

THIS ABRIDGED PROSPECTUS ("AP") IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKERS, BANK MANAGERS, SOLICITORS, ACCOUNTANTS OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

If you have sold or transferred all your ordinary shares in Dufu Technology Corp. Berhad (Company No. 581612-A) ("Dufu" or the "Company"), you should at once forward this AP together with the Notice of Provisional Allotment ("NPA") and the Rights Subscription Form ("RSF") to the agent/broker through whom you effected the sale or transfer for onward transmission to the purchaser or transferee. All enquiries concerning the Two-Call Rights Issue (as defined herein), which is the subject matter of this AP, should be addressed to our Share Registrar, Securities Services (Holdings) Sdn Bhd (Company No. 36869-T), Level 7, Menara Milenium, Jalan Damania, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Malaysia.

This AP, together with the NPA and RSF are only despatched to our shareholders who have provided our Share Registrar with a registered address in Malaysia and whose names appear on our Record of Depositors not later than 5.00 p.m. on 21 June 2013. This AP together with the NPA and RSF, are not intended to be issued, circulated or distributed in countries or jurisdictions other than Malaysia and no action has been or will be taken to ensure that the Two-Call Rights Issue and these documents complies with the laws of any countries or jurisdictions other than the laws of Malaysia. Entitled Shareholders (as defined herein) and their renounee(s) (if applicable) who are residents in countries or jurisdictions other than Malaysia should therefore immediately consult their legal advisers and other professionals as to whether the acceptance or renunciation (as the case may be) of all or any part of their entitlements to the Two-Call Rights Issue would result in the contravention of any laws of such countries or jurisdictions. Neither Dufu, our Board of Directors nor Bank Islam Malaysia Berhad (Company No. 98127-X) ("Bank Islam") or other experts shall accept any responsibility or liability in the event that any acceptance or renunciation (as the case may be) made by the Entitled Shareholders or their renounee(s) (if applicable) are or shall become illegal, unenforceable, voidable or void in such countries or jurisdictions in which the Entitled Shareholders or their renounee(s) (if applicable) are residents.

A copy of this AP has been registered with the Securities Commission Malaysia ("SC"). The registration of this AP should not be taken to indicate that the SC recommends the Two-Call Rights Issue or assumes responsibility for the correctness of any statement made or opinion or report expressed in this AP. The SC has not, in any way, considered the merits of the Two-Call Rights Issue or securities being offered for investment. A copy of this AP, together with the NPA and RSF has also been lodged with the Registrar of Companies who takes no responsibility for the contents of these documents.

Approval for the Two-Call Rights Issue has been obtained from our shareholders at our Extraordinary General Meeting II held on 31 May 2013. Approval has been obtained from Bursa Malaysia Securities Berhad (Company No. 635998-W) ("Bursa Securities") vide its letter dated 3 May 2013 for the listing of and quotation for the Rights Shares (as defined herein) on the Main Market of Bursa Securities. The official quotation for the Rights Shares will commence after, amongst others, receipt of confirmation from Bursa Malaysia Depository Sdn Bhd (Company No. 165570-W) that all the Central Depository System accounts of the Entitled Shareholders and/or their renounee(s) (if applicable) who have subscribed for the Rights Shares, have been duly credited and notices of allotment for the Rights Shares has been despatched to them.

Neither the SC nor Bursa Securities takes any responsibility for the correctness of any statements made or opinions expressed herein. Admission to the Official List of Bursa Securities and quotation for the Rights Shares on the Main Market of Bursa Securities are in no way reflective of the merits of the Two-Call Rights Issue.

Our Board of Directors has seen and approved all the documentation relating to the Two-Call Rights Issue. They collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable inquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts which, if omitted, would make the statement in these documents false or misleading.

Bank Islam, being the Principal Adviser for the Two-Call Rights Issue, acknowledges that, based on all available information and to the best of its knowledge and belief, this AP constitutes a full and true disclosure of all material facts concerning the Two-Call Rights Issue.

FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED, PLEASE REFER TO THE "RISK FACTORS" AS SET OUT IN SECTION 7 HEREIN.



