701	9,317
Less: Portion due within one year	(1,080)	(1,947)	(2,941)	(3,740)
Non-current portion	1,412	2,152	3,760	5,577

The non-current portion is repayable as follows:

	As of 31 December 2003 RM'000	2004 RM'000	2005 RM'000	As of 31 July 2006 RM'000
Later than 1 year and not later than 2 years	1,032	1,327	2,185	2,966
Later than 2 years and not later than 5 years	380	772	1,535	2,577
Later than 5 years	-	53	40	34
	1,412	2,152	3,760	5,577

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It is DISB Group's policy to acquire certain of its property, plant and equipment under hire-purchase arrangement. The term of hire-purchase ranges from 2 to 10 years. The effective borrowing rates ranges from 4.55% to 8.6% per annum. Interest rate is fixed at the inception of the hire-purchase arrangements.

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

9.5.16 AMOUNT OWING TO A DIRECTOR

The amount owing to a director of DISB Group arose mainly from advances which are unsecured and interest free.

Analysis of amount owing to a director by currencies:

	As of 31 December			As of
	2003	2004	2005	31 July 2006
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	504	503	-	-
Singapore Dollar	559	-	-	-
	1,063	503	-	-

9.5.17 DEFERRED TAX LIABILITIES

	As of 31 December			As of
	2003	2004	2005	31 July 2006
	RM'000	RM'000	RM'000	RM'000
Balance at beginning of year/ period	1,794	1,734	2,182	2,008
Transfer (to)/ from income statements (Note 9.5.6)	(60)	448	(174)	174
Balance at end of year/ period	1,734	2,182	2,008	2,182

DISB Group recognised a deferred tax income by transfer the following amount from the deferred tax liabilities to the income statements:

	As of 31 December			As of
	2003	2004	2005	31 July 2006
	RM'000	RM'000	RM'000	RM'000
Deferred tax income	38	38	38	22

This relates to the difference between the actual depreciation on the revalued properties and equivalent depreciation based on the cost of the properties of DISB Group.

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In addition, the following amount was transferred from revaluation reserve of DISB Group to retained profit:

	As of 31 December			As of
	2003	2004	2005	31 July 2006
	RM'000	RM'000	RM'000	RM'000
Transfer of revaluation surplus	99	99	99	57

The deferred tax liabilities are in respect of the following:

	As of 31 December			As of
	2003	2004	2005	31 July 2006
	RM'000	RM'000	RM'000	RM'000
Tax effect of temporary differences arising from property, plant and equipment	(716)	(1,202)	(1,279)	(1,332)
Tax effect in respect of:				
Revaluation surplus	(1,069)	(1,031)	(993)	(970)
Unabsorbed capital allowances	-	-	165	224
Other temporary differences	51	51	99	(104)
	(1,734)	(2,182)	(2,008)	(2,182)

9.5.18 TRADE PAYABLES

Trade payables comprise amounts outstanding for trade purchases. The credit periods granted to DISB Group for trade purchases range from 30 to 120 days.

Analysis of trade payables by currencies:

	As of 31 December			As of
	2003	2004	2005	31 July 2006
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	592	989	1,669	2,039
United States Dollar	1,809	932	1,255	4,395
Swiss Franc	53	37	18	19
Singapore Dollar	2,624	3,036	4,974	6,628
Japanese Yen	283	-	-	-
	5,361	4,994	7,916	13,081

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9.5.19 OTHER PAYABLES AND ACCRUED EXPENSES

	As of 31 December			As of
	2003	2004	2005	31 July 2006
	RM'000	RM'000	RM'000	RM'000
Other payables	1,545	3,725	2,596	2,890
Accrued expenses	1,032	1,019	1,426	1,187
Deposits received	26	31	25	25
Interest payable	9	23	12	15
	2,612	4,798	4,059	4,117

Other payables comprise mainly amount outstanding for ongoing costs.

