
6. INDUSTRY OVERVIEW

The Dufu Group is involved in the precision machining industry and the metal stamping industry, specially the HDD application market. Approximately 86% of the revenue of the Dufu Group for the seven (7)-month period ended 31 July 2006 (FYE 31 December 2005 : 81%) is derived from the HDD application market. Other notable application markets that the Group are involved in include industrial safety and sensor devices, and telecommunication devices. The performance of these market segments are mainly driven by product segments such as desktop and mobile computers, consumer electronics and mobile phone, which are dependent upon the overall global economy and the Malaysian economy.

6.1 OVERVIEW OF THE GLOBAL ECONOMY

The global expansion was broad-based in the first half of 2006, with economic activities in most regions meeting or exceeding expectations. Nevertheless, inflationary concerns, tighter conditions in financial markets, and further increases in oil prices to new highs have highlighted the downside risks as the global economy enters the fourth year of current expansion.

In the U.S., a cooling housing market would continue to dampen private consumption and residential investment, but corporate investment should be supported by high capacity use and strong profitability. The expansion gathered momentum in the Euro area. Growth is increasingly being driven by domestic demand, particularly investment. Meanwhile, the Japanese economy continued to expand. The expansion remains well-founded as private final domestic demand, the main driving force since 2005, has grown at a solid pace. Private fixed investment in particular continues to be buoyant, underpinned by robust profits and a turnaround in bank credit, while private consumption is increasing at a more moderate rate. Growth in China has continued to accelerate. A higher growth rate in China would elevate growth elsewhere in the region - especially in the Hong Kong Special Administrative Region, Indonesia, South Korea, the Philippines, Singapore, Malaysia and Thailand - given the strengthening intra-regional trade linkages.

This favourable outlook depends on the view that inflationary pressures will be successfully contained with modest interest rate increases by major central banks, that the expansion in domestic demand will be better balanced across the advanced economies, that emerging and developing countries will largely avoid capacity bottlenecks, and that global financial market conditions will be more stable. More broadly in emerging markets, a return to calmer global financial conditions could foretell a resurgence of portfolio inflows, which could foster easy monetary conditions, a rebound in asset prices, and a further strengthening of domestic demand. In the advanced economies, the main upside potential would seem to be in business investment, given strong corporate profitability and rising capacity utilisation.

The downside risks that markets have been concerned over include a continued build-up of inflationary pressures in the advanced economies which could require a more aggressive monetary policy response to cool the growth momentum, particularly in the U.S. Clearly, there are risks in this direction coming from tightening capacity constraints and the continuing potential for high inflation to seep into price expectations and bolder wage demands. A related risk to the outlook comes from the continued potential for supply-side shocks in the oil market, which could give a further upward impetus to international oil prices, thus exacerbating inflationary pressures while cooling household demand.

With spare capacity remaining at very low levels, supply concerns have played a growing role in pushing up oil prices, and a major disruption in a large producer or a further escalation of security concerns in the Middle East could well lead to another upward oil price spike. Over time, investments in new production and refining capacity both inside and outside the Organization of the Petroleum Exporting Countries, diversification into alternative energy sources, and increased conservation efforts by consumers responding to price incentives should restore spare capacity to more comfortable levels, but the lags are lengthy. In particular, considerable uncertainty remains about the pace and extent of these responses.

(Source : D&B Malaysia Report)

6. INDUSTRY OVERVIEW (Cont'd)

6.2 OVERVIEW OF THE MALAYSIAN ECONOMY

Real GDP expanded by 5.2% in 2005, notwithstanding the persistent high crude oil prices and the cyclical downturn in the global electronics industry. The expansion was mainly private-sector driven and was underpinned by supportive macroeconomic policies and favourable financial conditions. Private consumer demand was sustained at a strong pace. In managing the economy, the public policy in 2005 focused on accelerating the shift towards higher value-added activities, strengthening the business environment to develop new sources of growth and enhancing competitiveness.

The Malaysian economy is expected to strengthen further in 2006. Real GDP is projected to expand at a faster rate of around 5.8%, driven both by strengthening exports and resilient domestic demand. The growth is expected to be both broad-based and balanced, supported by expansions in all economic sectors. The global semiconductor upcycle, sustained global growth and higher prices for primary commodities are expected to have positive effects on exports, as well as private consumption and investment. Current indicators suggest that the upturn in the global semiconductor industry, which began in the second half of 2005, would gain further momentum in 2006. Malaysia is expected to benefit from this favourable development with a stronger growth in manufactured exports, particularly in computers and semiconductors.

The Government is expected to continue to focus on strengthening the fiscal position, with the ultimate aim of supporting economic growth without compromising the long-term fiscal sustainability. In 2006, prices are projected to increase, driven largely by cost-push factors. Nevertheless, inflation is expected to remain at manageable levels during the year as both capacity expansion and productivity improvements in the domestic economy are anticipated to help contain price pressures. Monetary policy will, therefore, remain supportive of growth. While some downside risks remain, the strong macroeconomic fundamentals and diversified economic structure are expected to provide some degree of economic resilience.

The factors that supported domestic demand in 2005 are expected to continue to provide further stimulus in 2006. While private consumption is an important source of growth in domestic demand, private investment is projected to play an increasingly strong supportive role in sustaining economic growth over the longer term. In addition, a modest increase in public sector expenditure is expected with the implementation of the Ninth Malaysia Plan in 2006. Hence, this is expected to provide a further boost to economic growth in the course of the year.

(Source : D&B Malaysia Report)

6.3 OVERVIEW OF THE MANUFACTURING SECTOR IN MALAYSIA

Value added of the manufacturing sector is expected to expand further, increasing 7.3% in 2006 (2005 : 5.1%), with production in the export-oriented industries contributing 63.6% to total output. The robust performance of the manufacturing sector is based on higher output growth of 8.7% registered in the first six months of 2006 (January-June 2005 : 3.8%) and anticipated continued expansion in the second half. The strong growth during the period was due primarily to the double-digit growth registered by the export-oriented industries of electrical and electronic, petroleum products and textiles. While export-oriented industries grew by 10.9%, growth in the domestic-oriented industries moderated to 5% (January-June 2005 : 1.9%; 6.9%). Sales value of the manufacturing sector also increased 8.9% to RM239.7 million (January-June 2005 : 14.1%; RM220.2 million) during the same period, mainly due to the improvement in prices as well as higher output of some industries, including iron and steel; and petroleum which led to capacity utilisation sustained at above 80% during the first half of 2006.

6. INDUSTRY OVERVIEW (Cont'd)

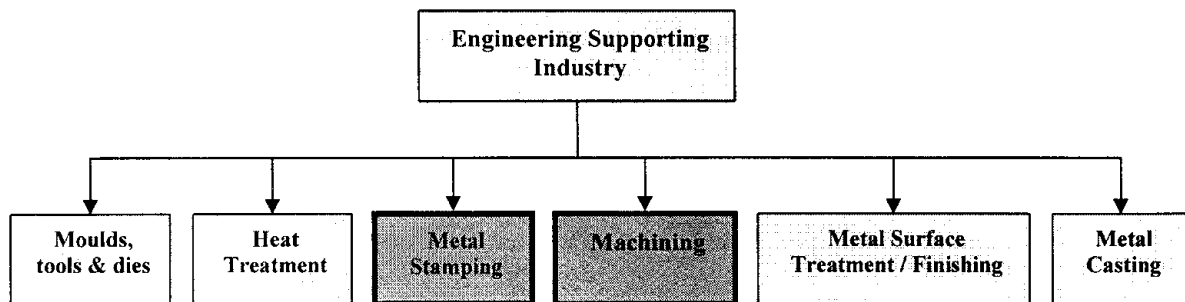
Export-oriented industries registered a significant growth during the first half of 2006 following the upturn in global demand for electrical and electronic products, particularly for semiconductors and other electronic products. Growth in global demand for semiconductors, which rebounded since the second half of 2005, expanded by 8.3% in the first half of 2006. This was reflected in the stronger book-to-bill (BTB) ratio of North-American-based semiconductor equipment and Japan's chip-making devices industries. Meanwhile, development of cyber cities as well as rising levels of shared services and outsourcing (SSO) activities also contributed to increasing domestic demand for electrical and electronic products, which is anticipated to expand by more than 7% for the whole year.

(Source : Economic Report 2006/2007, Ministry of Finance)

6.4 BACKGROUND AND STRUCTURE OF ENGINEERING SUPPORTING INDUSTRY

Over the last three (3) decades, the engineering supporting industry experienced rapid development in tandem with the growth of the manufacturing sector, and today remains a key contributor to Malaysia's industrial and economic development.

Precision machining and metal stamping activities are key sub-sectors of the broader engineering supporting industry. Other key sub-sectors are mould, tools and die, metal casting, metal surface treatment and heat treatment. Below is an illustration of the key sub-sectors under the engineering support industry:



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

This presents growth opportunities for the engineering supporting industry and has prompted companies within the sectors to manufacture high precision components and parts which require precise and accurate measurements.

The expansion of the broad engineering supporting industry which covers all sub-sectors namely, mould and die, plating surface treatment, machining, metal stamping, heat treatment and die casting, is also substantiated by an increase in the number and value of investment applications received. A total of 94 manufacturing projects were approved by the Malaysian Industrial Development Authority ("MIDA") in the engineering support industry with a value of RM598.4 million in 2005 as compared to 115 projects approved with a value of RM763.9 million in 2004. Of the 94 projects, 61 or 64.9% were new projects while the remainder are expansion or diversification projects.

6. INDUSTRY OVERVIEW (Cont'd)

Precision Machining Industry

Machining is one of the major sub-sectors of the engineering supporting industry servicing the manufacturing sectors. It provides machined parts and components as well as machining services to the electrical and electronics, machinery and equipment ("M&E"), medical and healthcare, oil and gas, and telecommunication industries. There are two (2) main machining activities, namely, conventional machining and precision machining.