DUFU TECHNOLOGY CORP. BERHAD

(Company No. 581612-A)

(Incorporated in Malaysia under the Companies Act, 1965)

RENOUNCEABLE TWO-CALL RIGHTS ISSUE OF UP TO 60,000,000 NEW ORDINARY SHARES OF RM0.50 EACH IN DUFU ("RIGHTS SHARE(S)") ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY TWO (2) EXISTING ORDINARY SHARES OF RM0.50 EACH HELD IN DUFU AT 5.00 P.M. ON 21 JUNE 2013, AT AN ISSUE PRICE OF RM0.50 PER RIGHTS SHARE, OF WHICH THE FIRST CALL OF RM0.20 PER RIGHTS SHARE IS PAYABLE IN CASH ON APPLICATION AND THE SECOND CALL OF RM0.30 PER RIGHTS SHARE IS TO BE CAPITALISED FROM DUFU'S RETAINED EARNINGS UPON ALLOTMENT

Principal Adviser

BANK ISLAM

Bank Islam Malaysia Berhad

(Company No.: 98127-X)

IMPORTANT DATES AND TIME:-

Entitlement Date	:	Friday, 21 June 2013 at 5.00 p.m.
Last date and time for sale of provisional allotment of rights	:	Friday, 28 June 2013 at 5.00 p.m.
Last date and time for transfer of provisional allotment of rights	:	Wednesday, 3 July 2013 at 4.00 p.m.
Last date and time for acceptance and payment	:	Monday, 8 July 2013 at 5.00 p.m.*
Last date and time for excess application and payment	:	Monday, 8 July 2013 at 5.00 p.m.*

* or such later date and time as our Board of Directors may decide and announce not less than two (2) Market Days (as defined herein) before the stipulated date and time.

BURSA SECURITIES HAS APPROVED THE LISTING OF AND QUOTATION FOR THE RIGHTS SHARES. THE APPROVAL FROM BURSA SECURITIES SHALL NOT BE TAKEN TO INDICATE THAT BURSA SECURITIES RECOMMENDS THE TWO-CALL RIGHTS ISSUE.

THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE ON OUR PART AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS AP, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS AP.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IN CONSIDERING THE INVESTMENT, IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKERS, BANK MANAGERS, SOLICITORS, ACCOUNTANTS OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

YOU ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE AND MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THIS AP ARE DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CAPITAL MARKETS & SERVICES ACT 2007 ("CMSA").

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE ISSUE FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 236 OF THE CMSA, E.G. DIRECTORS AND ADVISERS, ARE RESPONSIBLE.

THE DELIVERY OF THIS AP SHALL NOT, UNDER ANY CIRCUMSTANCES, CONSTITUTE A REPRESENTATION OR CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF OUR GROUP SINCE THE DATES HEREOF. WE AND OUR ADVISER HAVE NOT AUTHORISED ANYONE TO PROVIDE YOU WITH INFORMATION WHICH IS NOT CONTAINED IN THIS AP. THIS AP HAS BEEN PREPARED AND PUBLISHED SOLELY FOR THE TWO-CALL RIGHTS ISSUE UNDER THE LAWS OF MALAYSIA.

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Abridged Prospectus:-

- Act** : The Companies Act, 1965 as amended from time to time
- Additional Undertaking(s)** : Irrevocable written undertaking(s) from the following parties to make Excess Application and subscribe for the respective number of excess Rights Shares as set out below, or such lesser amount to the extent permissible or available to be allocated to them respectively, depending on the availability of the excess Rights Shares and the Excess Applications that may have been made by the Entitled Shareholders and/or their renounee(s):-

Name	No. of Excess Rights Shares
Lee, Hui-Ta also known as Li Hui Ta	1,298,600
Yong Poh Yow	2,800,200
Wu, Mao-Yuan	1,500,000
Total	5,598,800