Analysis of other payables and accrued expenses by currencies:

	As of 31 December			As of
	2003	2004	2005	31 July 2006
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	2,067	4,198	3,145	2,229
United States Dollar	180	296	612	331
Singapore Dollar	354	299	233	803
Japanese Yen	9	1	69	452
Swiss Franc	2	4	-	302
	2,612	4,798	4,059	4,117

9.5.20 BANK BORROWINGS

	As of 31 December			As of
	2003	2004	2005	31 July 2006
	RM'000	RM'000	RM'000	RM'000
Secured:				
Bank overdraft	724	1,831	3,027	-
Bankers acceptance	1,559	1,458	-	1,103
	2,283	3,289	3,027	1,103

DISB Group's banking facilities bear interest at a rate of 1.75% per annum above the lending banks' base lending rates for year 2003 and 2004. For year 2005, the interest rate is at lending banks' base lending rates per annum. For seven months ended 31 July 2006, DISB Group's banking facilities bear interest at rates ranging from 1.25% to 1.75% per annum above the lending bank base lending rates and 1.25% per annum acceptance commission.

These banking facilities including the long-term loans as mentioned in Note 9.5.14 are secured as follows:

i) legal charge over DISB's leasehold land and building;
ii) debenture comprising fixed and floating charge over all the present and future assets of DISB; and
iii) guarantees from all the directors of DISB.

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

	As of 31 December			As of
	2003	2004	2005	31 July 2006
	%	%	%	%
Bank overdraft	7.75	7.75	6.25	8.00
Bankers acceptance	4.55	4.55	3.20	4.20

The bankers' acceptances as of 31 July 2006 are maturing within August to October 2006.

9.5.21 CASH AND CASH EQUIVALENTS

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

	As of 31 December			As of
	2003	2004	2005	31 July 2006
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	1,488	2,616	709	1,536
Bank overdraft	(724)	(1,831)	(3,027)	-
	764	785	(2,318)	1,536

Analysis of cash and cash equivalents by currencies:

	As of 31 December			As of
	2003	2004	2005	31 July 2006
	RM'000	RM'000	RM'000	RM'000
Singapore Dollar	69	2,595	275	363
United States Dollar	1,417	18	430	846
Ringgit Malaysia	(722)	(1,828)	(3,023)	327
	764	785	(2,318)	1,536

9.5.22 LEASE COMMITMENTS

Non-cancellable long-term lease commitments in respect of rental of premises and hostel are as follows:

	As of 31 December			As of
	2003	2004	2005	31 July 2006
	RM'000	RM'000	RM'000	RM'000
Not later than 1 year	43	43	44	161
Later than 1 year but not later than 5 years	11	9	6	19
	54	52	50	180

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9.5.23 CONTINGENT LIABILITIES

Secured

As of 31 July 2006, a building of DISB amounting to RM1,359,000 is pledged to a local bank as securities for banking facilities granted to I.P.G. Metal Industry (M) Sdn. Bhd., a company of which one of the director of DISB is also the director of this company.

Unsecured

As of 31 July 2006, DISB provides a corporate guarantee of RM800,000 to a local bank to secure the banking facilities granted to I.P.G. Metal Industry (M) Sdn. Bhd..

9.5.24 CAPITAL COMMITMENT

DISB Group had capital expenditure contracted but not provided for in the financial statements as follows:

	As of 31 December			As of
	2003	2004	2005	31 July 2006
	RM'000	RM'000	RM'000	RM'000
Capital commitment	525	-	1,544	9,100

9.5.25 SUBSEQUENT EVENTS FOR DISB GROUP

Subsequent to 31 July 2006:

i) the shareholders of DISB disposed of all their investments in the Company to Dufu Technology Corp. Berhad and DISB became a wholly owned subsidiary company of Dufu Technology Corp. Berhad, a company incorporated in Malaysia; and

ii) the Board of Directors of DISB Group approved the acquisition of property, plant and equipment amounting to approximately RM3,824,000 of which RM3,794,000 is to be acquired by means of hire-purchase.

9.5.26 FINANCIAL INSTRUMENTS

a. Financial Risk Management Objectives and Policies

The operations of DISB Group are subject to a variety of financial risks, including foreign currency risk, interest rate risk, market risk, credit risk, liquidity risk and cash flow risk. DISB Group has formulated a financial risk management framework whose principal objective is to minimise DISB Group's exposure to risks and/ or costs associated with the financing, investing and operating activities of DISB Group.

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

i. Foreign currency risk

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

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ii. Interest rate risk

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

iii. Market risk

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

iv. Credit risk

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

v. Liquidity risk

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

vi. Cash flow risk

DISB Group reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flows associated with its monetary financial instruments.

b. Credit Risk

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

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

c. Fair values

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

It is not practical to estimate the fair value of investment in club memberships. The directors consider that the carrying amount of investment in club memberships approximates its fair value.