Conventional machining operations were traditionally dominated by backyard engineering workshops using simple gauging methods to measure the dimension of parts. Components produced from conventional machining are less complex and differ in terms of production process, types and sizes and usually do not require high technical knowledge.

Precision machining involves companies which have state-of-the art CNC machining centres and able to provide integrated machining tolerances from as low as 1 micron (0.001mm) to 5 microns (0.005mm) and turning diameters ranging from 550mm. The precision machining industry has evolved from a backyard industry of simple conventional machining activities back in the early 1960s to the current highly advanced industry that utilises both automation and high-end machineries.

Competition and miniaturisation are amongst the key driving factors that drive manufacturers to keep up with the advances in machining to emphasise on continuous performance improvements.

(Source: D&B Malaysia Report)

6.5 OVERVIEW OF THE MAJOR APPLICATION MARKETS

6.5.1 HDD Application Market

A HDD is also known as rigid disk drive. Its primary function is for storing electronic information in various systems ranging from desktop PCs to consumer electronics. In general, the HDD comes in various specifications such as size (3.5-inch, 2.5-inch, 1.8-inch and 1.0-inch), revolutions per minute ("rpm") (5,400rpm, 7,200rpm, etc) and storage capacities (60GB, 80GB, 100GB, 120GB, etc). In 2005, the global HDD shipment surpassed 380 million units. The largest user of HDD in the global market is the consumer desktop PC market. Other application markets for HDD include mobile computing, enterprise applications and consumer electronics as follows:

Desktop PC

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

Mobile Computers

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

Enterprise Computing

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

6. INDUSTRY OVERVIEW (Cont'd)

Consumer Electronics

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

Type of End-Products based on HDD's Size (Form Factor)

Type of Products	3.5-inch	2.5-inch	1.8-inch	1.0-inch	>1.0-inch
Desktop Computer	✓				
Laptop Computer		✓	✓	✓	
Video Game Console	✓	✓	✓	✓	✓
Digital Video Recorder	✓	✓			
Digital Video Camera			✓	✓	
Audio/MP3			✓	✓	✓
Digital Still Camera				✓	✓
Mobile Phone				✓	✓

Source: D&B Malaysia Report

A majority of the world's HDD are manufactured by a handful of multinational companies, namely Seagate, Western Digital, Maxtor, HGST, Toshiba, Samsung and Fujitsu Ltd. Seagate, Western Digital and Maxtor are independent HDD manufacturers (core business is focused on HDD) while, for HGST, Toshiba, Samsung and Fujitsu Ltd, the manufacture of HDD is only but a segment of their business interests.

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

(Source: D&B Malaysia Report)

6.5.2 Other Applications Market

Industrial Safety and Sensor Devices

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

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

Telecommunication Devices – Mobile Phone HDD Market

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

6. INDUSTRY OVERVIEW (Cont'd)

Computer Peripherals

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

(Source: D&B Malaysia Report)

6.6 INDUSTRY GROWTH DRIVERS**6.6.1 Market Performance For HDD**

According to the Department of Statistics, the Malaysian disk drive parts industry recorded sales of RM3.2 billion in 2005. The trade in storage devices including HDD approximated USD55.4 billion in 2005. The top exporter of storage devices were Singapore, China and Thailand. Malaysia exported RM7.4 billion worth of storage devices in the same year. In 2005, the top four (4) HDD manufacturers, namely, Seagate, HGST, Western Digital and Maxtor, generated about USD20 billion in sales, accounting for more than 70% of the global HDD industry revenue.

(Source: D&B Malaysia Report)

6.6.2 Key Industry Growth Drivers**6.6.2.1 Desktop and Mobile Computers**

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

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

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

6.6.2.2 Consumer Electronics

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

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

6. INDUSTRY OVERVIEW (Cont'd)

6.6.2.3 Mobile Phones

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

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

6.6.2.4 Other Precision Machining Market Opportunities

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

(Source: D&B Malaysia Report)

6.7 INDUSTRY OUTLOOK AND PROSPECTS

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

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

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

(Source: D&B Malaysia Report)

6. INDUSTRY OVERVIEW (Cont'd)

6.8 INDUSTRY PLAYERS, MARKET POSITION AND SHARE

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

The closest competitors to the Dufu Group for the supply of HDD disk spacers and clamps to Seagate and Western Digital are estimated to be:

- Disk Precision Industries Pte Ltd (“DP”) of Singapore, and Global Primax of China (for Seagate); and
- Notion VTec Berhad of Malaysia and DP (for Western Digital).

(Source: D&B Malaysia Report)

To the best of the knowledge of the Directors of Dufu, the Dufu Group is one of the top suppliers of HDD disk spacers and clamps globally. However, based on the yearly cumulative production orders from the Group’s customers and their customers’ command of global HDD market shares, the Group estimates that it commanded approximately 20-30% market share of the worldwide HDD disk spacers and clamps requirements.

6.9 COMPETITION

One of the major challenges faced by manufacturers is price competition. With competition from low-cost producing countries coupled with rising raw material cost, customers expect to pay minimal price resulting in price battles amongst the lower-end machining operators. Companies invest in automation and multi-axis machining to counter the global market competitiveness. In Malaysia alone, there are approximately 170 companies that provide specialised precision machining services and general supporting machine services to meet the demand of the local manufacturing industry. However, barriers to entry such as long-term relationship and manufacturing capacity would restrict or reduce the rate of new companies to enter into the HDD components market.

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

(Source: D&B Malaysia Report)

6.10 BARRIERS TO ENTRY

A successful company involved in the manufacture of HDD components and parts is required to meet the production cycles, and maintain the quality requirements of the HDD manufacturers. As competition in the HDD industry is reflected by volume-to-market (mass production to meet demand), reliability (stable and zero failure) and time-to-market (introduction of new HDD), HDD manufacturers require their suppliers to set the same operational standards as they do.

The HDD industry has been around for more than two decades and is currently dominated by only a handful of MNCs. Having preferred suppliers as part of their supply chain management are practice norms.

6. INDUSTRY OVERVIEW (*Cont'd*)

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

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

In addition, there are vital considerations for potential entrants. Amongst them are:

- HDD component suppliers looking to get a foothold into the HDD component market are required to go through stringent component testing and trial periods (ranging from six months to one year);
- The supplier's manufacturing capacity may not be sufficient to meet the HDD manufacturer's production allocation requirements;
- The supplier must be capable of manufacturing products to meet stringent cleanliness requirements and has an in-house laboratory to support process monitoring and product certification; and
- Substantial investments required for the acquisition of machinery and subsequent constant upgrade for a high level of quality and precision manufacturing process.

(Source: D&B Malaysia Report)

6.11 RELEVANT LAWS AND REGULATIONS GOVERNING THE INDUSTRY AND PECULIARITIES OF THE INDUSTRY

Apart from the normal manufacturing licence, there are no material government laws, regulations and policies governing the engineering supporting industry in Malaysia. The Board of Directors of Dufu is not aware of any specific material peculiarity in the said industry.

6.12 DEMAND AND SUPPLY CONDITIONS

The demand and supply conditions of HDD components are directly driven by the demand and supply conditions of HDD.

Demand for HDD is determined by the end-application markets. Traditionally, demand for HDD is highly correlated with the demand for desktop PCs, laptops and, enterprise level servers and storage devices. However, the growing use of HDD for storage in consumer electronic devices such as portable music players, DVD recorders, digital video recorders, and portable media players has added a new growth dimension for HDD. The future demand for HDD globally is seen to be bright, driven by the new and replacement desktop PC, laptop, consumer electronics market and enterprise server markets.

In general, the supply of HDD comes from a handful of manufacturers. Consolidation of the HDD industry over the past few years has further reduced the number of HDD manufacturers in the world. The top four (4) manufacturers, namely Seagate, HGST, Western Digital and Maxtor, represent more than 70% of the global HDD industry revenue. The global HDD shipment surpassed 380 million units in 2005 and is anticipated to grow to an estimated 550 million units by 2008.

(Source: D&B Malaysia Report)

6. INDUSTRY OVERVIEW (Cont'd)

6.13 SUBSTITUTE PRODUCTS AND SERVICES

There are no appropriate substitute materials for the manufacture of HDD components such as clamps and spacers. Various types of metal are used because of their inherent strength, hardness, durability and heat transfer ability.

Engineering plastic or composite parts could act as substitutes to metal components and turned parts in other application markets such as consumer electronics. Plastic parts which replace metal turned parts are used in general electrical and electronics applications such as home appliances and audio/video products.

(Source: D&B Malaysia Report)

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7. FUTURE PLANS AND STRATEGIES OF THE GROUP

7.1 FUTURE PLANS AND STRATEGIES OF THE GROUP

The Management has medium to long-term plans to strengthen its position and aggressively seek new business ventures to capture a larger market share and broaden its revenue potential. Such plans are to be achieved through the following strategies:

(i) New Customer Acquisition

The Dufu Group is currently working on securing projects with new customers. This is in-line with the Group's objectives of diversifying its revenue streams, reducing its dependence on the HDD industry and increasing profit margins. The Group is likely to work on new projects of potential customers from various application markets/industries such as metal and plastic parts, metal part, sensor and safety, plastic injection moulds and stamped brackets.

(ii) Expansion of Production Facilities

In view of the expected increase in production orders, the Group has budgeted RM7 million for the purchase of machinery over the next 3 years.

The Dufu Group is building a new building for warehousing and production purposes beside the existing factory compound. The warehouse will be used to consolidate all chemical, material and finished good stores under one roof.