- Allotment of Shares (KLT Undertaking)** : The allotment for up to 5,000,000 Rights Shares to Khoo Lay Tatt pursuant to the KLT Undertaking in the event of under-subscription of the Two-Call Rights Issue
- Announcement** : The announcement made on 22 April 2013 in relation to the Two-Call Rights Issue
- AP** : This Abridged Prospectus dated 21 June 2013
- Bank Islam or Principal Adviser** : Bank Islam Malaysia Berhad (98127-X)
- Board** : Board of Directors of our Company
- Bursa Depository** : Bursa Malaysia Depository Sdn Bhd (165570-W)
- Bursa Securities** : Bursa Malaysia Securities Berhad (635998-W)
- CDS** : Central Depository System
- CDS Account(s)** : A securities account established by Bursa Depository for a depositor to record the deposits or withdrawals of securities or for dealings in such securities by the depositor
- CMSA** : Capital Markets and Services Act, 2007 as amended from time to time
- Code** : Malaysian Code on Take-Overs and Mergers, 2010 as amended from time to time
- Director(s)** : Director(s) of our Company
- Dufu or Company** : Dufu Technology Corp. Berhad (581612-A)
- Dufu Group or Group** : Collectively our Company and our subsidiaries

DEFINITIONS (CONT'D)

- Dufu Share(s) or Share(s)** : Ordinary share(s) of RM0.50 each in our Company
- EGM** : Extraordinary General Meeting
- Entitled Shareholder(s)** : Our shareholder(s) whose name(s) appear in our Record of Depositors on the Entitlement Date in order to be entitled to the Rights Shares under the Two-Call Rights Issue
- Entitlement Date** : 21 June 2013 at 5.00 p.m., being the date and time at which the shareholders of our Company must be registered in our Record of Depositors in order to be entitled to participate in the Two-Call Rights Issue
- Entitlement Undertaking(s)** : Irrevocable written undertaking(s) from the following parties to subscribe for their respective entitlements totaled 23,401,232 Rights Shares under the Two-Call Rights Issue:-

Name	No. of Rights Shares
Perfect Commerce Sdn Bhd	5,641,500
Wong Ser Yian	4,758,623
Lee, Hui-Ta also known as Li Hui Ta	4,819,588
Hsu, Chin-Shui	5,426,687
Yong Poh Yow	1,217,334
Wu, Mao-Yuan	1,537,500
Total	23,401,232

- EPS** : Earnings per share
- Excess Application(s)** : Application(s) for additional Rights Shares in excess of an Entitled Shareholder's entitlement under the Two-Call Rights Issue as set out in Section 4.8 of this AP
- FPE** : Financial period ended
- FYE** : Financial year ended/ending as the case may be
- HDD** : Hard disk drive
- KLT Undertaking** : Irrevocable written undertaking from Khoo Lay Tatt, being the Senior Independent Non-Executive Director, to subscribe for 5,000,000 Rights Shares not subscribed under the Excess Application by the Entitled Shareholders and/or their renouncee(s), or such lesser amount to the extent permissible or available to be allocated to Khoo Lay Tatt depending on the availability of the Rights Shares after the allocation of such number of the excess Rights Shares that may have been applied for by the Entitled Shareholders and/or their renouncee(s) pursuant to their respective Excess Application
- Listing Requirements** : Main Market Listing Requirements of Bursa Securities
- LPD** : 31 May 2013, being the latest practicable date prior to the printing and despatch of this AP

DEFINITIONS (CONT'D)

