

## 11. HISTORICAL FINANCIAL INFORMATION

### 11.1 HISTORICAL FINANCIAL INFORMATION

The following is a summary of the proforma consolidated income statements of Dufu for the past three (3) FYE 31 December 2003 to 2005 and the seven (7)-month period ended 31 July 2005 and 2006, which is presented for after making such adjustments that are considered necessary and assuming that the Group has been in existence throughout the financial years/period under review. The proforma consolidated income statements of Dufu should be read in conjunction with the accompanying notes and assumptions as set out below.

	< ----- Proforma Group ----- >				
	FYE 31.12.2003 RM'000	FYE 31.12.2004 RM'000	FYE 31.12.2005 RM'000	Seven (7)-month period ended 31.07.2005 <sup>#</sup> 31.07.2006 RM'000 RM'000	
Revenue	38,135	41,442	68,207	39,849	52,179
Results of operating activities including finance cost, research & development expenses, depreciation, taxation and amortisation	5,927	9,656	11,255	6,482	8,219
Research & development expenses	-	-	-	-	-
Profit before interest, taxation, depreciation and amortisation	5,927	9,656	11,255	6,482	8,219
Depreciation expense	(3,170)	(3,723)	(4,331)	(2,445)	(2,891)
Profit from operations	2,757	5,933	6,924	4,037	5,328
Interest expense	(603)	(901)	(1,000)	(607)	(690)
PBT	2,154	5,032	5,924	3,430	4,638
Tax income/(expense)	48	(834)	(501)	(396)	(439)
PAT	2,202	4,198	5,423	3,034	4,199
MI	-	-	-	-	-
PAT and MI	(A) 2,202	4,198	5,423	3,034	4,199
Gross profit	6,974	10,188	11,811	6,540	8,870
Gross profit margin (%)	18.29	24.58	17.32	16.41	17.00
PAT margin (%)	5.77	10.13	7.95	7.61	8.05
Number of Dufu Shares in issue ('000)*	(B) 65,800	65,800	65,800	65,800	65,800
EPS (sen)					
- Basic	(A)/(B) 3.35	6.38	8.24	4.61	6.38
- Diluted	(A)/(B) 3.35	6.38	8.24	4.61	6.38

*Notes:*

\* Based on the number of Dufu Shares in issue after the Acquisitions but before the IPO.

# Unaudited and for comparison purpose only.

## 11. HISTORICAL FINANCIAL INFORMATION (Cont'd)

### Basis of Preparation:

- (i) The proforma consolidated income statements for the past three (3) FYE 31 December 2003 to 31 December 2005 and the seven (7)-month period ended 31 July 2005 and 2006 are presented for illustration only and on the assumption that the Group has been in existence throughout the financial years/period under review.
- (ii) The proforma consolidated income statements of Dufu are prepared based on the audited financial statements of Dufu, DISB and IPG for the past three (3) FYE 31 December 2003 to 31 December 2005 and the seven (7)-month period ended 31 July 2006 and the unaudited management accounts for the seven (7)-month period ended 31 July 2005, which have been prepared in accordance with the applicable MASB approved accounting standards in Malaysia. The proforma consolidated income statements is also set out in the Reporting Accountants' Letter on Proforma Consolidated Financial Information set out in Section 11.13 of this Prospectus.
- (iii) All significant inter-company transactions and resulting unrealised gain are eliminated on consolidation. Unrealised losses are eliminated on consolidation unless costs cannot be recovered. The proforma Group results reflect external transactions only.
- (iv) There were no exceptional or extraordinary items during the relevant financial years/period under review.
- (v) The EPS has been calculated by dividing the proforma consolidated PAT and MI by the number of Dufu Shares in issue after the Acquisitions but before the Public Issue.
- (vi) There were no audit qualifications for the financial years/period under review.

### 11.2 SEGMENTAL ANALYSIS

The following is the segmental analysis of the revenue and profit by company and activity assuming that the Group had been in existence during the financial years/period presented.

#### (i) (a) Revenue by Company

	< ----- Proforma Group ----- >									
	FYE 31.12.2003		FYE 31.12.2004		FYE 31.12.2005		7-month period ended 31.7.2005		7-month period ended 31.7.2006	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Dufu	-	-	-	-	-	-	-	-	-	-
DISB	24,743	65	27,679	67	50,613	74	27,378	69	37,149	71
IPG	4,905	13	6,401	15	8,671	13	4,331	11	5,724	11
DISPL	29,824	78	27,229	66	55,944	82	28,034	70	43,099	83
	59,472	156	61,309	148	115,228	169	59,743	150	85,972	165
Less: Consolidation adjustment	(21,337)	(56)	(19,867)	(48)	(47,021)	(69)	(19,894)	(50)	(33,793)	(65)
Total	38,135	100	41,442	100	68,207	100	39,849	100	52,179	100

## 11. HISTORICAL FINANCIAL INFORMATION (Cont'd)

## (b) Revenue by Product

	< ----- Proforma Group ----- >									
	FYE 31.12.2003		FYE 31.12.2004		FYE 31.12.2005		7-month period ended 31.7.2005		7-month period ended 31.7.2006	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
HDD components	32,758	86	32,432	78	55,396	81	32,776	83	44,565	86
Industrial safety and sensor components	143	*	1,234	3	3,293	5	1,986	5	3,016	6
Telecommunication components	1,338	4	2,122	5	3,586	5	2,182	5	867	2
Consumer electronics components	2,049	5	3,914	10	3,788	6	1,690	4	2,270	4
Computer peripheral components	1,502	4	1,355	3	992	1	828	2	750	1
Others	345	1	385	1	1,152	2	387	1	711	1
<b>Total</b>	<b>38,135</b>	<b>100</b>	<b>41,442</b>	<b>100</b>	<b>68,207</b>	<b>100</b>	<b>39,849</b>	<b>100</b>	<b>52,179</b>	<b>100</b>

Note:

\* Immaterial.

## (c) Revenue by Market

	< ----- Proforma Group ----- >									
	FYE 31.12.2003		FYE 31.12.2004		FYE 31.12.2005		7-month period ended 31.7.2005		7-month period ended 31.7.2006	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Direct export ^	29,821	78	31,353	76	53,808	79	33,595	84	44,868	86
Indirect export @	8,309	22	9,367	22	14,372	21	6,206	16	7,311	14
	38,130	100	40,720	98	68,180	100	39,801	100	52,179	100
Local	5	*	722	2	27	*	48	*	-	-
<b>Total</b>	<b>38,135</b>	<b>100</b>	<b>41,442</b>	<b>100</b>	<b>68,207</b>	<b>100</b>	<b>39,849</b>	<b>100</b>	<b>52,179</b>	<b>100</b>

Notes:

^ Sales to overseas customers.

@ Sales to customers located at Free Trade Zone and Licenced Manufacturing Warehouse.

\* Immaterial.

## 11. HISTORICAL FINANCIAL INFORMATION (Cont'd)

### (ii) (a) PBT by Company

	< ----- Proforma Group ----- >									
	FYE 31.12.2003		FYE 31.12.2004		FYE 31.12.2005		7-month period ended 31.7.2005		7-month period ended 31.7.2006	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Dufu	(1)	*	(4)	*	(8)	*	(1)	*	(1)	*
DISB	1,685	78	4,360	87	5,209	88	2,666	78	4,846	104
IPG	487	23	661	13	943	15	514	15	361	8
DISPL <sup>^</sup>	11	*	15	*	147	3	127	4	42	1
	2,182	101	5,032	100	6,291	106	3,306	97	5,248	113
Less: Consolidation adjustment	(28)	(1)	-	-	(367)	(6)	124	3	(610)	(13)
Total	2,154	100	5,032	100	5,924	100	3,430	100	4,638	100

Notes:

\* *Immaterial.*

<sup>^</sup> *DISPL is principally involved in processing and trading of high quality computer disk-drive related components. It is positioned as the service and marketing arm of the Dufu Group and not a profit generating arm. This can be shown in its high revenue and low PBT.*

### (b) PBT by Product

	< ----- Proforma Group ----- >									
	FYE 31.12.2003		FYE 31.12.2004		FYE 31.12.2005		7-month period ended 31.7.2005		7-month period ended 31.7.2006	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
HDD components	1,565	73	3,639	72	4,356	73	2,538	74	3,679	79
Industrial safety and sensor components	29	1	359	7	560	9	338	10	512	11
Telecommunication components	192	9	313	6	449	8	273	8	100	2
Consumer electronics components	203	10	546	11	341	6	152	4	204	4
Computer peripheral components	136	6	129	3	111	2	93	3	83	3
Others	29	1	46	1	107	2	36	1	60	1
Total	2,154	100	5,032	100	5,924	100	3,430	100	4,638	100

There is no PBT breakdown by market as the PBT is not captured by this category.

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**11. HISTORICAL FINANCIAL INFORMATION (Cont'd)**

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**11.3 DIRECTORS' ANALYSIS AND COMMENTARY ON THE PROFORMA CONSOLIDATED INCOME STATEMENTS****FYE 31 December 2003****Revenue**

Revenue increased by approximately RM11.37 million or 42% to RM38.14 million during the FYE 31 December 2003 (FYE 31 December 2002: RM26.77 million). The increase was mainly due to the increase in sales of HDD components, consumer electronics components, telecommunication components and computer peripherals components from existing customers. At the same time, the Dufu Group's effort to diversify its core business started to bear results with the securing of orders from new customers in industrial safety and sensor components segment, and telecommunication components segment.

**Gross Profit**

Gross profit increased by RM1.23 million or 21% to RM6.97 million during the FYE 31 December 2003 (FYE 31 December 2002: RM5.74 million) while the gross profit margin dropped by 3% to 18% in 2003 (FYE 31 December 2002: 21%). The increase in gross profit was in line with the increase in revenue while the decrease in gross profit margin was caused by the quarterly price reduction programme from HDD components customers. The increase in plating cost also caused the gross profit margin to decrease. The drop in gross profit margin was also caused by the lower margin sales secured in year 2003 for IPG.

**PBT**

PBT increased by approximately RM0.57 million or 36% to RM2.15 million during the FYE 31 December 2003 (FYE 31 December 2002: RM1.58 million).

**FYE 31 December 2004****Revenue**

Revenue increased by approximately RM3.30 million or 9% to RM41.44 million during the FYE 31 December 2004 (FYE 31 December 2003: RM38.14 million). The increase in revenue was mainly due to the success in securing a broader market for HDD components parts and consumer electronics components.

Effort to further diversify its customer base was clearly seen in 2004 with the increase in sales of telecommunication components, industrial safety and sensor components and consumer electronics components.

**Gross Profit**

Gross profit increased by approximately RM3.22 million or 46% to RM10.19 million in FYE 31 December 2004 (FYE 31 December 2003: RM6.97 million). Gross profit margin also increased by approximately 6% to 24% in FYE 31 December 2004 (FYE 31 December 2003: 18%). The success in securing more or a broader market for HDD components parts proved to be an achievement as it allowed the Dufu Group to enjoy more consistent demand throughout 2004. Thus, production planning could be more stable thereby causing an increase in efficiency and further reducing the cost of sales of the Group. Besides that, the hike in gross profit margin caused by sales of new range of HDD components gave a higher margin to replace old parts with the lower margin.