This is expected to increase the Group's production area, improve logistics and inventory control functions. The relocation will free up floor space in the existing facility and allow further production expansion in the precision machining, stamping and auto-lathe divisions. The new warehouse will also contain store offices and inspection rooms for the Incoming Quality Control ("IQC") Department. The warehouse is estimated to be completed by the first quarter of 2007.

(iii) Setting Up of Sales and Customer Support Office

The Dufu Group plans to set up a sales and customer service office in the U.S. in 2007. This is to create a visible presence, provide better support to its US-based clientele, and explore new customer acquisitions.

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7. FUTURE PLANS AND STRATEGIES OF THE GROUP (Cont'd)

7.2 PROSPECTS OF THE GROUP IN LIGHT OF THE INDUSTRY OUTLOOK AND THE GROUP'S FUTURE PLANS

The Directors are confident of the prospects of the Group in light of the following:

(i) Positive Industry Outlook

The global HDD market is a multi-billion dollar industry. The future prospects of the HDD industry remain positive and filled with exciting opportunities. The global HDD shipment surpassed 380 million units in 2005 and is anticipated to grow to an estimated 550 million units by 2008. The key industry growth driver of the HDD market, namely, the desktop and mobile computer segment will continue to be strongly driven by the increasing proliferation of PCs in the household and commercial segments. By being one of the premier players providing support services to the global HDD market, the Dufu Group is well-positioned to capitalise the next wave of growth.

(ii) Competitive Strengths

The Group enjoys competitive strengths such as proven track record, long term relationship/strategic partnership with leading MNC customers, quality assurance, timely delivery, manufacturing capability, experienced management team and focus on customer service.

(iii) Medium to Long-Term Plans and Strategies

The Group will continue to focus on product quality and customer service. The Management believes that with the Dufu Group's existing medium to long-term plans and strategies (such as improvement of production capacity, production efficiency, and active participation in customers' design and development process) to strengthen its position and aggressively seek new business ventures, the Group is poised for further development and growth.

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8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL

8.1 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

8.1.1 Promoters' and Substantial Shareholders' Shareholdings in Dufu

As at the date of this Prospectus, the direct and indirect shareholdings of the promoters and the substantial shareholders of the Group in the Company before and after the IPO and after the full exercise of ESOS Options are as follows:

Name of Promoter/ Substantial Shareholder	Designation	Nationality	Before the IPO			After the IPO#			After IPO and full exercise of ESOS Options^		
			Direct	Indirect	% held	Direct	Indirect	% held	Direct	Indirect	% held
			No. of Dufu Shares held	No. of Dufu Shares held	% held	No. of Dufu Shares held	No. of Dufu Shares held	% held	No. of Dufu Shares held	No. of Dufu Shares held	% held
Promoters											
Hsu, Chin-Shui	Executive Chairman	Taiwanese	25,525,000	-	38.79	21,723,000	-	24.14	22,923,000	-	22.15
Lee, Hui-Ta a.k.a Li Hui Ta	Executive Director/ Chief Financial Officer	Taiwanese	25,525,000	-	38.79	21,723,000	-	24.14	22,923,000	-	22.15
Substantial Shareholders											
Hsu, Chin-Shui	Executive Chairman	Taiwanese	25,525,000	-	38.79	21,723,000	-	24.14	22,923,000	-	22.15
Lee, Hui-Ta a.k.a Li Hui Ta	Executive Director/ Chief Financial Officer	Taiwanese	25,525,000	-	38.79	21,723,000	-	24.14	22,923,000	-	22.15
Yong Poh Yow	Executive Director/ Chief Executive Officer	Singaporean	5,364,000	-	8.15	4,566,000	-	5.07	5,766,000	-	5.57
Wong Ser Yian	-	Singaporean	9,386,000	-	14.27	7,988,000	-	8.88	8,738,000	-	8.44

8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)

Note:

^ Inclusive of their indicative number of ESOS Options allocation and assuming they exercise their indicative allocation of ESOS Options as follows:

<i>Name</i>	<i>Indicative number of ESOS Options allocated</i>
<i>Hsu, Chin-Shui</i>	<i>1,200,000</i>
<i>Lee, Hui-Ta a.k.a Li Hui Ta</i>	<i>1,200,000</i>
<i>Yong Poh Yow</i>	<i>1,200,000</i>
<i>Wong Ser Yian</i>	<i>750,000</i>

The above indicative number of ESOS Options allocated is for illustration purpose only and the actual allocation is yet to be determined as at the date of this Prospectus.

8.1.2 Background and Industry Experience of Promoters and Substantial Shareholders

Hsu, Chin-Shui and Lee, Hui-Ta a.k.a Li Hui Ta who are promoters and substantial shareholders of Dufu, are also directors of Dufu and their profile is disclosed in Section 8.2.1 of this Prospectus.

Yong Poh Yow, who is a substantial shareholder of Dufu, is also a director of Dufu. His profile is disclosed in Section 8.2.1 of this Prospectus.

Wong Ser Yian, who is a substantial shareholder of Dufu, is also a key management and key technical personnel of the Dufu Group. His profile is disclosed in Section 8.4 of this Prospectus.

8.1.3 Promoters and Substantial Shareholders' Directorships and/or Substantial Shareholdings in Other Public Corporations for the Past Two (2) Years

None of the Promoters or the substantial shareholders of Dufu have any directorships and/or substantial shareholdings (holding five percent (5%) shareholding or more), whether directly or indirectly, in other public corporations during the two (2) years prior to the date of this Prospectus.

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8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)

8.1.4 Changes in Promoters and Substantial Shareholders' Shareholdings in Dufu

The changes in the shareholdings of the Promoters and the substantial shareholders of Dufu in the Company for the last three (3) years until the date of this Prospectus are as follows:

Name	Prior to the Acquisitions			After DISB Acquisition			After the IPG Acquisition		
	Direct No. of Dufu Shares held	Indirect No. of Dufu Shares held	% held	Direct No. of Dufu Shares held	Indirect No. of Dufu Shares held	% held	Direct No. of Dufu Shares held	Indirect No. of Dufu Shares held	% held
<u>Promoters</u>									
Hsu, Chin-Shui	-	-	-	22,585,000	-	38.79	25,525,000	-	38.79
Lee, Hui-Ta a.k.a Li Hui Ta	-	-	-	22,585,000	-	38.79	25,525,000	-	38.79
<u>Substantial Shareholders</u>									
How Wee Ling	2	-	50.00	-	-	-	-	-	-
Ooi Ean Hoon	2	-	50.00	-	-	-	-	-	-
Hsu, Chin-Shui	-	-	-	22,585,000	-	38.79	25,525,000	-	38.79
Lee, Hui-Ta a.k.a Li Hui Ta	-	-	-	22,585,000	-	38.79	25,525,000	-	38.79
Yong Poh Yow	-	-	-	4,746,000	-	8.15	5,364,000	-	8.15
Wong Ser Yian	-	-	-	8,304,000	-	14.27	9,386,000	-	14.27

8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)

8.2 BOARD OF DIRECTORS**8.2.1 Profile**

The profile of the Directors in Dufu is as follows:

Hsu, Chin-Shui, aged 51, a Taiwanese, was appointed to the Board on 1 September 2006. He is the Executive Chairman of Dufu and one of the co-founders of DISB. He graduated from Zhen Xiu University in Taiwan in 1977 with a Diploma in Mechanical Engineering. He began his career as a sales representative with Chun Hu Corp. Ltd. in 1977 and was promoted to Sales Manager in 1982. He was overall responsible for the marketing and servicing of the company's products. In 1984, he left the company to co-set up Lee Bai Corp. Ltd. in Taiwan to manufacture quick die change systems for stamping tooling. Together with Lee, Hui-Ta a.k.a Li Hui Ta, he started DISB in 1990 to manufacture precision tooling, precision machining parts for computer-related components. He has more than twenty (20) years of experience in the precision tooling industry and in the CNC precision machining industry. He also sits on the board of several other private limited companies. His primary responsibilities include overseeing the entire Group's corporate exercise and business direction and strategic plans as well as developing new business opportunities.

Lee, Hui-Ta a.k.a Li Hui Ta, aged 48, a Taiwanese, was appointed to the Board on 1 September 2006. He is the Executive Director and Chief Financial Officer of Dufu. He is one of the co-founders of Dufu. He graduated from Chong Shin University in Taiwan with a Diploma in Mechanical Engineering in 1979 and a Degree in Business Administration in 1988. He commenced his career as an engineering supervisor with He Li Ying Precision Industry, Taiwan in 1981 dealing with precision components and was promoted to Managing Director in 1983 where he was responsible for the daily operations of the company's production. In 1984, he co-set up Lee Bai Corp. Ltd. in Taiwan to manufacture precision quick die change systems for stamping tooling. Together with Hsu, Chin-Shui, he started DISB in 1990 to manufacture precision tooling, precision machining parts for computer-related components. He has more than twenty (20) years of experience in the precision tooling industry and in the CNC precision machining industry. He also sits on the board of several other private limited companies. He is primarily responsible for the financial management of the Group.

Yong Poh Yow, aged 46, a Singaporean, was appointed to the Board on 1 September 2006. He is the Executive Director and Chief Executive Officer of Dufu. He graduated with a Diploma in Mechanical Engineering from Ngee Ann Polytechnic, Singapore in 1983. He started his career with GE Television as Engineering Assistant in 1983. He left GE Television in 1985 to join Seagate Technology International as Supplier Quality Engineer where he liaised with suppliers on quality improvement. In 1990, he joined DISB as Quality Assurance (QA) Manager where he was responsible for communicating with the suppliers regarding their quality and also for developing and improving the suppliers' quality. By the same token, he is also in charge of internal quality control at DISB. He was promoted to Operations Director of DISB in 1993 and became a Director and Chief Executive Officer of DISB in 2004. He has hands-on experience in most aspects of precision machining manufacturing. His primary responsibilities include overseeing the daily operations, marketing and corporate exercises of Dufu.