Market Day(s)	: Any day(s) between Monday and Friday (inclusive) which is not a public holiday and on which Bursa Securities is open for the trading of securities
Maximum Scenario	: The scenario that assumes all the Entitled Shareholders subscribe for their respective entitlements in full totaled 60,000,000 Rights Shares under the Two-Call Rights Issue
Minimum Scenario	: The scenario that assumes the Two-Call Rights Issue will be implemented based on the Minimum Subscription Level
Minimum Subscription Level	: Minimum level of subscription for 34,000,032 Rights Shares pursuant to the Two-Call Rights Issue, as determined by the Board after taking into consideration the minimum gross proceeds of RM6.8 million to be raised from the Two-Call Rights Issue
NA	: Net assets
NPA	: Notice of Provisional Allotment pursuant to the Two-Call Rights Issue
Price-Fixing Date	: 5 June 2013, being the date on which we determined and announced the issue price and first call price of the Two-Call Rights Issue
Provisional Allotment	: Rights Shares provisionally allotted to the Entitled Shareholders and/or their renounee(s) (if applicable) pursuant to the Two-Call Rights Issue
Record of Depositors	: A record of securities holders of our Company established by Bursa Depository under the Rules of Bursa Depository
Rights Share(s)	: Up to 60,000,000 new Dufu Shares to be issued pursuant to the Two-Call Rights Issue
RM and sen	: Ringgit Malaysia and sen respectively
Rules of Bursa Depository	: Rules of a central depository as defined in the SICDA
RSF	: Rights Subscription Form pursuant to the Two-Call Rights Issue
SC	: Securities Commission Malaysia
Share Registrar	: Securities Services (Holdings) Sdn Bhd (36869-T)
SICDA	: Securities Industry (Central Depositories) Act, 1991 as amended from time to time
TERP	: Theoretical ex-rights price
Two-Call Rights Issue	: Renounceable two-call rights issue of up to 60,000,000 Rights Shares on the basis of one (1) Rights Share for every two (2) existing Shares held on the Entitlement Date, at an issue price of RM0.50 per Rights Share, of which the first call of RM0.20 per Rights Share is payable in cash on application and the second call of RM0.30 per Rights Share is to be capitalised from Dufu's retained earnings upon allotment
VWAP	: Volume-weighted average market price

DEFINITIONS (CONT'D)

Words importing the singular shall, where applicable, include the plural and vice versa, and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall include corporations, unless otherwise specified.

Any reference in this AP to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this AP shall be a reference to Malaysian time, unless otherwise stated.

All references to “our Company” and “Dufu in this AP are to Dufu Technology Corp. Berhad, references to “our Group” are to our Company and our subsidiary companies and references to “we”, “us”, “our” and “ourselves” are to our Company, and save where the context otherwise require, our subsidiary companies.

All references to “you” in this AP are to Entitled Shareholders.

Any discrepancies in the tables included in this AP between the amounts listed, actual figures and the totals thereof are due to rounding.

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CORPORATE DIRECTORY

BOARD OF DIRECTORS

Name	Address	Nationality	Profession
Hsu, Chin-Shui <i>(Executive Chairman)</i>	22, Pantai Jerjak 18 Sungai Nibong 11900 Bayan Lepas Penang	Taiwanese	Managing Director
Lee, Hui-Ta also known as Li Hui Ta <i>(Executive Director/Chief Financial Officer)</i>	29-16-1, Tingkat Bukit Jambul 1 Bukit Jambul 11900 Penang	Taiwanese	Director
Yong Poh Yow <i>(Executive Director/Chief Executive Officer)</i>	1, Denai Pinang 8 Sri Tanjung Tanjung Tokong 10470 Penang	Singaporean	Director
Wu, Mao-Yuan <i>(Non-Independent Non- Executive Director)</i>	7F, No. 36-1 Gongyuan St. Banqiao Dist New Taipei City 220 Taiwan	Taiwanese	Director
Khoo Lay Tatt <i>(Senior Independent Non- Executive Director)</i>	17, Jalan Pekaka 2 11700 Gelugor Penang	Malaysian	Director
Ang Siak Keng <i>(Independent Non-Executive Director)</i>	39, Lorong Padang Tembak 11400 Ayer Itam Pulau Pinang	Malaysian	Lawyer
Ong Choon Heng <i>(Independent Non-Executive Director)</i>	1067 Jalan Besar Permatang Tinggi 14000 Bukit Mertajam Pulau Pinang	Malaysian	Director

AUDIT COMMITTEE

Name	Designation	Directorship
Khoo Lay Tatt	Chairman	Senior Independent Non-Executive Director
Ang Siak Keng	Member	Independent Non-Executive Director
Ong Choon Heng	Member	Independent Non-Executive Director

COMPANY SECRETARY

: How Wee Ling (MAICSA 7033850)
Block 4-11-01, Solok Gangsa
11600 Penang

Ooi Ean Hoon (MAICSA 7057078)
19, Persiaran Besi
Island Park, 11600 Penang

CORPORATE DIRECTORY (CONT'D)