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**11. HISTORICAL FINANCIAL INFORMATION (Cont'd)**

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Furthermore, with the increase in revenue from industrial safety and sensor components that had higher profit margin, the Dufu Group was able to record higher gross profit as well as gross profit margin.

**PBT**

PBT increased by approximately RM2.88 million or more than 100% to RM5.03 million during the FYE 31 December 2004 (FYE 31 December 2003: RM2.15 million).

**FYE 31 December 2005**

**Revenue**

Revenue increased significantly by approximately RM26.77 million or 65% to RM68.21 million during the FYE 31 December 2005 (FYE 31 December 2004: RM41.44 million). The significant increase in revenue was due to the increase in demand from both existing customers and new customers of the Group for all segments except for the consumer electronics components segment and computer peripheral components segment.

**Gross Profit**

Gross profit increased by approximately RM1.62 million or 16% to RM11.81 million during the FYE 31 December 2005 (FYE 31 December 2004: RM10.19 million) which was in line with the increase in revenue. However, in order to stay competitive, continuous price reductions were given to customers of HDD components and industrial safety and sensor components following their cost-down programme. Besides that, the raw materials prices such as price of aluminium and copper increased gradually throughout 2005 due to global shortage. Customers of HDD components required a new plating process such as "passivation" and gold plating for its products caused plating charges to increase. Thus, despite the increase in revenue and gross profit, gross profit margin fell by approximately 8% to 17% in 2005 (FYE 31 December 2004: 25%). This is in line with the global norm for a mass production manufacturer to experience a lower margin with huge quantity orders.

**PBT**

PBT increased by approximately RM0.89 million or 18% to RM5.92 million during the FYE 31 December 2005 (FYE 31 December 2004: RM5.03 million).

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**11. HISTORICAL FINANCIAL INFORMATION (Cont'd)**

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**Seven (7)-month period ended 31 July 2006****Revenue**

For the seven (7)-month period ended 31 July 2006, the Group recorded a revenue of approximately RM52.18 million, representing an increase of approximately RM12.33 million or 31% compared to approximately RM39.85 million during the seven (7)-month period ended 31 July 2005. The increase in revenue was mainly due to the increase in demand from both existing customers and new customers of the Group.

**Gross Profit**

Gross profit increased by approximately RM2.33 million or 36% to RM8.87 million during the seven (7)-month period ended 31 July 2006 compared to RM6.54 million during the seven (7)-month period ended 31 July 2005 which was in line with the increase in revenue and gross profit margin. Gross profit margin increased 0.59% from 16.41% in the seven (7)-month period ended 31 July 2005 to 17.00% in the seven (7)-month period ended 31 July 2006 mainly due to the cost down program by customers of HDD components in the previous financial period.

**PBT**

PBT increased by approximately RM1.21 million or 36% to RM4.64 million during the seven (7)-month period ended 31 July 2006 compared to RM3.43 million during the seven (7)-month period ended 31 July 2005.

**Tax Considerations**

The effective tax rate for the FYE 31 December 2003 to 2005 and seven (7)-month period ended 31 July 2006 ranging from 8.46% to 16.57% was lower than the statutory tax rate due to the claim of reinvestment allowances by DISB and IPG.

**Impact of Foreign Currency Exchange/Interest Rates on PBT and Financial Instruments**

The detailed discussion of the impact of foreign currency exchange is set out in Section 4.8 of this Prospectus.

The financial results of the Group were not materially affected by interest rates as its borrowings comprise mainly hire purchase facilities with fixed interest rates.

As at the Latest Practicable Date, the Group does not have any financial instruments for hedging purposes.

**11.4 SIGNIFICANT TRENDS****Production**

There are no significant changes in our production mix in the current financial period up to the Latest Practicable Date compared to FYE 31 December 2005.

In order to boost our production capacity, we have budgeted approximately RM7.0 million for the purchase of machinery over the next 3 years. The planned machinery purchases include CNC autolathe, CNC lathe, CNC machine centres and stamping machines.

**Sales and Inventory**

The demand for our products remains positive in the current financial period up to the Latest Practicable Date. Our sales mix also remains relatively stable.

We will continue to implement our lean manufacturing practice by reorganising the production flow and reducing our stocks level.

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## 11. HISTORICAL FINANCIAL INFORMATION (*Cont'd*)

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### **Cost and Selling Prices**

In 2005, prices of raw materials such as aluminium and steel increased gradually throughout the year as a result of strong demand amidst a shortage in supply globally. The trend continues in the beginning of 2006 and has been stabilised in the second half of the year. We do not expect any steep increase in raw material prices in the near future. Thus far, we have been able to pass such cost increase to our customers periodically. In addition, we purchase our raw materials directly from manufacturers and not from stockists, further buffering it from the volatile price fluctuations.

On the other hand, the selling prices of our products in the current financial period up to the Latest Practicable Date remained relatively stable as compared to the average selling prices in the FYE 31 December 2005. We will continue to improve our manufacturing efficiency to off-set any potential decrease in selling price. Hence, our gross profit margins have not experienced any significant changes in the current financial period up to the Latest Practicable Date compared to the FYE 31 December 2005.

### **State of Order Book**

We do not have any long-term agreements with our major customers and/or suppliers due to the dynamic nature of the HDD industry. The absence of long-term contractual agreements is an industrial norm.

Despite the absence of long-term agreements with our customers, we do not foresee any termination of orders by any of its major MNC customers, as we work closely with our major MNC customers on various aspects including design, and process and product development.

We have earned the confidence and recognition of our MNC customers due to our track record of delivering products that are of high quality in a consistently prompt manner as well as satisfying the stringent demands imposed by our MNC customers. This is evidenced by the our long-standing working relationships with MNC customers such as Seagate Technology International (18 years) and Western Digital (M) Sdn Bhd (13 years), numerous awards and recognitions, as well as increase in orders received from our MNC customers.

Our order book as at the Last Practicable Date is approximately RM35 million.

### **11.5 DIRECTORS' DECLARATION ON FINANCIAL PERFORMANCE OF THE GROUP**

Save as disclosed in Section 11 and Section 13 of this Prospectus, the Directors of Dufu are of the view that the financial performance, position and operations of the Group are not affected by any of the following:

- (i) unusual, infrequent events or transactions or significant economic changes that have materially affected the financial performance, position and operations of the Group;
- (ii) known trends, demands, commitments, events or uncertainties that have had, or that the Group reasonably expects to have, a material favourable or unfavourable impact on the financial performance, position and operations of the Group; and
- (iii) known events, circumstances, trends, uncertainties and commitments that are reasonably likely to make the historical financial statements not indicative of future financial performance and position.



## 11. HISTORICAL FINANCIAL INFORMATION (*Cont'd*)

### 11.6 LIQUIDITY AND CAPITAL RESOURCES

#### 11.6.1 Working Capital

The Dufu Group generally finances its growth and operations mainly through a combination of shareholders' equity, internally generated funds and banking facilities provided by its principal bankers. The Group's principal uses of its working capital are to finance day-to-day operations of the Group such as staff salaries and other operating expenses. The Group always maintains a positive working capital balance.

As at the Latest Practicable Date, the Group's total cash and bank balances amounted to approximately RM1.01 million while the total banking facilities available to the Group amounted to approximately RM8.80 million (overdrafts and trade bills), of which RM5.19 million have been utilised. Further details of the Group's borrowings are set out in Section 11.6.3 below.

The Directors of Dufu are of the opinion that, after taking into account the cash flow position of the Group, banking facilities available and the proceeds to be raised from the Public Issue, the Group will have adequate working capital for its present and foreseeable requirements for a period of twelve (12) months from the date of this Prospectus.

#### 11.6.2 Proforma Group Cash Flow Summary

A summary of the proforma Group's cash flow for the FYE 31 December 2005 and the seven (7)-month period ended 31 July 2006, is set out below:

	FYE 31.12.2005 RM'000	Proforma Group 7-month period ended 31.07.2006 RM'000
Net cash generated from operating activities	5,508	5,590
Net cash used in investing activities	(1,608)	(1,900)
Net cash used in financing activities	(7,157)	(422)
Net increase in cash and cash equivalents	(3,257)	3,268
Cash and cash equivalents at beginning of period	1,026	(2,231)
Cash and cash equivalents at end of period	(2,231)	1,037

The sources of cash flow are mainly from cash receipts from customers and bank facilities.

As at 31 December 2005, the cash and cash equivalents of the Dufu Group on a proforma basis is approximately RM(2.23) million. However, the Group maintains a positive cash flow generated from operating activities of approximately RM5.50 million. In addition, the Group's gearing ratio is relatively low at 0.54 times. This negative cash and cash equivalents is mainly due to approximately RM2.73 million being used to purchase plant and equipment and approximately RM2.97 million being used to repay hire purchases payables previously drawn down to finance plant and equipment as well. This is in tandem with the Group's expansion plan to meet the increasing demand from its customers.

Further details pertaining to the proforma consolidated cash flow statement for the seven (7)-month period ended 31 July 2006 are set out in Section 11.11 of this Prospectus.

## 11. HISTORICAL FINANCIAL INFORMATION (Cont'd)

### 11.6.3 Borrowings

As at the Latest Practicable Date, the total outstanding borrowings of the Group (all of which are local and interest-bearing) are as follows:

	Notes	< -- Amount Outstanding as at Latest Practicable Date-- >		
		Payable within twelve (12) months RM'000	Payable after twelve (12) months RM'000	Total RM'000
Bank overdraft	(i)	2,205	-	2,205
Trade bills	(i)	2,985	-	2,985
Hire purchase loans	(ii)	7,190	7,569	14,759
Long-term loans	(ii)	2,082	8,961	11,043
		<u>14,462</u>	<u>16,530</u>	<u>30,992</u>

Notes:

- (i) *The purpose of the overdraft/trade bills facilities is mainly utilised to finance the working capital requirements.*
- (ii) *The purpose of the hire purchase loans and long-term loan facilities is mainly utilised to finance the purchase of machinery.*

There has not been any default by the Group on payments of either interest and/or principal sums in respect of its borrowings throughout the FYE 31 December 2005 and the seven (7)-month period ended 31 July 2006 and the subsequent period up to the Latest Practicable Date.

The proforma Group's interest-bearing borrowings for the financial years/period under review are as follows:

	< ----- Proforma Group ----- >				
	FYE 31.12.2003 RM'000	FYE 31.12.2004 RM'000	FYE 31.12.2005 RM'000	Seven (7)-month period ended 31.07.2005# RM'000	31.07.2006 RM'000
Total borrowings	<u>10,359</u>	<u>15,485</u>	<u>17,715</u>	<u>16,227</u>	<u>24,100</u>

Note:

- # *Unaudited and for comparison purpose only.*

The gearing ratio for the proforma Group as at 31 July 2006 is 0.65 times.