Khoo Lay Tatt, aged 34, a Malaysian, was appointed to the Board on 2 October 2006. He is the Non-Independent Non-Executive Director of Dufu. He graduated from Tunku Abdul Rahman College with an ICSA professional degree and a Diploma in Commerce – Business Management in 1996. Upon graduation, he started his career in May 1996 as Company Secretarial Officer in the Corporate & Legal Division of Ban Hin Lee Bank Berhad ("BHL Bank"). He left BHL Bank as an Executive cum Company Secretary of subsidiary companies of BHL Bank in year 2000. He joined a Secretarial Services firm in Penang as the Assistant Manager and was promoted as the Manager to head the Penang Branch after a month with the said firm. He left the said firm in year 2005 as a Senior Manager. During his tenure, he was involved in numerous IPOs and corporate exercises undertaken by listed companies. Currently, he is a Director of Hicks-Woode Corporate Services (Penang) Sdn. Bhd. He has been acting as Company Secretary for the Dufu Group since year 2000. He is a Chartered Secretary by profession and also a Certified Financial Planner (CFP) and a Certified Member of Financial Planning Association of Malaysia (FPAM). He is also an Associate of the Institute of Chartered Secretaries and Administrators (ICSA/MAICSA).

He is the Company Secretary for a few public listed companies quoted on the Main Board, Second Board and MESDAQ Market of the Securities Exchange.

8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)

Lee Kah Kheng, aged 43, a Malaysian, was appointed to the Board on 2 October 2006. He is the Independent Non-Executive Director of Dufu. He graduated from Tunku Abdul Rahman College, Kuala Lumpur in 1988 with a professional accountancy qualification accredited by the Malaysian Institute of Certified Public Accountants ("MICPA") and became a member of MICPA in 1993. He was attached to an accounting firm, Hanafiah, Raslan & Mohamad, from 1988 to 1992 as Senior Auditor before moving on to a multinational corporation, Northern Telecom Industry Sdn Bhd (whose principal activity is manufacturing and assembly of telecommunication products) in 1992 as a Cost Accountant. He left in 1994 to join a local corporation, Suiwah Corporation Bhd, which is currently listed on the Second Board of the Securities Exchange and is principally involved in the retail industry, as its Group Financial Controller. He then left in 1997 to join Qdos Flexicircuits Sdn Bhd, a flexible printed circuit board manufacturing company, as Executive Director. In 1999, he was promoted to Group Executive Director of Qdos Holdings Sdn Bhd. In 2000, he left and became a consultant for several companies involved in information and communication technology. He then set up ETI Tech Corporation Berhad in 2002 and was appointed as its Managing Director in the same year. He is responsible for the Group's overall operations.

He currently sits in the board of directors of ETI Tech Corporation Berhad, a Company listed on the MESDAQ Market of the Securities Exchange.

Baqir Hussain Bin Hatim Ali, aged 44, a Malaysian, was appointed to the Board on 2 October 2006. He is the Independent Non-Executive Director of Dufu. He graduated from Ungku Omar Polytechnic in 1986 with a Diploma in Accountancy and began his career in the same year with Hanafiah, Raslan & Mohamad as an audit assistant. He left the firm as a Senior Manager in the Assurance and Business Advisory Division in 2002. He has amassed more than 18 years of experience in the field of accountancy including external and internal auditing, mergers and acquisitions, receiverships and liquidations, initial public offerings and tax consultancy. He is a member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants. He is also an Approved Company Auditor and is the founder and Managing Partner of Baqir Hussain & Co., a firm of chartered accountants.

He currently sits in the board of directors of ETI Tech Corporation Berhad, a Company listed on the MESDAQ Market of the Securities Exchange as an Independent Non-Executive Director.

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8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)

8.2.2 Directors' Shareholdings in Dufu

As at the date of this Prospectus, the direct and indirect shareholdings of the Directors of Dufu in the Company before and after the IPO and after the full exercise of ESOS Options are as follows:

Name of Director	Designation	Nationality	Before the IPO			After the IPO			After IPO and full exercise of ESOS Options [^]					
			Direct		Indirect		Direct		Indirect		Direct		Indirect	
			No. of Dufu Shares held	% held	No. of Dufu Shares held	% held	No. of Dufu Shares held	% held	No. of Dufu Shares held	% held	No. of Dufu Shares held	% held	No. of Dufu Shares held	% held
Hsu, Chin-Shui	Executive Chairman	Taiwanese	25,525,000	38.79	-	-	21,723,000	24.14	-	-	22,923,000	22.15	-	-
Lee, Hui-Ta a.k.a Li Hui Ta	Executive Director/ Chief Financial Officer	Taiwanese	25,525,000	38.79	-	-	21,723,000	24.14	-	-	22,923,000	22.15	-	-
Yong Poh Yow	Executive Director/ Chief Executive Officer	Singaporean	5,364,000	8.15	-	-	4,566,000	5.07	-	-	5,766,000	5.57	-	-
Khoo Lay Tatt	Non-Independent Non-Executive Director	Malaysian	-	-	-	-	-	-	-	-	-	-	-	-
Lee Kah Kheng	Independent Non-Executive Director	Malaysian	-	-	-	-	-	-	-	-	-	-	-	-
Bagir Hussain Bin Hatim Ali	Independent Non-Executive Director	Malaysian	-	-	-	-	-	-	-	-	-	-	-	-

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8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)

Note:

^ Inclusive of their indicative number of ESOS Options allocation and assuming they exercise their indicative allocation of ESOS Options as follows:

<i>Name</i>	<i>Indicative number of ESOS Options allocated</i>
<i>Hsu, Chin-Shui</i>	<i>1,200,000</i>
<i>Lee, Hui-Ta a.k.a Li Hui Ta</i>	<i>1,200,000</i>
<i>Yong Poh Yow</i>	<i>1,200,000</i>

The above indicative number of ESOS Options allocated is for illustration purpose only and the actual allocation is yet to be determined as at the date of this Prospectus.

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8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)

8.2.3 Directors' Directorships and/or Substantial Shareholdings in Other Public Corporations for the Past Two (2) Years

None of the Directors have any directorships and/or substantial shareholdings (holding five percent (5%) shareholding or more), whether directly or indirectly, in other public corporations during the two (2) years prior to the date of this Prospectus.

Name of Director	Name of Company	Date Appointed/ (Resigned) as Director	Substantial Shareholdings as at Latest Practicable Date				Principal Activities
			Direct No. of shares held	% held	Indirect No. of shares held	% held	
Lee Kah Kheng	ETI Tech Corporation Berhad	1.08.2005	24,173,687	21.31	656,045 (a)	0.58	R&D, design and marketing of battery management system for rechargeable energy storage solutions
Baqir Hussain Bin Hatim Ali	ETI Tech Corporation Berhad	1.08.2005	-	-	-	-	R&D, design and marketing of battery management system for rechargeable energy storage solutions

Note:-

(a) Deemed interest under Section 122A of the Act by virtue of his spouse (Yeoh Li Hua)'s shareholding in ETI Tech Corporation Berhad.

8.2.4 Directors' Remuneration and Material Benefits-in-Kind

The remuneration and material benefits-in-kind paid or payable to the Directors of Dufu for services rendered in all capacities to the Group for FYE 31 December 2005 and forecast for FYE 31 December 2006, in bands of RM50,000 per annum, are as follows:-

Director	FYE 31 December 2005	FYE 31 December 2006
Hsu, Chin-Shui	RM250,000 to RM300,000	RM250,000 to RM300,000
Lee, Hui-Ta a.k.a Li Hui Ta	RM250,000 to RM300,000	RM250,000 to RM300,000
Yong Poh Yow	RM250,000 to RM300,000	RM250,000 to RM300,000
Khoo Lay Tatt	Nil	Nil
Lee Kah Kheng	Nil	Nil
Baqir Hussain Bin Hatim Ali	Nil	Nil

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8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)

8.2.5 Directors' Term of Office

The number of years that the Directors have served in office and the date of expiration of their current term of office are as follows:

Name of Director	Designation	No. of year in office	Date of expiration of current term of office
Hsu, Chin-Shui	Executive Chairman	Less than One year	30 June 2007
Lee, Hui-Ta a.k.a Li Hui Ta	Executive Director/Chief Financial Officer	Less than One year	30 June 2007
Yong Poh Yow	Executive Director/Chief Executive Officer	Less than One year	30 June 2007
Khoo Lay Tatt	Non-Independent Non-Executive Director	Less than One year	30 June 2007
Lee Kah Kheng	Independent Non-Executive Director	Less than One year	30 June 2007
Baqir Hussain Bin Hatim Ali	Independent Non-Executive Director	Less than One year	30 June 2007

In accordance with the Company's Articles of Association, 1/3 of the Board of Directors, shall retire by rotation at each Annual General Meeting provided that all the Directors shall retire from office once every three (3) years. These retiring directors shall be able for re-election. The Board of Directors may appoint one or more of their body to the office of Managing Director/Deputy Managing Director for a term of not exceeding three (3) years at a time. The Managing Director/Deputy Managing Director shall subject to retirement by rotation or be taken into account in determining the rotation of retirement of Directors but his appointment shall be automatically determined if he ceases from any cause to be a Director.

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8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL *(Cont'd)*

8.3 AUDIT, REMUNERATION AND NOMINATION COMMITTEES

8.3.1 Audit Committee

The members of the Company's Audit Committee are as follows:

Name	Designation	Directorship
Baqir Hussain Bin Hatim Ali	Chairman	Independent Non-Executive Director
Lee Kah Kheng	Member	Independent Non-Executive Director
Lee, Hui-Ta a.k.a Li Hui Ta	Member	Executive Director/Chief Financial Official

The Audit Committee's terms of reference are as follows:

- (i) Ensure the timely and accurate preparation and publication of financial statements of the Group;
- (ii) Review the adequacy of provisions against contingencies and bad and/or doubtful debts;
- (iii) Review internal control process and procedures, scope, internal audit findings and recommend actions to the Board of Directors
- (iv) Recommend and appoint external auditors and deal with any issues arising from their audit findings;
- (v) Review related party transactions that may arise within the Group;
- (vi) Approve fees relating to external auditors; and
- (vii) Address any accountability issues that may arise from time to time within the Group.