- HEAD/MANAGEMENT OFFICE** : Plot 19, Hilir Sungai Keluang 2
Taman Perindustrian Bayan Lepas
Fasa IV, 11900 Penang
Tel: 604-6161 300
Fax: 604-6161 372
Website: www.dufutechnology.com
Email: corporateaffairs@dufu.com.my
- REGISTERED OFFICE** : 57-G, Persiaran Bayan Indah
Bayan Bay, Sungai Nibong
11900 Penang
Tel : 604-640 8932
Fax: 604-643 8911
- SHARE REGISTRAR** : Securities Services (Holdings) Sdn Bhd
Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Tel: 603-2084 9000
Fax: 603-2094 9940 / 2095 0292
- AUDITORS AND REPORTING ACCOUNTANTS** : Crowe Horwath (AF 1018)
Chartered Accountants
17.01, Menara Boustead Penang
39, Jalan Sultan Ahmad Shah
10050 Penang
Tel: 604-227 7061
Fax: 604-227 8011
- SOLICITORS** : Zaid Ibrahim & Co
Advocates & Solicitors
51-22-B & C, Menara BHL
Jalan Sultan Ahmad Shah
10050 Penang
Tel: 604-227 0888
Fax: 604-228 6755
- PRINCIPAL BANKERS** : Public Bank Berhad
5, 7, 9 & 11, Lorong Kampung Jawa
Bandar Bayan Baru
11900 Bayan Lepas, Penang
Tel: 604-643 8200
- : United Overseas Bank (Malaysia) Berhad
1st floor, 64E-H, Lebuhraya
10200 Penang
Tel: 604-262 2386
- : Citibank Berhad
165, Jalan Ampang
50450 Kuala Lumpur
Tel: 603-2383 1111

CORPORATE DIRECTORY (CONT'D)

PRINCIPAL ADVISER : Bank Islam Malaysia Berhad
Level 32, Menara Bank Islam
No. 22, Jalan Perak
50450 Kuala Lumpur
Tel: 03-2688 2688
Fax: 03-2688 2666

STOCK EXCHANGE LISTED AND LISTING SOUGHT : Main Market of Bursa Securities

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DUFU TECHNOLOGY CORP. BERHAD

(Company No. 581612-A)

(Incorporated in Malaysia under the Companies Act, 1965)

Registered Office:

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

21 June 2013

Board of Directors:

Hsu, Chin-Shui	<i>(Executive Chairman)</i>
Lee, Hui-Ta also known as Li Hui Ta	<i>(Executive Director/Chief Financial Officer)</i>
Yong Poh Yow	<i>(Executive Director/Chief Executive Officer)</i>
Wu, Mao-Yuan	<i>(Non-Independent Non-Executive Director)</i>
Khoo Lay Tatt	<i>(Senior Independent Non-Executive Director)</i>
Ang Siak Keng	<i>(Independent Non-Executive Director)</i>
Ong Choon Heng	<i>(Independent Non-Executive Director)</i>

To: The Shareholders of Dufu Technology Corp. Berhad

Dear Sir/Madam,

RENOUNCEABLE TWO-CALL RIGHTS ISSUE OF UP TO 60,000,000 RIGHTS SHARES ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY TWO (2) EXISTING DUFU SHARES HELD IN DUFU AT 5.00 P.M. ON 21 JUNE 2013, AT AN ISSUE PRICE OF RM0.50 PER RIGHTS SHARE, OF WHICH THE FIRST CALL OF RM0.20 PER RIGHTS SHARE IS PAYABLE IN CASH ON APPLICATION AND THE SECOND CALL OF RM0.30 PER RIGHTS SHARE IS TO BE CAPITALISED FROM DUFU'S RETAINED EARNINGS UPON ALLOTMENT

1. INTRODUCTION

Our Board is pleased to inform you that at our EGM II held on 31 May 2013, our shareholders had approved the Two-Call Rights Issue and the Allotment of Shares (KLT Undertaking).