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## 11. HISTORICAL FINANCIAL INFORMATION (Cont'd)

### 11.7 TRADE RECEIVABLES, TRADE PAYABLES AND INVENTORY

#### 11.7.1 Trade Receivables

A summary of trade receivables of the proforma Group as at the end of the financial years/period under review is set out below:

	< ----- Proforma Group ----- >				
	FYE 31.12.2003 RM'000	FYE 31.12.2004 RM'000	FYE 31.12.2005 RM'000	Seven (7)-month period ended	
				31.07.2005# RM'000	31.07.2006 RM'000
Gross trade receivables	10,028	10,499	18,073	18,148	21,216
Less: Allowance for doubtful debts	-	-	-	-	-
Trade receivables	<u>10,028</u>	<u>10,499</u>	<u>18,073</u>	<u>18,148</u>	<u>21,216</u>
Revenue	<u>38,135</u>	<u>41,442</u>	<u>68,207</u>	<u>39,849</u>	<u>52,179</u>
Percentage of trade receivables to revenue (%)	<u>26.30</u>	<u>25.33</u>	<u>26.50</u>	<u>26.57 *</u>	<u>23.72 *</u>
Trade receivables' turnover period (days)	<u>96</u>	<u>92</u>	<u>97</u>	<u>97 *</u>	<u>87 *</u>

Notes:

# Unaudited and for comparison purpose only.

\* Annualised.

Generally, the normal credit period granted by the Dufu Group to its customers is between 30 to 90 days. The trade receivables' turnover period for the past three (3) FYE 31 December 2005 and the seven (7)-month period ended 31 July 2006 fluctuated from 87 days to 97 days. The trade receivables turnover period in 2004 decreased due to prompt payments made by customers. In 2005, the trade receivable had shown a slight increase which mainly resulted from the increase in sales. With the higher sales volume and slow repayment from customers, the trade receivables' turnover period increased by 5 days. However, due to the effort taken to collect its receivable by the Group, the trade receivables period for the seven (7)-month period ended 31 July 2006 reduced by 10 days to 87 days.

The Directors of Dufu are of the opinion that the Dufu Group's trade receivables balances are reasonable.

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## 11. HISTORICAL FINANCIAL INFORMATION (Cont'd)

### 11.7.2 Trade Payables

A summary of trade payables of the proforma Group as at the end of the financial years/period under review is set out below:

	<----- Proforma Group ----->				
	FYE 31.12.2003 RM'000	FYE 31.12.2004 RM'000	FYE 31.12.2005 RM'000	Seven (7)-month period ended 31.07.2005# RM'000	Seven (7)-month period ended 31.07.2006 RM'000
Trade payables	5,488	5,019	8,101	11,787	13,291
Purchases	17,050	16,302	34,297	22,383	28,962
Percentage of trade payables to purchases (%)	32.19	30.79	23.62	30.72 *	26.77 *
Trade payables' turnover period (days)	117	112	86	112 *	98 *

Notes:

# Unaudited and for comparison purpose only.

\* Annualised.

Generally, the normal credit period granted to the Dufu Group by its suppliers is between 30 to 90 days. The trade payables' turnover period for the past three (3) FYE 31 December 2005 improved gradually from 117 days to 86 days. The trade payables' turnover period increased to 98 days for the seven (7)-month period ended 31 July 2006. Trade payables dropped in 2004 as a result of the decrease in purchases. The drop in purchases despite the increase in revenue was due to the Dufu Group had sourced from new suppliers with cheaper goods. Furthermore, changes in production efficiency enabled the Dufu Group to reduce wastage and thus increase productivity with the same input as before. New tools created to use the scrap bar end to reproduce parts also helped increase productivity. Thus, comparatively, purchases decreased despite the sales increase. As a result, trade payables' turnover period dropped by five (5) days.

The increase in trade payables in 2005 was due to the increase in purchases following the increase in sales. The increase was also due to the significant increase in prices of raw materials. However, due to the prompt payment made to suppliers, the trade payables' turnover period decreased significantly by 26 days and fell within the credit period granted by suppliers. The surge in purchases towards the end of the financial period ended 31 July 2006 following the increase in sales has caused the trade payables' turnover period to increase to 98 days.

The Directors of Dufu are of the opinion that the trade payables turnover periods of the Dufu Group are reasonable.

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## 11. HISTORICAL FINANCIAL INFORMATION (Cont'd)

### 11.7.3 Inventory

A summary of inventory as at the end of the financial years/period under review is set out below:

		< ----- Proforma Group ----- >				
		FYE	FYE	FYE	Seven (7)-month period ended	
		31.12.2003	31.12.2004	31.12.2005	31.07.2005#	31.07.2006
		RM'000	RM'000	RM'000	RM'000	RM'000
<b>At cost:</b>						
Raw materials	(A)	2,019	2,257	2,660	2,448	3,221
Work-in-progress	(B)	2,144	1,609	1,264	1,181	1,741
Finished goods	(C)	4,405	7,543	6,135	9,810	9,152
Tools and instruments		1,253	1,341	1,313	1,340	981
	(D)	<u>9,821</u>	<u>12,750</u>	<u>11,372</u>	<u>14,779</u>	<u>15,095</u>
Cost of materials consumed	(E)	31,662	29,984	63,706	16,073	18,607
Cost of goods manufactured	(F)	52,409	52,372	98,144	35,362	44,830
Cost of sales	(G)	31,161	31,254	56,396	33,310	43,309
% of raw materials to cost of material consumed [(A)/(E) x 100]		6.38	7.53	4.18	8.88*	10.09*
% of work-in-progress to cost of goods manufactured [(B)/(F) x 100]		4.09	3.07	1.29	1.95*	2.27*
% of finished goods to cost of sales [(C)/(G) x 100]		14.14	24.13	10.88	17.18*	12.33*
Raw materials turnover period (days) [(A)/(E) x 365 days]		23 days	27 days	15 days	32 days *	37 days *
Work-in-progress turnover period (days) [(B)/(F) x 365 days]		15 days	11 days	5 days	7 days *	8 days *
Finished goods turnover period (days) [(C)/(G) x 365 days]		52 days	88 days	40 days	63 days *	45 days *

Notes:

# Unaudited and for comparison purpose only.

\* Annualised.

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**11. HISTORICAL FINANCIAL INFORMATION (Cont'd)**

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Despite the increase in the raw materials as at the end of year 2003, the raw materials turnover period was 23 days in 2003 due to the increase in consumption of materials. The decrease in work-in-progress and work-in-progress turnover period was due mostly to the completion of the work-in-progress as of the end of 2003, thus transferring it to finished goods. The increase in finished goods was due to certain finished goods being stored at the customer's Just-in-Time ("JIT") Hub, such as MMI Industries Sdn. Bhd starting in 2003. However, there was no significant change in the finished goods turnover period.

In 2004, the raw materials turnover period rose to 27 days as the Dufu Group increased its purchases at the end of year 2004 in order to cope with the increase in sales demand in the subsequent year. The decrease in work-in-progress and work-in-progress turnover period was due to the increase in efficiency of production. Finished goods and finished goods turnover period increased due to some of the completed goods yet to be shipped out to customers as there was long holiday at the end of December 2004.

In 2005, the Dufu Group started to implement its lean manufacturing concept by reorganising the production flow and monitoring its inventory level closely. This had resulted in reduction of its inventory as a whole. The reduction in inventory also resulted from the increase in sales. Thus, it helped to reduce the inventory store at the hub and at the Dufu Group. The Dufu Group continued its effort to reduce its inventory level in order to reduce its storage cost and risk of obsolescence inventory. All slow-moving inventory had been fully provided as at 31 July 2006.

For the seven (7)-month period ended 31 July 2006, the inventory turnover periods are within the historical trend except for raw materials turnover. The increase in raw materials turnover to 37 days was mainly due to the increased purchases towards the end of the financial period in order to cope with the increasing sales.

The Directors of Dufu are of the opinion that the Dufu Group's inventory turnover period is reasonable.

**11.8 FINANCIAL INSTRUMENTS FOR HEDGING**

As at the Latest Practicable Date, the Group has not used any financial instruments for hedging purposes.

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**11. HISTORICAL FINANCIAL INFORMATION (Cont'd)**


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**11.9 MATERIAL LITIGATION, MATERIAL CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES****11.9.1 Material Litigation**

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

**11.9.2 Material Capital Commitments**

Save as disclosed below, as at the Latest Practicable Date, the Board of Directors of the Company is not aware of any capital commitment contracted or known to be contracted by the Company or its subsidiary companies which, upon becoming enforceable, may have a material impact on the financial position of the Group.

<b>Contracted but not provided for</b>	<b>Group RM'000</b>	<b>Company RM'000</b>
- Construction of factory building	4,146	-

The Group is constructing a new building at a cost of approximately RM9.1 million for warehousing and production purposes within the existing factory compound in Bayan Lepas. This is expected to be completed by first quarter of 2007 to increase the Group's production area, improve logistics and inventory control functions. The construction was funded by term loan and internal generated funds.

**11.9.3 Contingent Liabilities**

As at the Latest Practicable Date, the Group does not have any contingent liabilities which, upon becoming enforceable, may have a material impact on the financial position of the Group.

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## 11. HISTORICAL FINANCIAL INFORMATION (Cont'd)

### 11.10 PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 JULY 2006

The following is the proforma consolidated balance sheets of Dufu which have been prepared for illustrative purposes only, based on the audited balance sheets of Dufu, DISB and IPG as of 31 July 2006, on the assumption that the Acquisitions and Public Issue have been effected on that date.

The proforma consolidated balance sheets of Dufu have been prepared based on accounting principles and bases consistent with those previously adopted in the preparation of the audited financial statements of Dufu, DISB and IPG as of 31 July 2006, which have been prepared in accordance with the applicable MASB approved accounting standards in Malaysia.

The proforma consolidated balance sheets of Dufu as at 31 July 2006 should be read in conjunction with the accompanying notes and assumptions as set out in the Reporting Accountant's Letters on Proforma Consolidated Balance Sheets set out in Section 11.12 of this Prospectus.

Proforma I      After the Acquisitions  
Proforma II     After Proforma I and the Public Issue and utilisation of proceeds

	As of 31 July 2006 RM'000	Proforma I RM'000	Proforma II RM'000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	-	40,700	47,700
Goodwill on consolidation	-	25	25
Investment in club membership, at cost	-	61	61
<b>Total Non-Current Assets</b>	<b>-</b>	<b>40,786</b>	<b>47,786</b>
<b>CURRENT ASSETS</b>			
Inventories	-	15,095	15,095
Trade receivables	-	21,216	21,216
Other receivables and prepaid expenses	459	2,331	1,872
Fixed deposits with a licensed bank	-	500	500
Tax recoverable	-	96	96
Cash and bank balances	5	1,753	5,152
<b>Total Current Assets</b>	<b>464</b>	<b>40,991</b>	<b>43,931</b>
<b>TOTAL ASSETS</b>	<b>464</b>	<b>81,777</b>	<b>91,717</b>
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Share capital	*	8,790	20,890
Reserves	(25)	28,325	31,165
<b>Shareholders' Equity</b>	<b>(25)</b>	<b>37,115</b>	<b>52,055</b>



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**11. HISTORICAL FINANCIAL INFORMATION (Cont'd)**


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	As of 31 July 2006 RM'000	Proforma I RM'000	Proforma II RM'000
<b>NON-CURRENT AND DEFERRED LIABILITIES</b>			
Long term loans	-	7,539	7,539
Hire purchase payables	-	8,490	3,490
Deferred tax liabilities	-	2,308	2,308
	<hr/>	<hr/>	<hr/>
Total Non-Current and Deferred Liabilities	-	18,337	13,337
	<hr/>	<hr/>	<hr/>
<b>CURRENT LIABILITIES</b>			
Trade payables	-	13,291	13,291
Other payables and accrued expenses	489	4,952	4,952
Bank borrowing	-	2,104	2,104
Long term loans	-	899	899
Hire purchase payables	-	5,068	5,068
Tax liabilities	-	11	11
	<hr/>	<hr/>	<hr/>
Total Current Liabilities	489	26,325	26,325
	<hr/>	<hr/>	<hr/>
Total Liabilities	489	44,662	39,662
	<hr/>	<hr/>	<hr/>
<b>TOTAL EQUITY AND LIABILITIES</b>	464	81,777	91,717
	<hr/>	<hr/>	<hr/>
Number of ordinary shares ('000)	0.004	65,800	90,000
Net Tangible Assets ("NTA")/ Proforma Consolidated NTA (RM'000)	(25)	37,090	52,030
NTA/ Proforma Consolidated NTA per ordinary share (RM)	(6,250)	0.56	0.58

\* RM2

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**11. HISTORICAL FINANCIAL INFORMATION (Cont'd)**


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**11.11 PROFORMA CONSOLIDATED CASH FLOW STATEMENT**

The following proforma consolidated cash flow statement of Dufu has been prepared for illustration purpose only based on the audited financial statements of Dufu, DISB and IPG for the seven (7)-month period ended 31 July 2006 which have been prepared in accordance with applicable MASB approved accounting standards in Malaysia after making such adjustments that are considered necessary for elimination of all significant inter-company transactions and balances, on the assumptions that the Group has been in existence throughout the said financial period under review. The proforma consolidated cash flow statement is also set out in the Reporting Accountants' Letter on Proforma Consolidated Financial Information in Section 11.13 of this Prospectus.