8.3.2 Remuneration Committee

The members of the Company's Remuneration Committee are as follows:

Name	Designation	Directorship
Lee Kah Kheng	Chairman	Independent Non-Executive Director
Hsu, Chin-Shui	Member	Executive Chairman
Baqir Hussain Bin Hatim Ali	Member	Independent Non-Executive Director

The Remuneration Committee's terms of reference are as follows:

- (i) Establish and recommend a framework of remuneration for key positions within the Group;
- (ii) Recommend specific remuneration packages for key positions within the Group;
- (iii) Review the Group's management succession plan to ensure orderly transition and succession of key management positions; and
- (iv) Review and recommend all human resource policies including, among others, recruitment disciplinary, remuneration and succession planning.

8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)

8.3.3 Nomination Committee

The members of the Company's Nomination Committee are as follows:

Name	Designation	Directorship
Lee Kah Kheng	Chairman	Independent Non-Executive Director
Khoo Lay Tatt	Member	Non-Independent Non- Executive Director
Baqir Hussain Bin Hatim Ali	Member	Independent Non-Executive Director

The Nomination Committee's terms of reference are as follows:

- (i) Establish the minimum requirements of the Board of Directors, such as number and composition, mix of skills, experience, qualification and other core competencies;
- (ii) Recommend and assess nominees for directorships;
- (iii) Assess the qualification of directors to ensure compliance with the relevant laws and regulations imposed by the relevant authorities; and
- (iv) Recommend the removal of director for ineffectiveness or negligence.

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8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)

8.4 KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL**8.4.1 Profile**

The management team of the Group is headed by the Executive Chairman, Hsu, Chin-Shui who is assisted by the Executive Directors. They are supported by a team of experienced management and technically qualified personnel. The particulars of the key management and key technical personnel of the Group are as follows:

Wong Ser Yian, aged 49, a Singaporean, is the General Manager of DISPL. He graduated with a Bachelor of Engineering, Nanyang Technological University, Singapore in 1985. He started his career with Seagate Technology International, Singapore in 1986 as Supplier Quality Engineer and was promoted to Senior Engineer in 1988. Subsequently, he was promoted to Head of Section of Source (a managerial position). He left the company in 1990 and joined Micropolis Ltd., Singapore as Senior Quality Engineer where he was responsible for developing and improving the suppliers' quality and to communicate with the suppliers in terms of their quality. Subsequently, in the same year, he moved on to X Factor Pte. Ltd. as the Chief Executive Officer. In 2002, he joined DISPL and took up the position of General Manager which he still holds. His primary responsibilities are sales and marketing and customer service support.

Yeoh Beng Hooi, aged 43, a Malaysian, is the Chief Operating Officer of DISB. He graduated with a Diploma in Electronic Engineering from Butterworth Institute Technology, Penang in 1988 and started his career as Assistant Engineer with Advanced Micro Devices Inc., a U.S.-based semiconductor company, in Penang in the same year. His role was to assist engineers in carrying out engineering activities. In 1990, he was appointed Senior Reliability Laboratory Technician in the same company. In 1992, he joined Read-Rite Malaysia as QA Engineer, where he was responsible for First Article Qualification and suppliers' quality. In 1995, he joined XOLOX Malaysia, a U.S.-based company which is involved in stamping and over-moulding, as an Engineering Manager to start up an over-moulding facility. He was responsible for engineering tasks that include self-bonded coil winding, over-moulding, sub-assembly as well as product testing. In 1996, he was appointed as the Director of Engineering/QA. The responsibility extended to R&D, prototyping and tooling design. He has managed technology transfer, installed full manufacturing capabilities in Malaysia, and achieved Top Quality Supplier for several quarters from his major customer. In 2000, he joined Wong Engineering Corporation Bhd, a company listed on the Second Board of the Securities Exchange which is involved in precision machining and stamping, as Deputy General Manager with responsibility to develop a low cost Actuator product for consumer electronics. In 2001, he was appointed Executive Director of WE Advance Devices Sdn Bhd, where he was responsible for operations in the Assembly Division, product R&D, and process development. He joined DISB in 2004 in his current position. His primary responsibility at DISB is to lead the machining and metal stamping operations including engineering, manufacturing, quality and human resources to meet the overall company objectives.

Tay Lon @ Tay Tong Loon, aged 56, a Malaysian, is the General Manager of IPG. He graduated with a Diploma in Mechanical Engineering from Ngee Ann Technical College, Singapore, jointly certified by the Polytechnic of Central London in 1974. He started his career as Design Technician with Hitachi Zosen Robin Dockyard Pte Ltd in 1974. His primary responsibilities were ship design and preparation of drawings for ship repair. He left Hitachi Zosen Robin Dockyard Pte Ltd in 1978 and joined Prime Electrical Products Pte Ltd as Factory Engineer where his primary responsibilities were product development and technical support on thermoplastic and thermosetting moulding. In 1979, he joined Northern Telecom Industries Sdn Bhd as Quality Engineer. He was then promoted to Quality Manager in 1982 with responsibility for the overall Quality Functions and Systems. In 1994, he was appointed Production Manager at Northern Telecom Penang Sdn Bhd which was subsequently acquired by Astec Advanced Power Systems. He led a manufacturing team for Astec Advanced Power Systems to meet manufacturing objectives on quality, delivery and productivity. He left Astec Advanced Power Systems in 2002 and joined IPG in 2003 in his current position. His primary responsibility at IPG is to lead the metal stamping business unit including sales, design, manufacturing, quality and human resources to meet the overall company objectives.

8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)

Husri Bin Hussain, aged 42, a Malaysian, is the Corporate Quality Manager of DISB. He graduated with a Bachelor of Science in Electrical Engineering from University of Miami, Florida, U.S. in 1988. Upon graduating, he worked as Incoming Quality Assurance ("IQA")/Supplier Quality Engineering ("SQE")/First Article Engineer with Sony Electronics, Penang. He later joined Seagate Technology, Penang in 1991 as SQE Engineer and was promoted to Senior SQE Engineer in the same year. He was responsible for actuator components and was head of gimbal and stack assemblies. In 1996, he was promoted to Staff Engineer. His accomplishments include the development of one of the suppliers to be Top Quality Supplier for several quarters. In 2001, he joined Finisar Malaysia Sdn Bhd, Perak as IQA/SQE Manager after Seagate Technology, Penang closed down. As a new setup, he was responsible for the setup of the IQA Lab and all SQE work-related functions, develop local suppliers and product transfer from the U.S.. At the end of 2001, he joined Wong Engineering Corporation Bhd, a company listed on the Second Board of the Securities Exchange which is involved in precision machining and stamping, as Quality Manager where he was responsible for all quality aspects for a low cost actuator product for consumer electronics. The aspects included incoming, in process, outgoing/customer quality and document control. In 2002, he joined Solectron Technology, Penang as SQE Manager. He was responsible for SQE activities ranging from IC components, passive parts, printed circuit boards and mechanical parts. He joined DISB in August 2005 as Corporate QA Manager. His responsibilities include supplier quality development, customer quality support and documentation.

Loh Kwang Yean, aged 31, a Malaysian, is the Senior Group Accountant of DISB. He is a certified Chartered Accountant and graduated from Universiti Utara Malaysia with a Bachelor of Accounting in 1999. He commenced his career in Deloitte KassimChan in 1999 as Auditor Assistant and was promoted to Audit Senior in 2000. He then joined P.I.E. Industrial Bhd, an electronics contract manufacturer company listed on the Main Board of the Securities Exchange, as Corporate Finance Project Officer in 2002. In 2004, he joined DISB as Group Accountant and is responsible for setting up the Group's accounting system, overseeing corporate finance matters and compliance with the Securities Exchange LR.

Teoh Chiew Hong, aged 31, a Malaysian, is the Material Planning Manager of DISB. He graduated from Universiti Sains Malaysia in 2000 with a Degree in Science (Mathematics). He began his career with DISB in 2000 as Production Control Officer and was later promoted to Material Planning Manager. He is responsible for the implementation of the Group's integrated application designed to address the business needs of the organisation for the logistics and manufacturing system. He is also responsible for the Group's capacity planning, material and inventory management.

Lim Bee Leng, aged 38, a Malaysian, is the Quality Control Manager of DISB. She joined DISB after completing her Sijil Tinggi Persekolahan Malaysia in 1990 as Draftsman and was transferred to the QC Department in 1991. She was subsequently promoted to QC Supervisor-cum-Production Control Officer in 1992. Her multi-functional roles involve leading and supervising the QC activities such as incoming, in process and outgoing quality control, handling customer complaints and customer liaison, equipment calibration and First Article sample submission. She also undertakes the function of production controller planning for the production schedule. Apart from her routine job, she is also the key person who set up and implemented the company quality system in the early years of operation and also led the ISO team to achieve ISO 9002 certification in 1997.

Tan Li Moy, May, aged 40, a Malaysian, is the Stamping Production Manager of IPG. She completed her Sijil Pelajaran Malaysia in 1986 and upon graduating worked as Production Specialist at National Semiconductor Technology Sdn Bhd, Penang. She moved on to Hitachi Express (S) Ltd in 1990 and then Panasonic Matsushita (S) Ltd in 1992, both as QC Inspector. She joined DISB in 1993 as Sales Representative and was promoted several times to reach her current position. Her current responsibilities include overseeing the Wire Cut, Fabrication, Packing and Stamping Departments.