In view that the Allotment of Shares (KLT Undertaking) is deemed as an allotment of shares to Directors which requires approval of the shareholders of our Company in a general meeting to the specific allotment pursuant to Paragraph 6.06 of the Listing Requirements, Khoo Lay Tatt is deemed interested in the Allotment of Shares (KLT Undertaking). Accordingly, Khoo Lay Tatt has abstained from expressing an opinion and making any recommendation on our Board's deliberations and further abstained from voting on the resolution pertaining to the Allotment of Shares (KLT Undertaking). Khoo Lay Tatt has also ensured that persons connected with him abstain from voting in respect of their direct and/or indirect shareholdings, if any, on the resolution pertaining to the Allotment of Shares (KLT Undertaking) at the EGM II.

A certified true extract of the ordinary resolutions approving the Two-Call Rights Issue and the Allotment of Shares (KLT Undertaking) at the aforesaid EGM II is attached in Appendix I of this AP.

Approval had been obtained from Bursa Securities vide its letter dated 3 May 2013 for the listing of and quotation for the Rights Shares on the Main Market of Bursa Securities. The approval of Bursa Securities is subject to the following conditions:-

No.	Conditions	Status of compliance
(i)	Dufu and Bank Islam must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Two-Call Rights Issue;	Noted. To be complied
(ii)	Dufu and Bank Islam to inform Bursa Securities upon the completion of the Two-Call Rights Issue;	To be complied
(iii)	Dufu to furnish Bursa Securities with a certified true copy of the resolution passed by the shareholders approving the Two-Call Rights Issue prior to the quotation of the Rights Shares;	Complied
(iv)	Dufu to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Two-Call Rights issue is completed; and	To be complied
(v)	To incorporate Bursa Securities' comments in respect of the Circular to shareholders of Dufu.	Complied

On 5 June 2013, Bank Islam had, on our behalf, announced that the issue price of RM0.50 per Rights Share is payable in full in the following manner:-

- (i) The first call of RM0.20 per Rights Share shall be payable in full on application in cash; and
- (ii) The second call of RM0.30 per Rights Share shall be capitalised from Dufu's retained earnings upon allotment.

The subscribing Entitled Shareholders will not be required to make any further cash payment after the payment for the first call.

Subsequently, on 7 June 2013, Bank Islam had, on behalf of our Board, announced the Entitlement Date and the other important relevant dates pertaining to the Two-Call Rights Issue.

No person is authorised to give any information or to make any representation not contained in this AP and if given or made, such information or representation must not be relied upon as having been authorised by us or Bank Islam in connection with the Two-Call Rights Issue.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKERS, BANK MANAGERS, SOLICITORS, ACCOUNTANTS OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

2. DETAILS OF THE TWO-CALL RIGHTS ISSUE

2.1 Introduction

In accordance with the terms of the Two-Call Rights Issue as approved by Bursa Securities and our shareholders and subject to the terms of this AP and the accompanying documents, our Company shall provisionally allot up to 60,000,000 Rights Shares, at an issue price of RM0.50 per Rights Share on the basis of one (1) Rights Share for every two (2) existing Dufu Shares held on the Entitlement Date.

Shareholders whose names appear in our Record of Depositors as at the Entitlement Date are entitled to participate in the Two-Call Rights Issue. However, only Entitled Shareholders who have an address in Malaysia as stated in our Record of Depositors or who have provided our Share Registrar with an address in Malaysia in writing by the Entitlement Date will receive this AP, together with the NPA and RSF.

The Entitled Shareholders can fully or partially renounce their entitlement to the Rights Shares. The Rights Shares which are not taken up or validly taken up shall be made available for Excess Applications by the Entitled Shareholders and/or their renounee(s). It is the intention of our Board to allocate the excess Rights Shares in a fair and equitable manner as set out in Section 4.8 of this AP.

In determining the shareholders' entitlement to the Two-Call Rights Issue, fractional entitlements, if any, will be disregarded and shall be dealt with in such manner as our Board shall in its sole and absolute discretion deem expedient or to be in the best interest of our Company.

As you are an Entitled Shareholder, you will find enclosed with this AP, a NPA setting out the number of Rights Shares which you are entitled to subscribe under the terms of the Two-Call Rights Issue and a RSF which is to be used for the acceptance of the Rights Shares provisionally allotted to you, and for the application of any Rights Shares pursuant to the Excess Application, should you wish to do so.