	<b>7-month period ended 31.07.2006 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Profit before tax	4,638
<b>Adjustments for:</b>	
Depreciation of property, plant and equipment	2,891
Interest expenses	690
Unrealised loss on foreign exchange	23
Allowance for slow moving inventories no longer required	(238)
Interest income	(1)
<b>Operating profit before working capital changes</b>	<u>8,003</u>
Increase in:	
Inventories	(3,485)
Trade receivables	(3,142)
Other receivables and prepaid expenses	(669)
Increase/(Decrease) in:	
Trade payables	5,168
Other payables and accrued expenses	136
<b>Cash generated from operations</b>	<u>6,011</u>
Tax paid	(421)
<b>Net cash generated from operating activities</b>	<u>5,590</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from disposal of property, plant and equipment	5
Interest received	1
Purchase of property, plant and equipment	(1,906)
<b>Net cash used in investing activities</b>	(1,900)

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**11. HISTORICAL FINANCIAL INFORMATION (Cont'd)**


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	<b>7-month period ended 31.07.2006 RM'000</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Increase in bank borrowings	843
Proceeds from long-term loans	2,439
Proceeds from re-financing under hire purchase	301
Repayment of hire purchase payables	(2,467)
Repayment of long-term loans	(851)
Interest paid	(687)
<b>Net cash used in financing activities</b>	<u>(422)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	3,268
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<u>(2,231)</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u><u>1,037</u></u>
<b>Cash and cash equivalents at end of period comprise of:</b>	
Fixed deposits with a licensed bank	500
Cash and bank balances	1,753
Bank overdrafts	<u>(716)</u>
	1,537
Less : Fixed deposits held as security value	<u>(500)</u>
	<u><u>1,037</u></u>

All significant inter-company transactions and balances are eliminated.

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11. HISTORICAL FINANCIAL INFORMATION (*Cont'd*)

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11.12 REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED  
BALANCE SHEET AS AT 31 JULY 2006  
(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  
Fax : +60(4) 2288355  
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)  
PROFORMA CONSOLIDATED BALANCE SHEETS AS OF 31 JULY 2006**

We have reviewed the presentation of the proforma consolidated balance sheets of Dufu Technology Corp. Berhad ("Dufu") and its subsidiary companies ("the Group") as of 31 July 2006 together with the notes and assumptions thereto prepared for illustrative purposes, for inclusion in the Prospectus of Dufu to be dated **31 JAN 2007** in conjunction with the 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 ("Dufu Shares") on the Second Board of the Bursa Malaysia Securities Berhad which include the public issue of 24,200,000 new Dufu Shares at an issue price of RM0.70 per Dufu Share payable in full upon application.

It is the responsibility solely of the Board of Directors of Dufu to prepare the proforma consolidated balance sheets in accordance with the requirements of the Securities Commissions' Prospectus Guideline in respect of Public Offerings ("the Guidelines").

It is our responsibility to form an opinion on the proforma consolidated balance sheets as required by the Guidelines and to report our opinion to you.

In our opinion:

- (a) The proforma consolidated balance sheets has been properly prepared:
- (i) on the basis and assumptions of preparation as stated hereunder and such basis is consistent with the accounting policies adopted by Dufu and its subsidiary companies; and
  - (ii) based on the audited financial statements of Dufu and its subsidiary companies for seven months ended 31 July 2006 and such financial statements have been prepared in accordance with the applicable Malaysian Accounting Standards Board ("MASB") approved accounting standards in Malaysia.
- (b) The adjustments as explained in the notes to the proforma consolidated balance sheets are appropriate for the purpose of the proforma consolidated balance sheets.

Audit.Tax.Consulting.Financial Advisory.

Member of  
Deloitte Touche Tohmatsu

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11. HISTORICAL FINANCIAL INFORMATION (Cont'd)


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**Deloitte KassimChan**

3 January 2007  
Dufu Technology Corp. Berhad  
Page No.: 2

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 purposes without our prior written consent.

Yours faithfully,

  
DELOITTE KASSIMCHAN  
AF0080  
Chartered Accountants

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

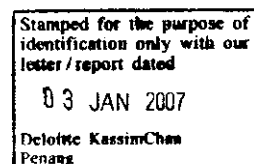
Penang

## 11. HISTORICAL FINANCIAL INFORMATION (Cont'd)

**DUFU TECHNOLOGY CORP. BERHAD (COMPANY NO.: 581612 A)**  
**(Incorporated in Malaysia)**
**PROFORMA CONSOLIDATED BALANCE SHEETS OF DUFU TECHNOLOGY CORP. BERHAD (“DUFU”) AND ITS SUBSIDIARY COMPANIES (“THE GROUP”) AS OF 31 JULY 2006**

	Dufu Audited RM'000	Adjustment for Acquisitions** RM'000	Proforma I RM'000	Adjustment for Public Issue and Utilisation of Proceeds RM'000	Proforma II RM'000
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	-	40,700	40,700	7,000	47,700
Goodwill on consolidation	-	25	25		25
Investment in club membership, at cost	-	61	61		61
Total Non-Current Assets	-		40,786		47,786
<b>CURRENT ASSETS</b>					
Inventories	-	15,095	15,095		15,095
Trade receivables	-	21,216	21,216		21,216
Other receivables and prepaid expenses	459	1,872	2,331	(459)	1,872
Fixed deposits with a licensed bank	-	500	500		500
Tax Recoverable	-	-	96		96
Cash and bank balances	5	1,748	1,753	3,399	5,152
Total Current Assets	464		40,991		43,931
<b>TOTAL ASSETS</b>	<b>464</b>		<b>81,777</b>		<b>91,717</b>
<b>EQUITY AND LIABILITIES</b>					
<b>CAPITAL AND RESERVES</b>					
Share capital	*	8,790	8,790	12,100	20,890
Reserves	(25)	28,350	28,325	2,840	31,165
Shareholders' Equity	(25)		37,115		52,055
<b>NON-CURRENT AND DEFERRED LIABILITIES</b>					
Loan term loans	-	7,539	7,539		7,539
Hire-purchase payables	-	8,490	8,490	(5,000)	3,490
Deferred tax liabilities	-	2,308	2,308		2,308
Total Non-Current and Deferred Liabilities	-		18,337		13,337
<b>CURRENT LIABILITIES</b>					
Trade payables	-	13,291	13,291		13,291
Other payables and accrued expenses	489	4,463	4,952		4,952
Bank borrowing	-	2,104	2,104		2,104
Long term loans	-	899	899		899
Hire-purchase payables	-	5,068	5,068		5,068
Tax liabilities	-	11	11		11
Total Current Liabilities	489		26,325		26,325
Total Liabilities	489		44,662		39,662
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>464</b>		<b>81,777</b>		<b>91,717</b>
Number of ordinary shares ('000)	0.004		65.800		90,000
Net Tangible Assets (“NTA”)/ Proforma Consolidated NTA (RM'000)	(25)		37,090		52,030
NTA/ Proforma Consolidated NTA per ordinary share (RM)	(6,250)		0.56		0.58

(FORWARD)



## 11. HISTORICAL FINANCIAL INFORMATION (Cont'd)

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

\* RM2

\*\* The adjustments made represent the balance sheet as of 31 July 2006 of subsidiary companies to be acquired. Significant inter-company balances are eliminated. Goodwill on consolidation represents the excess of cost of the business combination over the acquirer's interest in the fair value of identifiable net assets of acquiree as of 31 July 2006.

### NOTES AND ASSUMPTIONS TO THE PROFORMA CONSOLIDATED BALANCE SHEETS OF DUFU TECHNOLOGY CORP. BERHAD ("DUFU") AND ITS SUBSIDIARY COMPANIES ("THE GROUP") AS OF 31 JULY 2006

#### 1. Basis of Preparation

The Proforma Consolidated Balance Sheets of Dufu has been prepared based on the audited balance sheets of Dufu, Dufu Industries Sdn. Bhd. ("DISB") and I.P.G. Metal Industry (M) Sdn. Bhd. ("IPG") as of 31 July 2006.

The Proforma Consolidated Balance Sheets of Dufu together with the notes thereon have been prepared for illustrative purposes only, based on accounting principles and bases consistent with those previously adopted in the preparation of the audited financial statements of Dufu, DISB and IPG as of 31 July 2006, which have been prepared in accordance with the applicable Malaysian Accounting Standards Board ("MASB") approved accounting standards in Malaysia after making such adjustments that are considered necessary for elimination of all significant intercompany balances.

#### 1.1 Proforma I

Proforma I has been prepared for illustrative purpose only to reflect the effects on the financial position of the Group based on the assumption that the Group has been in existence and the acquisitions of the following by Dufu have been completed on 31 July 2006:

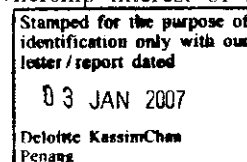
- (i) the entire issued and fully paid-up share capital of DISB comprising 5,000,000 ordinary shares of RM1.00 each for a total purchase consideration of RM29,110,000 satisfied by the issuance of 58,220,000 new ordinary shares of RM0.50 each in Dufu at par; and
- (ii) the entire issued and fully paid-up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

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 31 July 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.



## 11. HISTORICAL FINANCIAL INFORMATION (Cont'd)

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

The fair value of Dufu amounted to (RM25,000) as of 31 July 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.