8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)

Sim Seng Kuun, aged 34, a Malaysian, is the Autolathe Production Manager of DISB. After completing his Sijil Pelajaran Malaysia in 1990, he began his career as Production Operator at NTA Machining Sdn Bhd, Penang in 1991. He was subsequently promoted to Shift Leader in 1992, leading the operators in a shift. In 1993, he joined Wong Engineering Bhd, a company listed on the Second Board of the Securities Exchange which is involved in precision machining and stamping, as Shift Leader and was promoted to Production Supervisor for the Escomatic, Eguro and Centreless Grinding Section in 1996. He joined Dufu in 1998 as Technician. In 2000, he was promoted to Engineer, whose responsibilities covered overall charge of the Autolathe Department. He was further promoted to Production Manager in 2005 and is responsible for all mechanical and process developments for the Autolathe Department.

Tan Chui Hoon, aged 42, a Malaysian, is the Purchasing Manager cum Personal Assistant to the Chief Executive Officer of Dufu. She is a Institute Chartered Secretaries and Administrators finalist and started her career as a Secretarial Assistant in Ernst & Young, Penang in 1990. She left Ernst & Young in 1993 and joined Lai Lai Wholesale Mart Sdn. Bhd. as Management Executive. She was seconded to Qdos Flexcircuits Sdn. Bhd. in February 2000 as Planning Executive overseeing planning, shipping and Store Department. She left Qdos Flexcircuits Sdn. Bhd in August, 2001 and joined DISB in the same year as Management Secretary and was promoted to her current position in September 2005. Apart from her responsibilities in the Purchasing Department, she also assists the Chief Executive Officer in undertaking new projects of the Dufu Group.

Yong Chee Kheong, aged 39, a Malaysian, is the CNC Production Manager of DISB. He graduated with a Diploma in Mechanical Engineering from Seberang Jaya Institute Technology Industry, Penang in 1990 and joined Polly Tool Sdn Bhd, Penang, a local tooling company, as a Machinist in the same year. In 1991, he joined DISB, taking on the position of CNC Machinist. In 1992, he was promoted to Supervisor, with responsibility for production at the CNC Turning Section. He was further promoted to Engineer in 1998 to take charge of First Article. In this role, he was responsible for engineering tasks that included First Article build, Processes Improvement and Failure Analysis as well as liaising with customers on First Article and samples for design and manufacturing. In 2000, he obtained the Six Sigma Black Belt certification and was appointed a core team member in DISB's Six Sigma Project for Process Development. His responsibilities included process improvements, cost savings and manpower reduction. In 2005, he was promoted to Manager to manage the CNC Production Section.

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8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)

8.4.2 Key Management and Key Technical Personnel's Shareholdings in Dufu

As at the date of this Prospectus, the direct and indirect shareholdings of the key management and key technical personnel of Dufu in the Company before and after the IPO and after the full exercise of ESOS Options are as follows:

Name	Designation	Nationality	Before the IPO			After the IPO#			After IPO and full exercise of ESOS Options^			
			Direct No. of Dufu Shares held	% held	Indirect No. of Dufu Shares held	Direct No. of Dufu Shares held	% held	Indirect No. of Dufu Shares held	Direct No. of Dufu Shares held	% held	Indirect No. of Dufu Shares held	% held
Wong Set Yian	General Manager of DISPL	Singaporean	9,386,000	14.27	-	7,988,000	8.88	-	8,738,000	8.44	-	-
Yeoh Beng Hooi	Chief Operating Officer of DISB	Malaysian	-	-	-	45,000	0.05	-	795,000	0.77	-	-
Tay Lon @ Tay Tong Loon	General Manager of IPG	Malaysian	-	-	-	40,000	0.04	-	580,000	0.56	-	-
Husri Bin Hussain	Corporate Quality Manager of DISB	Malaysian	-	-	-	17,000	0.02	-	257,000	0.25	-	-
Loh Kwang Yean	Senior Group Accountant of DISB	Malaysian	-	-	-	17,000	0.02	-	257,000	0.25	-	-
Teo Chiew Hong	Material Planning Manager of DISB	Malaysian	-	-	-	17,000	0.02	-	257,000	0.25	-	-
Lim Bee Leng	Quality Control Manager of DISB	Malaysian	-	-	-	17,000	0.02	-	257,000	0.25	-	-
Tan Li Moy, May	Stamping Production Manager of IPG	Malaysian	-	-	-	17,000	0.02	-	257,000	0.25	-	-

8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)

Name	Designation	Nationality	Before the IPO			After the IPO#			After IPO and full exercise of ESOS Options^					
			Direct		Indirect		Direct		Indirect		Direct		Indirect	
			No. of Dufu Shares held	% held	No. of Dufu Shares held	% held	No. of Dufu Shares held	% held	No. of Dufu Shares held	% held	No. of Dufu Shares held	% held	No. of Dufu Shares held	% held
Sim Seng Kuun	Autolathe Production Manager of DJSB	Malaysian	-	-	-	17,000	0.02	-	-	257,000	0.25	-	-	
Tan Chui Hoon	Purchasing Manager cum Personal Assistant to Chief Executive Officer of Dufu	Malaysian	-	-	-	17,000	0.02	-	-	257,000	0.25	-	-	
Yong Chee Kheong	CNC Production Manager of DJSB	Malaysian	-	-	-	17,000	0.02	-	-	257,000	0.25	-	-	

Notes:

Assuming the Pink Form Shares allocated are fully taken up as follows:

Name	Number of Pink Form Shares allocated
Wong Ser Yian	-
Yeoh Beng Hooi	45,000
Tay Lon @ Tay Tong Loon	40,000
Husri Bin Hussain	17,000
Loh Kwang Yean	17,000
Teo Chiew Hong	17,000
Lim Bee Leng	17,000
Tan Li Moy, May	17,000
Sim Seng Kuun	17,000
Tan Chui Hoon	17,000
Yong Chee Kheong	17,000

8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)

^ Inclusive of their indicative number of ESOS Options allocation and assuming they exercise their indicative allocation of ESOS Options as follows:

Name	Indicative number of ESOS Options allocated
Wong Ser Yian	750,000
Yeoh Beng Hooi	750,000
Tay Lon @ Tay Tong Loon	540,000
Husri Bin Hussain	240,000
Loh Kwang Yean	240,000
Teo Chiew Hong	240,000
Lim Bee Leng	240,000
Tan Li Moy, May	240,000
Sim Seng Kuan	240,000
Tan Chai Hoon	240,000
Yong Chee Kheong	240,000

The above indicative number of ESOS Options allocated is for illustration purpose only and the actual allocation is yet to be determined as at the date of this Prospectus.

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8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)

8.5 DECLARATION BY PROMOTERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL

None of the promoters, directors, key management and key technical personnel of the Dufu Group is or has been involved in any of the following events (whether in or outside Malaysia):

- (i) a petition under any bankruptcy or insolvency laws filed (and not struck out) against such person or any partnership in which he was a partner or any corporation of which he was a director or key personnel;
- (ii) disqualification from acting as a director of any corporation, or from taking part directly or indirectly in the management of a corporation;
- (iii) charge and/or conviction in a criminal proceeding or a named subject of a pending criminal proceeding;
- (iv) any judgement entered against him involving a breach of any law or regulatory requirement that relates to the securities or futures industry; and
- (v) the subject of any order, judgment or ruling of any court, government or regulatory authority or body, temporarily enjoining him from engaging in any type of business practice or activity.

8.6 RELATIONSHIPS AND ASSOCIATIONS

Save as disclosed below, there are no family relationships (As defined under Section 122A of the Act) or associations amongst the Promoters, the substantial shareholders, the key management and key technical personnel:

- (i) Ng Hwee Ngee, the Planner of DISPL, is the wife of Wong Ser Yian, the General Manager of DISPL; and
- (ii) Lim Bee Leng, the QC Manager of DISB, is the wife of Yong Poh Yow, the Executive Director and Chief Executive Officer of Dufu.

8.7 SERVICE AGREEMENTS

As at the date of this Prospectus, none of the Management has any existing or proposed service agreements with Dufu or any of its subsidiary companies. All the Group's employees have standard employment contracts.

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8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)
8.8 INVOLVEMENT OF DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL IN OTHER BUSINESSES OR CORPORATIONS

Save as disclosed below, none of the executive directors, key management and key technical personnel is involved in other businesses or corporations:

Name	Name of Company	Date Appointment/ Designation	Shareholdings				Principal Activities
			Direct		Indirect		
			No. of shares held	%	No. of shares held	%	
Hsu, Chin-Shui	Lee Bai Corp. Ltd. (Taiwan)	1.3.1984/ Chairman	5,000 shares of New Taiwan Dollar 1,000 each	25.00	-	-	Manufacture of tool and die (for machining industry)
	Guangzhou Ching Lian Precision Technology Pte. Ltd. (China)	1.10.2002/ Chairman	USD1.6 million	100.00	-	-	Manufacture of tool and die (for machining industry)
	Serimas Electronics Sdn Bhd	8.1.2002/ Director	150,000	30.00	-	-	Design and manufacture of plastics injection moulding
	Flexi Power Sdn Bhd	-	1,000,000	40.00	-	-	Manufacture of polymer lithium ion battery
Lee, Hui-Ta a.k.a Li Hui Ta	Lee Bai Corp. Ltd. (Taiwan)	1.3.1984/ Director	3,750 shares of New Taiwan Dollar 1,000 each	20.00	-	-	Manufacture of tool and die (for machining industry)
	Longtech Ltd. (U.S.)	1.3.1994/ Director	1,000	100.00	-	-	Distribution of die components
	I-Chiun Precision Ind. (M) Sdn Bhd	24.5.2000/ Director	-	-	-	-	Manufacture and trading of silver plated lead frame
Yong Poh Yow	X Factor Pte Ltd (Singapore)	1.10.1990/ Director	30,000	30.00	-	-	Property investment
Wong Ser Yian	Beauty Code Pte Ltd (Singapore)	-	25	25.00	-	-	Trading of health and beauty products
	X Factor Pte Ltd (Singapore)	1.10.1990/ Director	70,000	70.00	-	-	Property investment

8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)

The allocation of time by each person mentioned above for his different positions is as follows:

Name of Executive Director and Key Management and Key Technical Personnel	Average time allocated to the Group (%)	Average time allocated to other companies (%)
Hsu, Chin-Shui	80	20
Lee, Hui-Ta a.k.a Li Hui Ta	80	20
Yong Poh Yow	100	-
Wong Ser Yian	100	-

According to the above mentioned persons, their involvement in the other companies are minimal and the job functions thereto mainly involve devising corporate strategies and attending management/board meetings. As such, there will be no negative implications on their contribution to the Group.