It is not practical to estimate the fair value of contingent liabilities reliably due to the uncertainties of timing, costs or eventual outcome.

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

10. SUBSEQUENT EVENTS FOR DUFU GROUP

i) On 28 August 2006, Dufu has obtained approval from the Securities Commission on its floatation scheme as mentioned in Section 2.2.

ii) On 13 March 2006, Dufu entered into conditional share sale agreement with the shareholders of DISB and IPG.

Dufu acquired 100% of the issued and fully paid-up capital of DISB and IPG for a purchase consideration of RM29,110,000 and RM3,789,998 respectively satisfied by the issuance of 58,220,000 and 7,579,996 new ordinary shares of RM0.50 each in Dufu at par respectively. The acquisitions were completed on 30 August 2006 and Dufu's issued and paid-up capital increased from RM2 divided into 4 ordinary shares of RM0.50 each to RM32,900,000 divided into 65,800,000 ordinary shares of RM0.50 each.

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

The cost of this business combination was determined in accordance with Financial Reporting Standard 3 Business Combination ("FRS 3") on basis of the fair value of Dufu as of 30 August 2006 and the number of new shares DISB would have had to issue to the shareholders of Dufu to provide the same percentage ownership interest of the combined entity.

The fair value of Dufu amounted to (RM25,000) as of 30 August 2006. As the shareholders of DISB got an interest in the combined entity of about 100%, DISB would have had to issue nil share to the shareholders of Dufu. Thus, the cost of business combination is nil.

The net assets acquired at this business combination and the goodwill arising, are as follows:

	Acquiree's carrying amount before combination RM'000	Fair value RM'000
Net assets acquired:		
Prepaid expenses	459	459
Cash and bank balances	5	5
Sundry payable and accrued expenses	(489)	(489)
	(25)	
Goodwill		25
Total cost of business combination		-

The goodwill arising on the acquisition is attributable to the anticipated future operating synergies from the combination.

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For the acquisition of IPG, the net assets acquired and the negative goodwill arising, are as follows:

	Acquiree's carrying amount before combination RM'000	Fair value RM'000
Net assets acquired:		
Property, plant and equipment	6,706	6,706
Inventories	1,917	1,917
Trade receivables	2,107	2,107
Other receivables and prepaid expenses	470	470
Fixed deposit with a licensed bank	500	500
Cash and bank balances	182	182
Trade payables	(958)	(958)
Other payables and accrued expenses	(1,405)	(1,405)
Hire-purchase payables	(4,119)	(4,119)
Bank borrowings	(1,138)	(1,138)
Tax liabilities	(8)	(8)
Deferred tax liabilities	(32)	(32)
	4,222	
Negative goodwill		(432)
Total consideration		3,790

The negative goodwill is recognised in the income statements.

iii) Subsequent to 31 July 2006, the Board of Directors of Dufu Group approved the acquisition of property, plant and equipment amounting to approximately RM3,824,000 of which RM3,794,000 is to be acquired by means of hire-purchase.

11. AUDITED FINANCIAL STATEMENTS

No audited financial statements have been prepared in respect of any period subsequent to 31 July 2006.

Yours faithfully,

Deloitte KassimChan

DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants

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

Penang

Appendix I

Company No. : 165467 T

Deloitte KassimChan (AF 0080)
Chartered Accountants
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251-A, Jalan Burma
10350 Penang
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Deloitte KassimChan

REPORT OF THE AUDITORS TO THE MEMBERS OF

DUFU INDUSTRIES SDN. BHD.
(Incorporated in Malaysia)

We have audited the accompanying balance sheets as of December 31, 2003 and the related statements of income, changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

(a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to give a true and fair view of:

 (i) the state of affairs of the Group and of the Company as of December 31, 2003 and of their results and cash flows for the year ended on that date; and

 (ii) the matters required by Section 169 of the Act to be dealt with in the financial statements and consolidated financial statements; and

(b) the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

(FORWARD)

Appendix I

Company No. : 165467 T

DELOITTE KASSIMCHAN

REPORT OF THE AUDITORS TO THE MEMBERS OF

DUFU INDUSTRIES SDN. BHD.
(Incorporated in Malaysia)

We have considered the financial statements and auditors' report of the subsidiary company of which we have not acted as auditors, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiary company that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements, and we have received satisfactory information and explanations as required by us for these purposes.

The auditors' report on the financial statements of the subsidiary company was not subject to any qualification and did not include any comments made under Sub-section (3) of Section 174 of the Act.