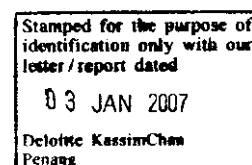
The net assets acquired at this business combination and the goodwill arising, are as follows:

	<b>Acquiree's carrying amount before combination RM'000</b>	<b>Fair value RM'000</b>
Net assets acquired:		
Other receivables and prepaid expenses	459	459
Cash and bank balances	5	5
Sundry payable and accrued expenses	(489)	(489)
	<u>(25)</u>	
Goodwill		<u>25</u>
Total cost of business combination		<u>-</u>

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

	<b>Acquiree's carrying amount before combination RM'000</b>	<b>Fair value RM'000</b>
Net assets acquired:		
Property, plant and equipment	6,778	6,778
Inventories	1,848	1,848
Trade receivables	1,850	1,850
Other receivables and prepaid expenses	430	430
Fixed deposit with a licensed bank	500	500
Cash and bank balances	213	213
Trade payables	(906)	(906)
Other payables and accrued expenses	(1,231)	(1,231)
Hire-purchase payables	(4,242)	(4,242)
Tax liabilities	(1)	(1)
Bank borrowings	(1,001)	(1,001)
Deferred tax liabilities	(126)	(126)
	<u>4,112</u>	
Negative goodwill		<u>(322)</u>
Total consideration		<u>3,790</u>

The negative goodwill is recognised in the income statements.





## 11. HISTORICAL FINANCIAL INFORMATION (Cont'd)

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

In accordance with FRS 3, the amount recognised as issued equity instruments in the proforma consolidated balance sheets are determined by adding to the issued equity of DISB immediately before the business combination the cost of the combination. However, the equity structure appearing in the proforma consolidated balance sheets (ie the number and type of equity instruments issued) shall reflect the equity structure of Dufu, including the equity instruments issued by Dufu to effect the combination.

The movement of the issued and paid-up share capital after taking into account the Acquisitions are as follows:

	Proforma Group	
	No. of ordinary shares of RM0.50 each '000	RM'000
Issued and fully paid-up:		
At 31 July 2006	*	*
New shares issued pursuant to the acquisition of DISB	58,220	29,110
Reserve adjustment for reverse acquisition of Dufu by DISB	-	(24,110)
	<u>58,220</u>	<u>5,000</u>
New shares issued pursuant to the acquisition of IPG	7,580	3,790
After Acquisitions	<u>65,800</u>	<u>8,790</u>

\* The issued and fully paid-up share capital consists of 4 ordinary shares of RM0.50 each.

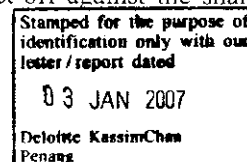
### 1.2 Proforma II

Proforma II incorporates the effects of Proforma I and the followings which are assumed to have been effected on 31 July 2006:

- (i) public issue of 24,200,000 new Dufu shares at an issue price of RM0.70 per ordinary share ("Public Issue"); and
- (ii) Utilisation of proceeds from the Public Issue amounting to RM16,940,000 in the following manner:

	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
<b>Total</b>	<u>16,940</u>

The estimated share issue expenses of RM2,000,000 will be set-off against the share premium account.



## 11. HISTORICAL FINANCIAL INFORMATION (Cont'd)


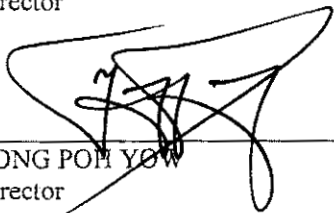
DUFU TECHNOLOGY CORP. BERHAD (COMPANY NO.: 581612 A)  
(Incorporated in Malaysia)

2. The movement of the issued and paid-up share capital, reserves, cash and bank balances, property, plant and equipment, hire-purchase payables and other receivables and prepaid expenses after taking into account the above transactions are as follows:

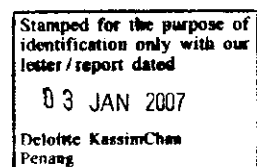
	Share Capital RM'000	Reserves RM'000	Cash and bank balances RM'000	Property, plant and equipment RM'000	Hire- purchase payables RM'000	Other receivables and prepaid expenses RM'000
As of 31 July 2006	*	(25)	5	-	-	459
Acquisitions	8,790	28,350	1,748	40,700	13,558	1,872
<b>Proforma I</b>	8,790	28,325	1,753	40,700	13,558	2,331
Public Issue	12,100	4,840	16,940	-	-	-
Utilisation of proceeds:						
Estimated share issue expenses	-	(2,000)	(1,541)	-	-	(459)
Purchase of machinery	-	-	(7,000)	7,000	-	-
Part settlement of hire-purchase payables	-	-	(5,000)	-	(5,000)	-
<b>Proforma II</b>	20,890	31,165	5,152	47,700	8,558	1,872

\* RM2

On behalf of the Board of Directors,


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

  
YONG POH YOW  
Director

3 JAN 2007



11. HISTORICAL FINANCIAL INFORMATION (Cont'd)

11.13 REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION

(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  
Fax : +60(4) 2288355  
mypenang@deloitte.com  
www.deloitte.com.my

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

3 January 2007

Dear Sirs,

**DUFU TECHNOLOGY CORP. BERHAD (COMPANY NO.: 581612 A)  
PROFORMA CONSOLIDATED FINANCIAL INFORMATION**

We have reviewed the presentation of the proforma consolidated financial information of Dufu Technology Corp. Berhad ("Dufu") and its subsidiary companies ("Dufu Group") which consists of proforma consolidated income statements for the past three financial years ended 31 December 2003 to 31 December 2005 and seven months ended 31 July 2006, proforma consolidated cash flow statement for the seven months ended 31 July 2006, proforma consolidated balance sheets as of 31 July 2006 and proforma statement of assets and liabilities as of 31 July 2006 ("Proforma Consolidated Financial Information"), together with the notes and assumptions thereto prepared for illustrative purposes, for inclusion in the Prospectus of Dufu to be dated **31 JAN 2007** in conjunction with the 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 ("Dufu Shares") on the Second Board of the Bursa Malaysia Securities Berhad which include the public issue of 24,200,000 new Dufu Shares at an issue price of RM0.70 per Dufu Share payable in full upon application.

Dufu was incorporated on 30 May 2002 and it completed its acquisitions of 5,000,000 ordinary shares of RM1.00 each in Dufu Industries Sdn. Bhd. ("DISB"), representing the entire equity interest in DISB, for a purchase consideration of RM29,110,000 satisfied by the issuance of 58,220,000 new Dufu Shares and 2,000,000 ordinary shares of RM1.00 each in I.P.G. Metal Industry (M) Sdn. Bhd. ("IPG"), representing the entire equity interest in IPG, for a purchase consideration of RM3,789,998 satisfied by the issuance of 7,579,996 new Dufu Shares on 30 August 2006. The abovementioned Proforma Consolidated Financial Information has been presented for illustrative purposes only to reflect the effects on the financial position, the financial results and cash flows of the Dufu Group based on the assumption that the Dufu Group has been in existence and the acquisitions of DISB and IPG have been completed on 1 January 2003.

It is the responsibility solely of the Board of Directors of Dufu to prepare the Proforma Consolidated Financial Information in accordance with the requirements of the Securities Commissions' Prospectus Guideline in respect of Public Offerings ("the Guidelines").

It is our responsibility to form an opinion on the Proforma Consolidated Financial Information as required by the Guidelines and to report our opinion to you.

Audit.Tax.Consulting.Financial Advisory.

Member of  
Deloitte Touche Tohmatsu

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11. HISTORICAL FINANCIAL INFORMATION (Cont'd)

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**Deloitte KassimChan**

3 January 2007  
Dufu Technology Corp. Berhad  
Page No.: 2

Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the audited financial statements, considering the evidence supporting the adjustments, and discussing the Proforma Consolidated Financial Information with the Directors of Dufu.

With the foregoing explanations, in our opinion:

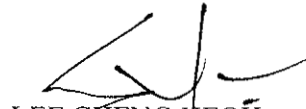
- (a) The Proforma Consolidated Financial Information has been properly prepared:
  - (i) on the basis and assumptions of preparation as stated hereunder and such basis is consistent with the accounting policies adopted by Dufu and its subsidiary companies; and
  - (ii) based on the audited financial statements of Dufu and its subsidiary companies for the three years ended 31 December 2003, 2004 and 2005 and seven months ended 31 July 2006 and such financial statements have been prepared in accordance with the applicable Malaysian Accounting Standards Board ("MASB") approved accounting standards in Malaysia.
- (b) Each material adjustment made to the information used in the preparation of the Proforma Consolidated Financial Information is appropriate for the purpose of preparing the Proforma Consolidated Financial Information.

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 purposes without our prior written consent.

Yours faithfully,



DELOITTE KASSIMCHAN  
AF0080  
Chartered Accountants



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

Penang

## 11. HISTORICAL FINANCIAL INFORMATION (Cont'd)

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

#### NOTES AND ASSUMPTIONS TO THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION OF DUFU TECHNOLOGY CORP. BERHAD ("DUFU") AND ITS SUBSIDIARY COMPANIES ("DUFU GROUP")

The Proforma Consolidated Financial Information has been presented on the following bases and assumptions:

#### 1. Basis of Preparation

The Proforma Consolidated Financial Information of the Dufu Group, which consists of the following:

- Proforma consolidated income statements for the three financial years ended 31 December 2003, 2004 and 2005 and seven months ended 31 July 2006;
- Proforma consolidated cash flow statement for the seven months ended 31 July 2006;
- Proforma consolidated balance sheet as of 31 July 2006; and
- Proforma statement of assets and liabilities as of 31 July 2006,

has been prepared based on the accounting policies consistent with those adopted in the preparation of the audited financial statements of Dufu and of its subsidiary companies to be acquired.

#### 2. Bases and Assumptions

Dufu was incorporated on 30 May 2002 and 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.

- (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 gross proceeds from the Public Issue will be utilised 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
<b>Total</b>	<b>16,940</b>

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03 JAN 2007  
Deloitte KassimChan  
Penang

11. HISTORICAL FINANCIAL INFORMATION (Cont'd)

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

- (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 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;
- (iv) Establishment of an Employee Share Option Scheme ("ESOS") or 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.

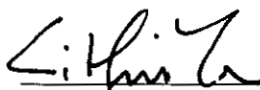
The Proforma Consolidated Financial Information is prepared for illustrative purposes only to reflect what:

- (i) The financial results of the Dufu Group for the financial years ended 31 December 2003, 2004 and 2005 and seven months ended 31 July 2006 (the "Relevant Period") would have been if the Dufu Group had been in existence at the beginning of the Relevant Period;
- (ii) The cash flows of the Dufu Group for the seven months ended 31 July 2006 would have been if the Dufu Group had been in existence at the beginning of the Relevant Period; and
- (iii) The financial position of the Dufu Group as of 31 July 2006 would have been if the Dufu Group had been in existence at the beginning of the Relevant Period.

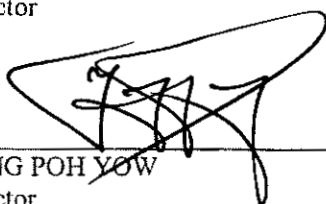
The Proforma Consolidated Financial Information has been prepared based on the audited financial statements of Dufu, DISB and IPG for the three financial years ended 31 December 2003, 2004 and 2005 and seven months ended 31 July 2006.

The abovementioned audited financial statements have been prepared in accordance with the applicable Malaysian Accounting Standards Board ("MASB") approved accounting standards in Malaysia.