8.9 INFORMATION ON EMPLOYEES

As at the Latest Practicable Date, the Group has 468 employees who fall in the following categories and whose length of service is as follows:

Employee classification	Years of employment			No. of Employees	Local	Foreign	%
	Less than 1 year	1 to 5 years	More than 5 years				
Directors	-	-	4	4	1	3	1
Management	1	6	7	14	12	2	3
Engineering	9	45	28	82	68	14	17
Sales and marketing	-	2	1	3	2	1	1
Supervisory	1	7	20	28	24	4	6
Administrative and clerical	3	24	33	60	55	5	13
Production and general worker							
-Skilled	-	178	35	213	78	135	46
-Unskilled	64	-	-	64	7	57	13
Total	78	262	128	468	247	221	100

The Group does not have any contractual employees except for the foreign production and general workers whose contractual period is up to 3 years. There has been no labour or industrial dispute between the employees and the Management which could have a material adverse financial impact on the Group. The employees of the Group do not belong to any labour union.

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8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)

Training and Development

Realising human resources as one of our strength, we have put in emphasis in developing human resources. Our training and development programmes are as follows:

- (i) Continuous on-the-job training is provided to all level of workers, from operators and inspectors to engineers and technicians.
- (ii) In-house and external training programmes are provided to all the Group's staff. For example, all engineers in the Group have attended full comprehensive Six Sigma training. Through this course, they are equipped with the knowledge on statistical methods such as Design of Experiments and Hypothesis Testing. This will further enhance their capability in process and product design.

The training programmes completed by our employees during the FYE 31 December 2005 and the seven (7)-month period ended 31 July 2006, amongst others, are as follow:

Programme	In-house/ External	Department(s) Involved
FYE 31 December 2005		
▪ Financial Reporting Standards In Malaysia	External	▪ Accounts
▪ ISO 14001:2004 Tea Talk	External	▪ QA
▪ Marine & Good In Transit Insurance	External	▪ Human Resource, Purchasing and Shipping
▪ Effective Purchasing & Supply Management	External	▪ Purchasing
▪ International Trade Documentation	External	▪ Shipping
▪ Customs Procedure	External	▪ Shipping
▪ Mastering Double Entry Accounting & Bookkeeping	External	▪ Accounts
▪ Employment Law & Employee Discipline	External	▪ Human Resource & Production
▪ Microsoft Excel 2003	External	▪ Procurement
▪ Geometric Dimensioning and Tolerance Training	External	▪ QA/QC
▪ Programmable Logic Controller	External	▪ Production
▪ Cost Accounting & Analysis Industry		▪ Accounts
▪ Human Resource Department. Operations & Admin	External	▪ Human Resource
7-month period ended 31 July 2006		
▪ Lean Manufacturing System	External	▪ QA/QC/ Production/ Engineering
▪ Lean Diagnostics Training	External	▪ QA
▪ Introduction to ISO 14001:2004	External	▪ All
▪ Safety & Health Awareness for effective industrial accident prevention	External	▪ Human Resource
▪ Strategic procurement, negotiation skills and cost reduction techniques	External	▪ Purchasing
▪ Chemical Handling	In-house	▪ All
▪ Kursus Asas Keselamatan Kebakaran (Emergency Respond Team)	In-house	▪ All
▪ Legal & Other Requirement - Industrial Waste Management	In-house	▪ Production
▪ Calibration Training	External	▪ QC
▪ Effective Supervisory & Leadership Skills	In-house	▪ All
▪ Geowin Software On Coordinate Measuring Machine	External	▪ QC

8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)

Programme	In-house/ External	Department(s) Involved
▪ How to handle accounting for assets	External	▪ Finance
▪ Effective cost control in purchasing & material management	External	▪ Purchasing
▪ Internal Audit ISO 14001	In-house	▪ All
▪ First Aid Training	In-house	▪ All
▪ English Course & Communication Skills	In-house	▪ All
▪ Security Investigation Management, Report, Printing & Fraud Prevention	External	▪ Administration
▪ Effective Purchasing & Supply Management	External	▪ Purchasing
▪ Understanding of Labour Law	External	▪ Human Resource
▪ European Union Restrictive of Hazardous Directives and their impact on business	External	▪ QA, Purchasing
▪ Counselling Skills for Supervisors	In-house	▪ All
▪ How to Manage Your Subordinates Effectively	External	▪ Human Resource

Other than training, we also promote teamwork and reward employees who can come up with great improvement ideas under the Employees' Recognition of Achievement Programme. This helps to create a culture which promotes innovation in the company.

8.10 MANAGEMENT SUCCESSION PLAN

As in any other business, Board of Directors believes that the Group's continued success depends on the ability and retention of the Management. Therefore, effort has been taken to train and remunerate them accordingly. The Group's future success will also depend upon its ability to attract and retain skilled personnel.

The Group also has a management succession plan consisting of:

- (i) Sound recruitment and selection;
- (ii) Competitive remuneration and employee benefits; and
- (iii) Continuous training and education.

As part of the Group's management succession plan, the Group has identified middle management personnel across all levels to assist the heads of various business divisions in order to facilitate skill transfer so as to ensure smooth running and continuity of the operations of the Group. If the need arises, the Group intends to recruit qualified personnel with knowledge and expertise of the business.

In order for the key professional and technical personnel to continue to be motivated and loyal to the Group, they will be rewarded with Pink Form Shares and ESOS Options.

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9. APPROVALS AND CONDITIONS

9.1 CONDITIONS ON APPROVALS

The IPO under the terms of this Prospectus was approved by the following authorities, subject to the conditions set out below:

- (i) the SC (including the approval under the FIC Guidelines) on 28 August 2006. The SC had also, on 19 January 2007, approved an extension of time of an additional two (2) months from 28 February 2007 to 27 April 2007 for the implementation of the listing; and
- (ii) the MITI on 24 May 2006 and 27 September 2006.

Authority	Date of Approval	Conditions Imposed	Status of Compliance																														
SC	28 August 2006	(i) the proceeds from the offer for sale should be put into a trust account until the listing of Dufu on the Securities Exchange;	To be complied.																														
		(ii) Moratorium on the sale of Dufu Shares for one year from the listing date should be imposed on the following shareholders:	To be complied.																														
		<table border="1"> <thead> <tr> <th></th> <th>No. of Dufu Shares held ('000)</th> <th>% of enlarged issued and paid-up capital</th> <th>No. of Dufu Shares held under moratorium ('000)</th> <th>% of enlarged issued and paid-up capital</th> </tr> </thead> <tbody> <tr> <td>Hsui, Chin-Shui</td> <td>21,723</td> <td>24.14</td> <td>15,691</td> <td>17.43</td> </tr> <tr> <td>Lee, Hui-Ta a.k.a. Li Hui Ta</td> <td>21,723</td> <td>24.14</td> <td>15,691</td> <td>17.43</td> </tr> <tr> <td>Wong Ser Yian</td> <td>7,988</td> <td>8.88</td> <td>5,792</td> <td>6.44</td> </tr> <tr> <td>Yong Poh Yow</td> <td>4,566</td> <td>5.07</td> <td>3,326</td> <td>3.70</td> </tr> <tr> <td></td> <td>56,000</td> <td>62.23</td> <td>40,500</td> <td>45.00</td> </tr> </tbody> </table>		No. of Dufu Shares held ('000)	% of enlarged issued and paid-up capital	No. of Dufu Shares held under moratorium ('000)	% of enlarged issued and paid-up capital	Hsui, Chin-Shui	21,723	24.14	15,691	17.43	Lee, Hui-Ta a.k.a. Li Hui Ta	21,723	24.14	15,691	17.43	Wong Ser Yian	7,988	8.88	5,792	6.44	Yong Poh Yow	4,566	5.07	3,326	3.70		56,000	62.23	40,500	45.00	
			No. of Dufu Shares held ('000)	% of enlarged issued and paid-up capital	No. of Dufu Shares held under moratorium ('000)	% of enlarged issued and paid-up capital																											
		Hsui, Chin-Shui	21,723	24.14	15,691	17.43																											
		Lee, Hui-Ta a.k.a. Li Hui Ta	21,723	24.14	15,691	17.43																											
		Wong Ser Yian	7,988	8.88	5,792	6.44																											
Yong Poh Yow	4,566	5.07	3,326	3.70																													
	56,000	62.23	40,500	45.00																													
(iii) Dufu to comply with the National Development Policy (NDP) requirement whereby Bumiputera investors would be allotted 27,000,000 Dufu Shares (via 18,200,000 public issue shares and 8,800,000 offer for sale shares) upon listing which is to be approved by the MITI;	Complied. MITI has vide its letters date 8.12.2006 and 28.12.2006 allocated the 27,000,000 Dufu Shares or 30% of Dufu's enlarged share capital to Bumiputera investors.																																
(iv) Alliance/Dufu to inform the SC on the status of compliance with the NDP requirement upon completion of the listing exercise;	To be complied.																																
(v) Alliance/Dufu to fully comply with the relevant requirements pertaining to the implementation of the above proposal as stipulated in the SC Guidelines;	To be complied.																																
(vi) Alliance/Dufu to inform the SC upon completion of the proposal.	To be complied.																																