Deloitte KassimChan
DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants

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

Penang,

March 31, 2004

Appendix II

Company No.: 165467 T

Deloitte.

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REPORT OF THE AUDITORS TO THE MEMBERS OF

DUFU INDUSTRIES SDN. BHD.
(Incorporated in Malaysia)

We have audited the accompanying balance sheets as of December 31, 2004 and the related statements of income, changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

(a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to give a true and fair view of:

   (i) the state of affairs of the Group and of the Company as of December 31, 2004 and of their results and cash flows for the year ended on that date; and

   (ii) the matters required by Section 169 of the Act to be dealt with in the financial statements and consolidated financial statements; and

(b) the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

(FORWARD)

Appendix II

Company No.: 165467 T

DELOITTE KASSIMCHAN

REPORT OF THE AUDITORS TO THE MEMBERS OF

DUFU INDUSTRIES SDN. BHD.
(Incorporated in Malaysia)

We have considered the financial statements and auditors' report of the subsidiary company of which we have not acted as auditors, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiary company that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements, and we have received satisfactory information and explanations as required by us for these purposes.

The auditors' report on the financial statements of the subsidiary company was not subject to any qualification and did not include any comments made under Sub-section (3) of Section 174 of the Act.

Deloitte KassimChan
DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants

LEE CHENG HEOH
2225/04/06 (J)
Partner

Penang,

June 13, 2005

Appendix III

Company No.: 165467 T

Deloitte.

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REPORT OF THE AUDITORS TO THE MEMBERS OF

DUFU INDUSTRIES SDN. BHD.
(Incorporated in Malaysia)

We have audited the accompanying balance sheets as of December 31, 2005 and the related statements of income, changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

(a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable MASB approved accounting standards in Malaysia so as to give a true and fair view of:

  (i) the state of affairs of the Group and of the Company as of December 31, 2005 and of their results and cash flows for the year ended on that date; and

  (ii) the matters required by Section 169 of the Act to be dealt with in the financial statements and consolidated financial statements; and

(b) the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

(FORWARD)

Appendix III

Company No.: 165467 T

DELOITTE KASSIMCHAN

REPORT OF THE AUDITORS TO THE MEMBERS OF

DUFU INDUSTRIES SDN. BHD.
(Incorporated in Malaysia)

We have considered the financial statements and auditors' report of the subsidiary company of which we have not acted as auditors, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiary company that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements, and we have received satisfactory information and explanations as required by us for these purposes.

The auditors' report on the financial statements of the subsidiary company was not subject to any qualification and did not include any comments made under Sub-section (3) of Section 174 of the Act.

Deloitte KassimChan
DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants

LEE CHENG HEOH
2225/04/06 (J)
Partner

Penang,

February 27, 2006

Appendix. IV

Company No.: 165467 T

Deloitte.

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December 7, 2006

The Board of Directors
Dufu Industries Sdn. Bhd.
19, Hilir Sungai Keluang 2
Taman Perindustrian Bayan Lepas
Fasa IV
11500 PENANG

Dear Sirs,

We have audited the accompanying balance sheets as of July 31, 2006 and the related statements of income, changes in equity and cash flows for the period from January 1, 2006 to July 31, 2006. These financial statements are the responsibility of the Company's directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you. We do not assume responsibility towards any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the abovementioned financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable MASB approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as of July 31, 2006 and of their results and cash flows for the period from January 1, 2006 to July 31, 2006.

We have considered the financial statements and auditors' report of the subsidiary company of which we have not acted as auditors, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiary company that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements, and we have received satisfactory information and explanations as required by us for these purposes.

The auditors' report on the financial statements of the subsidiary company was not subject to any qualification and did not include any comments made under Sub-section (3) of Section 174 of the Act.

We understand that this report will be used solely for the purpose of preparation of accountants' report for inclusion in the prospectus in connection with the listing of and quotation for the entire issued and paid-up share capital of Dufu Technology Corp. Berhad, comprising 90,000,000 ordinary shares of RM0.50 each on the Second Board of Bursa Malaysia Securities Berhad. As such, this report should not be used or referred to, in whole or in part, for any other purposes without our prior written consent.

Deloitte KassimChan

DELOITTE KASSIMCHAN
AF0080
Chartered Accountants

Audit.Tax.Consulting.Financial Advisory. 1

Member of
Deloitte Touche Tohmatsu