On behalf of the Board of Directors,

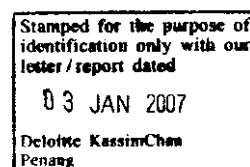


LEE, HUI-TA ALSO KNOWN AS LI HUI TA  
Director



YONG POH YOW  
Director

3 JAN 2007



## 11. HISTORICAL FINANCIAL INFORMATION (Cont'd)

**DUFU TECHNOLOGY CORP. BERHAD (COMPANY NO.: 581612 A)**  
**(Incorporated in Malaysia)****A. PROFORMA CONSOLIDATED INCOME STATEMENTS FOR THE THREE FINANCIAL YEARS ENDED 31 DECEMBER 2003 TO 31 DECEMBER 2005 AND SEVEN MONTHS ENDED 31 JULY 2006**

The following is a summary of the proforma consolidated income statements of Dufu Technology Corp. Berhad ("Dufu") and its subsidiary companies ("the Group") for the past three financial years ended 31 December 2003 to 31 December 2005 and seven months ended 31 July 2006, which is presented for illustrative purposes only after making such adjustments that are considered necessary and assuming that the Group has been in existence throughout the financial years/ period under review.

	Financial years ended 31 December			Seven months ended 31 July 2006
	2003 RM'000	2004 RM'000	2005 RM'000	RM'000
Revenue	38,135	41,442	68,207	52,179
Cost of Sales	(31,161)	(31,254)	(56,396)	(43,309)
Gross profit	6,974	10,188	11,811	8,870
Other operating income	831	802	1,746	1,934
General & administrative expenses	(5,048)	(5,057)	(6,633)	(5,476)
Profit from operations	2,757	5,933	6,924	5,328
Finance costs	(603)	(901)	(1,000)	(690)
Profit before tax	2,154	5,032	5,924	4,638
Tax income/(expense)	48	(834)	(501)	(439)
Profit after tax before minority interest	2,202	4,198	5,423	4,199
Minority interest	-	-	-	-
Net profit for the year	2,202	4,198	5,423	4,199
Gross profit margin (%)	18.29	24.58	17.32	17.00
Profit after tax margin (%)	5.77	10.13	7.95	8.05
Number of Dufu Shares assumed in issue ('000)	65,800	65,800	65,800	65,800
Earnings per ordinary share (sen)				
- Basic	3.35	6.38	8.24	6.38
- Diluted	3.35	6.38	8.24	6.38

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03 JAN 2007  
Deloitte KessimCham  
Penang

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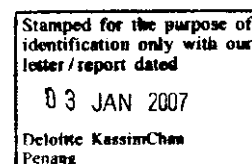
**11. HISTORICAL FINANCIAL INFORMATION (Cont'd)**

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

**Basis of Preparation**

- (i) The proforma consolidated income statements for the past three financial years ended 31 December 2003 to 31 December 2005 and seven months ended 31 July 2006 are presented for illustrative purposes only and on the assumption that the Group has been in existence throughout the financial years/ period under review.
- (ii) The proforma consolidated income statements of the Group are prepared based on the audited financial statements of Dufu, DISB and IPG, which have been prepared in accordance with the applicable MASB approved accounting standards in Malaysia.
- (iii) All significant inter-company transactions and resulting unrealised gains are eliminated on consolidation. Unrealised losses are eliminated on consolidation unless costs can not be recovered. The proforma Group results reflect external transactions only.
- (iv) There were no extraordinary items or exceptional items in respect of all the financial years/period under review.
- (v) The earnings per ordinary share have been calculated by dividing the proforma consolidated profit after tax by the number of Dufu Shares assumed in issue after the Acquisitions but before the Public Issue.





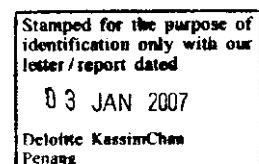
**11. HISTORICAL FINANCIAL INFORMATION (Cont'd)****DUFU TECHNOLOGY CORP. BERHAD (COMPANY NO.: 581612 A)  
(Incorporated in Malaysia)**

The following adjustments have been made in arriving at the proforma consolidated income statements:

**Year Ended 31 December 2003**

	<b>Dufu Audited RM'000</b>	<b>Adjustments for Acquisitions* RM'000</b>	<b>Proforma Group RM'000</b>
Revenue	-	38,135	38,135
Cost of Sales	-	(31,161)	(31,161)
Gross profit	-		6,974
Other operating income	-	831	831
General & administrative expenses	(1)	(5,047)	(5,048)
(Loss)/ Profit from operations	(1)		2,757
Finance costs	-	(603)	(603)
(Loss)/ Profit before tax	(1)		2,154
Tax income	-	48	48
(Loss)/ Profit after tax before minority interest	(1)		2,202
Minority interest	-		-
Net (loss)/ profit for the year	(1)		2,202

\* The adjustments made represent the income statement for the year ended 31 December 2003 of subsidiary companies to be acquired. Significant inter-company transactions are eliminated.



## 11. HISTORICAL FINANCIAL INFORMATION (Cont'd)

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

Year Ended 31 December 2004

	Dufu Audited RM'000	Adjustments for Acquisitions* RM'000	Proforma Group RM'000
Revenue	-	41,442	41,442
Cost of Sales	-	(31,254)	(31,254)
Gross profit	-		10,188
Other operating income	-	802	802
General & administrative expenses	(4)	(5,053)	(5,057)
(Loss)/ Profit from operations	(4)		5,933
Finance costs	-	(901)	(901)
(Loss)/ Profit before tax	(4)		5,032
Tax expense	-	(834)	(834)
(Loss)/ Profit after tax before minority interest	(4)		4,198
Minority interest	-		-
Net (loss)/ profit for the year	(4)		4,198

\* The adjustments made represent the income statement for the year ended 31 December 2004 of subsidiary companies to be acquired. Significant inter-company transactions are eliminated.

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03 JAN 2007  
Deloitte KessimChan  
Penang

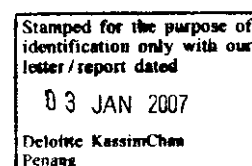
## 11. HISTORICAL FINANCIAL INFORMATION (Cont'd)

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

Year Ended 31 December 2005

	Dufu Audited RM'000	Adjustments for Acquisitions* RM'000	Proforma Group RM'000
Revenue	-	68,207	68,207
Cost of Sales	-	(56,396)	(56,396)
Gross profit	-		11,811
Other operating income	-	1,746	1,746
General & administrative expenses	(8)	(6,625)	(6,633)
(Loss)/ Profit from operations	(8)		6,924
Finance costs	-	(1,000)	(1,000)
(Loss)/ Profit before tax	(8)		5,924
Tax expense	-	(501)	(501)
(Loss)/ Profit after tax before minority interest	(8)		5,423
Minority interest	-		-
Net (loss) /profit for the year	(8)		5,423

\* The adjustments made represent the income statement for the year ended 31 December 2005 of subsidiary companies to be acquired. Significant inter-company transactions are eliminated.



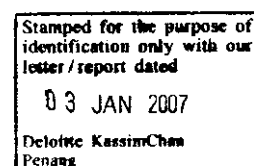
## 11. HISTORICAL FINANCIAL INFORMATION (Cont'd)

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

Seven months ended 31 July 2006

	Dufu Audited RM'000	Adjustments for Acquisitions* RM'000	Proforma Group RM'000
Revenue	-	52,179	52,179
Cost of Sales	-	(43,309)	(43,309)
Gross profit	-		8,870
Other operating income	-	1,934	1,934
General & administrative expenses	(2)	(5,474)	(5,476)
(Loss)/ Profit from operations	(2)		5,328
Finance costs	-	(690)	(690)
(Loss)/ Profit before tax	(2)		4,638
Tax expense	-	(439)	(439)
(Loss)/ Profit after tax before minority interest	(2)		4,199
Minority interest	-		-
Net (loss)/ profit for the period	(2)		4,199

\* The adjustments made represent the income statement for the seven months ended 31 July 2006 of subsidiary companies to be acquired. Significant inter-company transactions are eliminated.



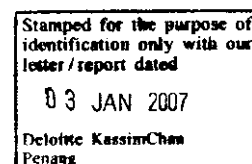
## 11. HISTORICAL FINANCIAL INFORMATION (Cont'd)

**DUFU TECHNOLOGY CORP. BERHAD (COMPANY NO.: 581612 A)  
(Incorporated in Malaysia)****B. PROFORMA CONSOLIDATED CASH FLOW STATEMENT  
FOR THE SEVEN MONTHS ENDED 31 JULY 2006**

The following proforma consolidated cash flow statement of the Group has been prepared for illustrative purposes only based on the audited financial statements of Dufu, DISB and IPG for the seven months ended 31 July 2006 which have been prepared in accordance with the applicable MASB approved accounting standards in Malaysia after making such adjustments that are considered necessary for elimination of all significant inter-company transactions and balances and on the assumption that the Group had been in existence throughout the said financial period under review.

	Dufu Audited RM'000	Adjustments for Acquisitions* RM'000	Proforma Group RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
(Loss)/ Profit before tax	(2)	4,640	4,638
Adjustments for:			
Depreciation of property, plant and equipment	-	2,891	2,891
Interest expenses	-	690	690
Unrealised loss on foreign exchange	-	23	23
Allowance for slow moving inventories no longer required	-	(238)	(238)
Interest income	-	(1)	(1)
Operating (loss)/ profit before working capital changes	(2)		8,003
Increase in:			
Inventories	-	(3,485)	(3,485)
Trade receivables	-	(3,142)	(3,142)
Other receivables and prepaid expenses	(418)	(251)	(669)
Increase/ (Decrease) in:			
Trade payables	-	5,168	5,168
Other payables and accrued expenses	420	(284)	136
Cash generated from operations	-		6,011
Tax paid	-	(421)	(421)
Net cash generated from operating activities	-		5,590

(FORWARD)

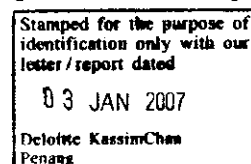


## 11. HISTORICAL FINANCIAL INFORMATION (Cont'd)

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

	Dufu Audited RM'000	Adjustments for Acquisitions* RM'000	Proforma Group RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from disposal of property, plant and equipment	-	5	5
Interest received	-	1	1
Purchase of property, plant and equipment	-	(1,906)	(1,906)
Net cash used in investing activities	-		(1,900)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase in bank borrowings	-	843	843
Proceeds from long-term loans	-	2,439	2,439
Proceeds from re-financing under hire- purchase	-	301	301
Repayment of hire-purchase payables	-	(2,467)	(2,467)
Repayment of long-term loans	-	(851)	(851)
Interest paid	-	(687)	(687)
Net cash used in financing activities	-		(422)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	-	3,268	3,268
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	5	(2,236)	(2,231)
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	5		1,037
<b>Cash and cash equivalents at end of period comprise of:</b>			
Fixed deposits with a licensed bank	-	500	500
Cash and bank balances	5	1,748	1,753
Bank overdrafts	-	(716)	(716)
			1,537
Less: Fixed deposits held as security value	-	(500)	(500)
	5		1,037

\* The adjustments made represent the cash flow statement for the seven ended 31 July 2006 of subsidiary companies to be acquired. Significant intercompany transactions and balances are eliminated.