9. APPROVALS AND CONDITIONS (Cont'd)

Authority	Date of Approval	Conditions Imposed	Status of Compliance
MITI	24 May 2006/ 27 September 2006	(i) the allocation of 27,000,000 Shares via Public Issue (18,200,000 Shares) and Offer for Sales (8,800,000 Shares) to Bumiputera investors is subject to the approval of MITI of which the allocation will be finalised separately after obtaining the approval of the SC. (ii) To obtain the approval of the SC and comply with FIC Guidelines.	Complied. MITI has vide its letters date 8.12.2006 and 28.12.2006 allocated the 27,000,000 Dufu Shares or 30% of Dufu's enlarged share capital to Bumiputera investors. Complied vide the SC (including the approval under the FIC Guidelines)'s approval letter dated 28 August 2006.

The SC also noted the equity structure relating to Bumiputera, non-Bumiputera and foreign shareholdings in Dufu would change arising from the implementation of the listing proposal as follows:-

	Before Listing Proposal %	After Listing Proposal %
Bumiputera	-	30.00
Non-Bumiputera	100.00	7.56
Foreign	-	62.44
Total	100.00	100.00

In addition, the Securities Exchange had, vide its letter dated 4 April 2006, granted its approval-in-principle for the following:

- (i) Admission to the Official List of the Securities Exchange and the listing and quotation of the entire enlarged issued and paid-up share capital of Dufu of RM45,000,000 comprising 90,000,000 ordinary shares of RM0.50 each on the Second Board of the Securities Exchange on a "ready" basis pursuant to the Rules of the Securities Exchange or such variations to the issued and paid-up share capital as imposed by the SC.
- (ii) Additional listing of such number of new ordinary shares of RM0.50 each representing up to 15% of the issued and paid-up share capital of the Company to be issued pursuant to the exercise of options under the ESOS.

9. APPROVALS AND CONDITIONS (Cont'd)

The Securities Exchange had imposed the following conditions:

Authority	Date of Approval	Conditions Imposed	Status of Compliance
Securities Exchange	4 April 2006	<p>(i) Approval of the SC being obtained and where there are conditions and/or variations imposed by the SC, compliance of the said conditions and/or variations in relation to the issuance and listing of the securities of the Company;</p> <p>(ii) In the event that the SC Approval affects or varies the issued and paid-up capital of the listing submitted in the application to Securities Exchange ("Variation"), compliance of the Variations with the Listing Requirement of the Securities Exchange.</p>	<p>Complied. The approval of the SC was obtained on 28 August 2006. The conditions imposed by the SC have been complied with, save for conditions relating to future events.</p> <p>Complied. The issued and paid-up capital of the listing application is the same as the issued and paid-up capital approved by the SC.</p>

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9. APPROVALS AND CONDITIONS (Cont'd)

9.2 MORATORIUM ON THE SALE OF SHARES

In accordance with Paragraph 6.24 of the SC Guidelines, the shares held by affected shareholders of a company amounting to 45% of the nominal issued and paid-up capital of the company at the date of admission of the Company to the Official List of the Securities Exchange must be placed under moratorium. In the case of Dufu, the affected shareholders whose shareholdings in the Company are subject to moratorium are as follows:

Name of Promoter/Shareholder	< ----- After the Public Issue ----- >			
	No. of Dufu Shares held	% of share capital	No. of Dufu Shares under moratorium	% of share capital
Hsu, Chin-Shui	21,723,000	24.14	15,691,000	17.43
Lee, Hui-Ta a.k.a Li Hui Ta	21,723,000	24.14	15,691,000	17.43
Yong Poh Yow	4,566,000	5.07	3,326,000	3.70
Wong Ser Yian	7,988,000	8.88	5,792,000	6.44
Total	56,000,000	62.23	40,500,000	45.00

Pursuant to the moratorium to which the above affected shareholders have agreed, they will not be allowed to sell, transfer or assign the Shares they respectively hold within one (1) year from the date of Dufu's admission to the Official List of the Second Board of the Securities Exchange.

The restriction is specifically endorsed on the notice of allotment and share certificates representing the Dufu Shares held by the affected shareholders which are under moratorium to ensure that trading of these shares is not allowed in compliance with the restriction imposed by the SC. The public is deemed to have notice of this restriction.

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10. RELATED PARTY TRANSACTIONS/CONFLICTS OF INTEREST

10.1 INTERESTS IN SIMILAR BUSINESSES

As at the date of this Prospectus, none of the Directors nor substantial shareholders of the Company and its subsidiary companies has any interest, direct or indirect, in any businesses and/or corporations carrying on a trade similar to that of the Group.

10.2 RELATED-PARTY TRANSACTIONS

During the past three (3) FYE 31 December 2003, 2004 and 2005 and the subsequent financial period thereof immediately preceding the date of this Prospectus, save as disclosed below, there are no existing or proposed related-party transactions entered into between the Group and its Directors, substantial shareholders, persons connected with the Directors or substantial shareholders, key management and/or key technical personnel:-

Related party	Relationship	Nature of transaction	Value of the transaction for the FYE	Value of the transaction for the FYE	Value of the transaction for the FYE	Value of the transaction for the 7-month period ended	Estimated value of the transaction for the FYE
			31.12.2003	31.12.2004	31.12.2005	31.07.2006	31.12.2006
			RM'000	RM'000	RM'000	RM'000	RM'000
X Factor Pte Ltd (Singapore)	Common shareholders: Yong Poh Yow and Wong Ser Yian	Rental of DISPL's office	81	81	83	49	83
Seraimas Electronics Sdn Bhd	Common shareholder: Hsu, Chin-Shui	Sub-contractor of IPG	40	-	34	196	219
Guangzhou Ching Lian Precision Technology Pte Ltd (China)	Common shareholder: Hsu, Chin-Shui	Purchase of tools	-	-	18	-	200
Hicks-Woode Corporate Services (Penang) Sdn Bhd ("Hicks-Woode")	Khoo Lay Tatt, Director and shareholder of Hicks-Woode	Company secretarial services rendered	-	-	-	47	50

The Directors will ensure that recurrent related party transactions carried out are not prejudicial to Dufu nor on terms more favourable to the related parties than those normally agreed with other customers/suppliers and are also not to the detriment of the Company and the minority shareholders.

The Directors and substantial shareholders of Dufu are not aware of any transactions that may give rise to a conflict of interests. No approvals were received from non-interested shareholders for the related-party transactions.

10.3 TRANSACTIONS THAT ARE UNUSUAL IN THEIR NATURE OR CONDITIONS

There are no transactions that are unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which the Group was a party during the past three (3) FYE 31 December 2003 to 2005 and the subsequent financial period thereof immediately preceding the date of this Prospectus.

10. RELATED PARTY TRANSACTIONS/CONFLICTS OF INTEREST (Cont'd)

10.4 LOANS MADE BY THE GROUP TO OR FOR THE BENEFIT OF RELATED PARTIES

Save as disclosed below, there are no outstanding loans, including guarantees of any kind, made by the Group to or for the benefit of related parties during the past three (3) FYE 31 December 2003 to 2005 and the subsequent financial period thereof immediately preceding the date of this Prospectus.

In the seven (7)-month period ended 31 July 2006, DISB advanced RM310,000 to Seraimas Electronics Sdn Bhd, a company related to Hsu, Chin-Shui. The advances were interest free, unsecured and have no fixed term of repayment. However, as of the Latest Practicable Date, the advance has been fully settled.

10.5 PROMOTION OF MATERIAL ASSETS

Save as disclosed below, none of the Directors or substantial shareholders has any interest, direct or indirect, in the promotion of or in any material assets which have, during the three (3) FYE 31 December 2003, 2004 and 2005 and the subsequent financial period thereof immediately preceding the date of this Prospectus, been acquired or are proposed to be acquired or disposed of or are proposed to be disposed of or leased to or are proposed to be leased to Dufu or any of its subsidiary companies.

DISB Acquisition

As detailed in Section 5.3 of this Prospectus, the acquisition by Dufu of 5,000,000 ordinary shares of RM1.00 each in DISB representing the entire issued and paid-up capital of DISB from Hsu, Chin-Shui, Lee, Hui-Ta a.k.a Li Hui Ta, Yong Poh Yow and Wong Ser Yian for a purchase consideration of RM29,110,000 fully satisfied by the issue of 58,220,000 new Dufu Shares at par which was completed on 30 August 2006.

IPG Acquisition

As detailed in Section 5.3 of this Prospectus, the acquisition by Dufu of 2,000,000 ordinary shares of RM1.00 each in IPG representing the entire issued and paid-up capital of IPG from Hsu, Chin-Shui, Lee, Hui-Ta a.k.a Li Hui Ta, Yong Poh Yow and Wong Ser Yian for a total purchase consideration of RM3,789,998 fully satisfied by the issue of 7,579,996 new Dufu Shares at par which was completed on 30 August 2006.

10.6 DECLARATION BY EXPERTS

Alliance confirms that there is no existing or potential conflict of interests in its capacity as the Adviser, Underwriter and Placement Agent.

Messrs. Deloitte KassimChan confirms that there is no existing or potential conflict of interests in its capacity as the Auditors/Reporting Accountants.

Messrs. Zaid Ibrahim & Co confirms that there is no existing or potential conflict of interests in its capacity as the Due Diligence Solicitors.

D&B Malaysia confirms that there is no existing or potential conflict of interests in its capacity as the Independent Market Researcher.