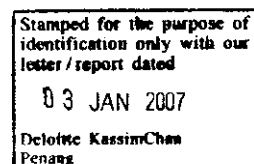
## 11. HISTORICAL FINANCIAL INFORMATION (Cont'd)

**DUFU TECHNOLOGY CORP. BERHAD (COMPANY NO.: 581612 A)**  
**(Incorporated in Malaysia)**
**C. PROFORMA CONSOLIDATED BALANCE SHEET**  
**AS OF 31 JULY 2006**

	Dufu Audited RM'000	Adjustment for Acquisitions** RM'000	Proforma Group RM'000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	-	40,700	40,700
Goodwill on consolidation	-	2,017	2,017
Investment in club membership, at cost	-	61	61
Total Non-Current Assets	-		42,778
<b>CURRENT ASSETS</b>			
Inventories	-	15,095	15,095
Trade receivables	-	21,216	21,216
Other receivables and prepaid expenses	459	1,872	2,331
Tax Recoverable	-	96	96
Fixed deposits with a licensed bank	-	500	500
Cash and bank balances	5	1,748	1,753
Total Current Assets	464		40,991
<b>TOTAL ASSETS</b>	<b>464</b>		<b>83,769</b>
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Share capital	*	8,790	8,790
Reserves	(25)	30,342	30,317
Shareholders' Equity	(25)		39,107
<b>NON-CURRENT AND DEFERRED LIABILITIES</b>			
Loan term loans	-	7,539	7,539
Hire-purchase payables	-	8,490	8,490
Deferred tax liabilities	-	2,308	2,308
Total Non-Current and Deferred Liabilities	-		18,337
<b>CURRENT LIABILITIES</b>			
Trade payables	-	13,291	13,291
Other payables and accrued expenses	489	4,463	4,952
Bank borrowing	-	2,104	2,104
Long term loans	-	899	899
Hire-purchase payables	-	5,068	5,068
Tax liabilities	-	11	11
Total Current Liabilities	489		26,325
Total Liabilities	489		44,662
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>464</b>		<b>83,769</b>
Number of ordinary shares ('000)	0.004		65,800
Net Tangible Assets ("NTA")/ Proforma Consolidated NTA (RM'000)	(25)		37,090
NTA/ Proforma Consolidated NTA per ordinary share (RM)	(6,250)		0.56

\* RM2

\*\* The adjustments made represent the balance sheet as of 31 July 2006 of subsidiary companies to be acquired. Significant inter-company balances are eliminated. Goodwill on consolidation represents the excess of cost of the business combination over the acquirer's interest in the fair value of identifiable net assets of acquiree as of 1 January 2003.



**11. HISTORICAL FINANCIAL INFORMATION (Cont'd)****DUFU TECHNOLOGY CORP. BERHAD (COMPANY NO.: 581612 A)  
(Incorporated in Malaysia)****Basis of Preparation**

The Proforma Consolidated Balance Sheet of Dufu together with the notes thereon have been prepared for illustrative purposes only, based on accounting principles and bases consistent with those previously adopted in the preparation of the audited financial statements of Dufu, DISB and IPG as of 31 July 2006, which have been prepared in accordance with the applicable Malaysian Accounting Standards Board ("MASB") approved accounting standards in Malaysia after making such adjustments that are considered necessary for elimination of all significant intercompany balances.

The Proforma Consolidated Balance Sheet of Dufu has been prepared for illustrative purposes only based on the audited balance sheets of Dufu, DISB and IPG as of 31 July 2006, to reflect the effects on the financial position of the Group based on the assumption that the Group has been in existence and the Acquisitions of the following by Dufu have been completed on 1 January 2003:

- (i) the entire issued and fully paid-up share capital of 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
- (ii) the entire issued and fully paid-up share capital of 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.

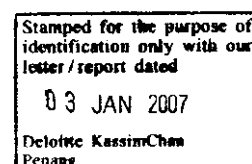
(hereinafter collectively referred to as the "Acquisitions").

The Acquisitions are accounted for using the purchase method of consolidation.

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 1 January 2003 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 (RM9,000) as of 1 January 2003. 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.





**11. HISTORICAL FINANCIAL INFORMATION (Cont'd)****DUFU TECHNOLOGY CORP. BERHAD (COMPANY NO.: 581612 A)  
(Incorporated in Malaysia)**

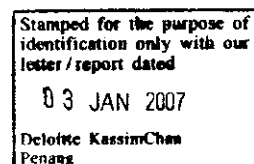
The net assets acquired at this business combination and the goodwill arising, are as follows:

	<b>Acquiree's carrying amount before combination RM'000</b>	<b>Fair value RM'000</b>
Net assets acquired:		
Prepaid expenses	22	22
Cash and bank balances	5	5
Sundry payable and accrued expenses	(36)	(36)
	<u>(9)</u>	
Goodwill		<u>9</u>
Total cost of business combination		<u>-</u>

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

	<b>Acquiree's carrying amount before combination RM'000</b>	<b>Fair value RM'000</b>
Net assets acquired:		
Property, plant and equipment	1,876	1,876
Inventories	891	891
Trade receivables	872	872
Other receivables and prepaid expenses	822	822
Cash and bank balances	590	590
Trade payables	(298)	(298)
Other payables and accrued expenses	(822)	(822)
Hire-purchase payables	(530)	(530)
Tax liabilities	(1)	(1)
Amount owing to directors	(1,618)	(1,618)
	<u>1,782</u>	
Goodwill		<u>2,008</u>
Total consideration		<u>3,790</u>

In accordance with FRS 3, the amount recognised as issued equity instruments in the proforma consolidated balance sheet are determined by adding to the issued equity of DISB immediately before the business combination the cost of the combination. However, the equity structure appearing in the proforma consolidated balance sheet (ie the number and type of equity instruments issued) shall reflect the equity structure of Dufu, including the equity instruments issued by Dufu to effect the combination.



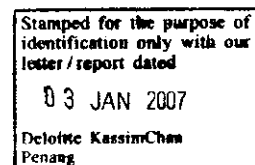
## 11. HISTORICAL FINANCIAL INFORMATION (Cont'd)

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

The movement of the issued and paid-up share capital after taking into account the Acquisitions are as follows:

	<b>Proforma Group</b>	
	<b>No. of ordinary shares of RM0.50 each '000</b>	<b>RM'000</b>
Issued and fully paid-up:		
At 31 July 2006	*	*
New shares issued pursuant to the acquisition of DISB	58,220	29,110
Reserve adjustment for reverse acquisition of Dufu by DISB	-	(24,110)
	<hr/>	<hr/>
	58,220	5,000
New shares issued pursuant to the acquisition of IPG	7,580	3,790
	<hr/>	<hr/>
After Acquisitions	65,800	8,790
	<hr/> <hr/>	<hr/> <hr/>

\* The issued and fully paid-up share capital consists of 4 ordinary shares of RM0.50 each.



## 11. HISTORICAL FINANCIAL INFORMATION (Cont'd)

**DUFU TECHNOLOGY CORP. BERHAD (COMPANY NO.: 581612 A)**  
**(Incorporated in Malaysia)****D. PROFORMA STATEMENT OF ASSETS AND LIABILITIES OF THE DUFU GROUP AS OF 31 JULY 2006**

The following is the detailed proforma statement of assets and liabilities of the Dufu Group which has been prepared for illustrative purposes only and based on the audited balance sheets of Dufu, DISB and IPG as of 31 July 2006. The proforma statement of assets and liabilities of the Dufu Group have been prepared on the assumption that the Acquisitions had been completed on 1 January 2003 and should be read in conjunction with the notes thereon.

	Note	Proforma Group RM'000
<b><u>ASSETS</u></b>		
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	3	40,700
Goodwill on consolidation		2,017
Investment in club membership, at cost		61
		<hr/>
<b>Total Non-Current Assets</b>		<b>42,778</b>
		<hr/>
<b>CURRENT ASSETS</b>		
Inventories	4	15,095
Trade receivables	5	21,216
Other receivables and prepaid expenses	6	2,331
Tax Recoverable		96
Fixed deposits with a licensed bank		500
Cash and bank balances		1,753
		<hr/>
<b>Total Current Assets</b>		<b>40,991</b>
		<hr/>
<b>TOTAL ASSETS</b>		<b>83,769</b>
		<hr/> <hr/>
<b><u>EQUITY AND LIABILITIES</u></b>		
<b>CAPITAL AND RESERVES</b>		
Share capital	7	8,790
Reserves	8	30,317
		<hr/>
<b>Shareholders' Equity</b>		<b>39,107</b>
		<hr/>
<b>NON-CURRENT AND DEFERRED LIABILITIES</b>		
Long term loans	9	7,539
Hire-purchase payables	10	8,490
Deferred tax liabilities	11	2,308
		<hr/>
<b>Total Non-Current and Deferred Liabilities</b>		<b>18,337</b>
		<hr/>

(FORWARD)

## 11. HISTORICAL FINANCIAL INFORMATION (Cont'd)

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

	Note	Proforma Group RM'000
<b>CURRENT LIABILITIES</b>		
Trade payables	12	13,291
Other payables and accrued expenses	13	4,952
Bank borrowing	14	2,104
Long term loans	9	899
Hire-purchase payables	10	5,068
Tax liabilities		11
		<hr/>
<b>Total Current Liabilities</b>		26,325
		<hr/>
<b>Total Liabilities</b>		44,662
		<hr/>
<b>TOTAL EQUITY AND LIABILITIES</b>		83,769
		<hr/> <hr/>
Number of ordinary shares assumed in issue ('000)		65,800
Proforma Net Tangible Assets (RM'000)		37,090
Proforma Net Tangible Assets per ordinary share (RM)		0.56

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**11. HISTORICAL FINANCIAL INFORMATION (Cont'd)****DUFU TECHNOLOGY CORP. BERHAD (COMPANY NO.: 581612 A)  
(Incorporated in Malaysia)****NOTES TO THE PROFORMA STATEMENT OF ASSETS AND LIABILITIES****1. BASIS OF PREPARATION**

The proforma statement of assets and liabilities of the Dufu Group has been prepared for illustrative purposes only based on the audited balance sheets of Dufu, DISB and IPG as of 31 July 2006 and on the assumption that the Acquisitions had been completed on 1 January 2003.

The proforma statement of assets and liabilities of the Dufu Group together with the notes thereon have been prepared for illustrative purposes only, based on accounting principles and bases consistent with those previously adopted in the preparation of the audited financial statements of Dufu, DISB and IPG as of 31 July 2006, which have been prepared in accordance with the applicable Malaysian Accounting Standards Board ("MASB") approved accounting standards in Malaysia.

**2. SIGNIFICANT ACCOUNTING POLICIES****Basis of Accounting**

The financial statements of the 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, the 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 the Group.

**Basis of Consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities control by the Company (its subsidiaries). Control is achieved where the Company 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 the 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 the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in income statements.

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**11. HISTORICAL FINANCIAL INFORMATION (Cont'd)****DUFU TECHNOLOGY CORP. BERHAD (COMPANY NO.: 581612 A)  
(Incorporated in Malaysia)****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.

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

**Foreign Currency Conversion**

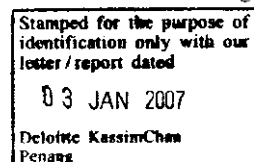
The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Ringgit Malaysia, which is the functional currency of the Company, 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 the 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 the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.



## 11. HISTORICAL FINANCIAL INFORMATION (Cont'd)

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

#### 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.

#### 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:

	<u>Rates</u>
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%

As of 31 July 2006, the unexpired lease period of the Group's short leasehold land is 46 years.

The 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 31 July 2006 amounted to RM5,416,000 and this amount will be depreciated over the remaining useful lives of the relevant assets.

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.

Gain or loss arising from the disposal of an asset is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset, and is 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.

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**11. HISTORICAL FINANCIAL INFORMATION (Cont'd)****DUFU TECHNOLOGY CORP. BERHAD (COMPANY NO.: 581612 A)  
(Incorporated in Malaysia)**

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.

**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.

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.

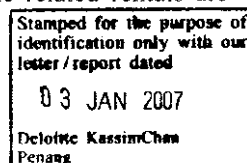
**Hire-Purchase**

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.





**11. HISTORICAL FINANCIAL INFORMATION (Cont'd)****DUFU TECHNOLOGY CORP. BERHAD (COMPANY NO.: 581612 A)  
(Incorporated in Malaysia)****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.

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 the 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.

**3. PROPERTY, PLANT AND EQUIPMENT****Proforma Group**

	Cost RM'000	Accumulated Depreciation RM'000	Net Book Value RM'000
At 1997 valuation:			
Short leasehold land	4,800	(743)	4,057
Building	3,200	(1,841)	1,359
At cost:			
Buildings	4,190	(642)	3,548
Plant and machinery	44,971	(18,473)	26,498
Computers	760	(510)	250
Tools and implements	2,657	(1,185)	1,472
Electrical installation	1,617	(664)	953
Air conditioners	446	(267)	179
Office equipment	199	(119)	80
Furniture and fittings	888	(331)	557
Renovation	541	(311)	230
Motor vehicles	2,336	(819)	1,517
	66,605	(25,905)	40,700

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## 11. HISTORICAL FINANCIAL INFORMATION (Cont'd)

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

As of 31 July 2006, the net carrying amount of property, plant and equipment of the Group acquired under hire-purchase arrangements of which installments are still outstanding are as follows:

	<b>Proforma Group RM'000</b>
Plant and machinery	16,356
Motor vehicles	1,416
Tools and implements	119
	<u>17,891</u>

As of 31 July 2006, certain property, plant and equipment of the Group with a total carrying value of RM30,233,000 are pledged to a local licensed bank as securities for banking facilities granted to the Group as mentioned in Note 14.

#### 4. INVENTORIES

	<b>Proforma Group RM'000</b>
At cost:	
Raw materials	3,221
Work-in-progress	1,741
Finished goods	9,152
Tools and instruments	981
	<u>15,095</u>

Certain inventories of the Group with a carrying value of RM7,540,000 are pledged to a local bank as securities for banking facilities granted to the Group as mentioned in Note 14.

#### 5. TRADE RECEIVABLES

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

Analysis of trade receivables by currencies:

	<b>Proforma Group RM'000</b>
United States Dollar	16,961
Ringgit Malaysia	4,003
Singapore Dollar	252
	<u>21,216</u>

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## 11. HISTORICAL FINANCIAL INFORMATION (Cont'd)

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

## 6. OTHER RECEIVABLES AND PREPAID EXPENSES

	<b>Proforma Group RM'000</b>
Other receivables	1,109
Deposits for machinery	374
Other deposits	99
Prepaid expenses	749
	<u>2,331</u>

## 7. SHARE CAPITAL

	<b>Proforma Group</b>	
	<b>No. of shares of RM0.50 each '000</b>	<b>RM'000</b>
Authorised:		
Shares:		
At 31 July 2006	200	100
Created on 30 August 2006	199,800	99,900
	<u>200,000</u>	<u>100,000</u>
Issued and fully paid-up:		
Ordinary shares:		
At 31 July 2006	*	*
New shares issued pursuant to the acquisition of DISB	58,220	29,110
Reserve adjustment for reverse acquisition of Dufu by DISB	-	(24,110)
	<u>58,220 #</u>	<u>5,000</u>
New shares issued pursuant to the acquisition of IPG	7,580	3,790
After acquisitions	<u>65,800</u>	<u>8,790</u>

\* The issued and fully paid-up share capital consists of 4 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 the issue of 58,220,000 new ordinary shares of RM0.50 each, controlling about 100% of the enlarged 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.

In accordance with FRS 3, the amount recognised as issued equity instruments in the consolidated financial statements are determined by adding to the issued equity of DISB immediately before the business combination the cost of the combination. However, the equity structure appearing in the consolidated financial statements (ie the number and type of equity instruments issued) shall reflect the equity structure of Dufu, including the equity instruments issued by Dufu to effect the combination.

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**11. HISTORICAL FINANCIAL INFORMATION (Cont'd)**


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

	<b>Proforma Group RM'000</b>
Non-distributable:	
Revaluation reserve	2,495
Exchange reserve	(7)
	<hr/>
	2,488
Distributable:	
Retained profit	27,829
	<hr/>
	<u>30,317</u>

**9. LONG-TERM LOANS**

	<b>Proforma Group RM'000</b>
Secured:	
Outstanding amount	8,438
Less: Portion due within one year	(899)
	<hr/>
Non-current portion	<u>7,539</u>

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 14. The periods in which the long-term portion of the amount outstanding is repayable are as follows:

	<b>Proforma Group RM'000</b>
Later than 1 year and not later than 2 years	751
Later than 2 years and not later than 5 years	2,020
Later than 5 years	4,768
	<hr/>
	<u>7,539</u>

The effective interest rates for the long-term loans are ranging from 5.75% to 7.75%.

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**11. HISTORICAL FINANCIAL INFORMATION (Cont'd)**


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**DUFU TECHNOLOGY CORP. BERHAD (COMPANY NO.: 581612 A)**  
**(Incorporated in Malaysia)**
**10. HIRE-PURCHASE PAYABLES**

	<b>Proforma Group RM'000</b>
Total amount outstanding	15,278
Less: Interest-in-suspense outstanding	(1,720)
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Principal outstanding	13,558
Less: Portion due within one year	(5,068)
	<hr/>
Non-current portion	<u>8,490</u>

It is the 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 9.77% per annum. Interest rate is fixed at the inception of the hire-purchase arrangements.

The non-current portion is repayable as follows:

	<b>Proforma Group RM'000</b>
Later than 1 year and not later than 2 years	4,263
Later than 2 years and not later than 5 years	4,194
Later than 5 years	33
	<hr/>
	<u>8,490</u>

The Group's hire-purchase payables are secured by the financial institution's charge over the assets under hire-purchase.

**11. DEFERRED TAX LIABILITIES**

The deferred tax liabilities are in respect of the following:

	<b>Proforma Group RM'000</b>
Tax effect of temporary differences arising from property, plant and equipment	1,523
Tax effect in respect of:	
Revaluation surplus	970
Unabsorbed capital allowances	(224)
Carryforward tax losses	(8)
Other temporary differences	47
	<hr/>
	<u>2,308</u>

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**11. HISTORICAL FINANCIAL INFORMATION (Cont'd)**


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**DUFU TECHNOLOGY CORP. BERHAD (COMPANY NO.: 581612 A)**  
**(Incorporated in Malaysia)**
**12. TRADE PAYABLES**

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

Analysis of trade payables by currencies:

	<b>Proforma Group RM'000</b>
Singapore Dollar	6,628
United States Dollar	4,611
Ringgit Malaysia	2,033
Swiss Franc	19
	<hr/>
	13,291
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**13. OTHER PAYABLES AND ACCRUED EXPENSES**

	<b>Proforma Group RM'000</b>
Other payables	3,840
Accrued expenses	1,072
Deposits received	25
Interest payables	15
	<hr/>
	4,952
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Other payables comprise mainly amounts outstanding for ongoing costs.

Analysis of other payables and accrued expenses by currencies:

	<b>Proforma Group RM'000</b>
Ringgit Malaysia	3,064
Singapore Dollar	803
Japanese Yen	451
United States Dollar	332
Swiss Franc	302
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	4,952
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**11. HISTORICAL FINANCIAL INFORMATION (Cont'd)**


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**DUFU TECHNOLOGY CORP. BERHAD (COMPANY NO.: 581612 A)**  
**(Incorporated in Malaysia)**
**14. BANK BORROWINGS**

	<b>Proforma Group RM'000</b>
Secured:	
Bank overdrafts	715
Bankers' acceptance	1,389
	<hr/>
	2,104
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The Group's banking facilities bear interest at rates ranging from 0% to 1.75% per annum above the lending banks' base lending rates and 1.25% per annum acceptance commission.

These banking facilities including the long-term loans as mentioned in Note 9 are secured as follows:

- i) legal charge over the Group's short leasehold land and building;
- ii) pledge against fixed deposits of the Group;
- iii) debenture comprising fixed and floating charge over all the present and future assets of DISB; and
- iv) jointly and severally guaranteed by certain directors of the Group.

The effective interest rates are as follows:

Bank overdrafts	7.50%-8.00%
Bankers' acceptance	4.10%-6.05%
	<hr/> <hr/>

**15. LEASE COMMITMENTS**

As of 31 July 2006, non-cancellable long-term lease commitments in respect of rental of premises, land and hostel are as follows:

	<b>Proforma Group RM'000</b>
Not later than 1 year	165
Later than 1 year but not later than 5 years	19
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	184
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**11. HISTORICAL FINANCIAL INFORMATION (Cont'd)****DUFU TECHNOLOGY CORP. BERHAD (COMPANY NO.: 581612 A)  
(Incorporated in Malaysia)****16. CAPITAL COMMITMENTS**

As of 31 July, 2006, Dufu Group has capital expenditure contracted but not provided for in the financial statements of approximately RM9,100,000.

**17. SUBSEQUENT EVENTS**

- i) 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.

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.

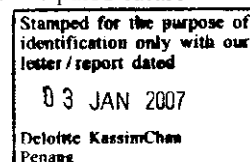
The cost of this business combination was determined in accordance with FRS 3 on basis of the fair value of Dufu as of 30 August 2006 and the number of new shares DISB would have had to issue to the shareholders of Dufu to provide the same percentage ownership interest of the combined entity.

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.





**11. HISTORICAL FINANCIAL INFORMATION (Cont'd)****DUFU TECHNOLOGY CORP. BERHAD (COMPANY NO.: 581612 A)  
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For the acquisition of IPG, the net assets acquired and the negative goodwill arising, are as follows:

	<b>Acquiree's carrying amount before combination RM'000</b>	<b>Fair value RM'000</b>
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)
	<u>4,222</u>	
Negative goodwill		(432)
Total consideration		<u>3,790</u>

The negative goodwill is recognised in the income statements.

- ii) Subsequent to 31 July 2006, the Board of Directors of the 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.

**18. FINANCIAL INSTRUMENTS****a. Financial Risk Management Objectives and Policies**

The operations of the 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. The Group had formulated a financial risk management framework whose principal objective is to minimise the Group's exposure to risks and/ or costs associated with the financing, investing and operating activities of the 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**

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

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11. HISTORICAL FINANCIAL INFORMATION (Cont'd)

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ii. Interest rate risk

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

iii. Market risk

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

iv. Credit risk

The Group is exposed to credit risk mainly from trade receivables. The Group extends credit to its customers based upon careful evaluation of the customers' financial conditions and credit histories. The 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

The 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

The 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.

The 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.

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