Upon allotment and issue by our Company, the Rights Shares will be credited directly into the respective CDS Accounts of the Entitled Shareholders and/or their renounee(s) and no physical share certificates will be issued to the Entitled Shareholders and/or their renounee(s).

2.2 Basis of Pricing

The issue price of RM0.50 per Rights Share and first call price of RM0.20 per Rights Share were determined by our Board after taking into consideration amongst others, the following:-

- (i) The TERP based on the five (5)-day VWAP of the existing Dufu Shares prior to the Price-Fixing Date;
- (ii) The par value of Dufu Shares of RM0.50 each;
- (iii) The adequacy of retained earnings for capitalisation;
- (iv) The funding requirement of our Group; and
- (v) The prevailing market conditions and market price of Dufu Shares.

For information purposes, the first call price of RM0.20 per Rights Share represents a discount of approximately 8.51% to the TERP of RM0.2186 based on the five (5)-day VWAP of Dufu Shares up to and including 4 June 2013 of RM0.2279, being the last Market Day immediately preceding the Price-Fixing Date.

2.3 Cash Call and Capitalisation of Reserves

The issue price of RM0.50 per Rights Share will be payable in two (2) calls. The first call of RM0.20 per Rights Share will be payable in cash on application, and the second call of RM0.30 per Rights Share will be payable via capitalisation of our Company's retained earnings upon allotment. The subscribing shareholders of our Company will not have to make any further cash payment after the first call of RM0.20 per Rights Share. Only the subscribing shareholders who have paid for the first call of RM0.20 per Rights Share shall be entitled to the distribution of RM0.30 per Rights Share from the capitalisation of our Company's retained earnings in the form of payment of the second call for the Rights Shares subscribed.

Details of the capitalisation for the second call of RM0.30 per Rights Share, based on our Company's latest audited consolidated financial statements for the FYE 31 December 2012 and the latest unaudited financial statements for the three (3)-month FPE 31 March 2013 are set out as follows:-

Company Level	Retained Earnings (RM'000)
Audited as at 31 December 2012	22,376
<i>Less: Capitalisation for the second call of RM0.30 per Rights Share under the Two-Call Rights Issue (based on Maximum Scenario)</i>	18,000
<i>Less: Estimated expenses for the Two-Call Rights Issue</i>	600
After the Two-Call Rights Issue	3,776

Company Level	Retained Earnings (RM'000)
Unaudited as at 31 March 2013	22,298
<i>Less: Capitalisation for the second call of RM0.30 per Rights Share under the Two-Call Rights Issue (based on Maximum Scenario)</i>	18,000
<i>Less: Estimated expenses for the Two-Call Rights Issue</i>	600
After the Two-Call Rights Issue	3,698

2.4 Ranking of the Rights Shares

All the Rights Shares to be issued will, upon the allotment and issue, rank *pari passu* in all respects with the existing Dufu Shares, save and except that the Rights Shares will not be entitled to any dividends, rights, allotments and/or other forms of distributions that may be declared, made or paid, the entitlement date of which precedes the date of allotment and issuance of the Rights Shares.

2.5 Details of Other Corporate Exercises

Save for the Two-Call Rights Issue (which is the subject matter of this AP), our Board confirms that there is no other outstanding corporate exercise that has been announced but not yet completed as at the date of this AP.

3. IRREVOCABLE UNDERTAKING

Our Board has determined to undertake the Two-Call Rights Issue on a Minimum Subscription Level basis. The Minimum Subscription Level was determined by our Board after taking into consideration the minimum level of funds of RM6.8 million that our Company wishes to raise from the Two-Call Rights Issue which will be channelled towards the utilisation as set out in Section 6 of this AP.

To meet the Minimum Subscription Level, our Company had on 18 April 2013 procured the Entitlement Undertakings, Additional Undertakings and KLT Undertaking from the following shareholders and/or Directors ("**Parties**"):-

	As at the LPD		Entitlement Undertakings	Additional Undertakings/ KLT Undertaking	Total Rights Shares to be subscribed pursuant to the Entitlement Undertakings and Additional Undertakings/KLT Undertaking	
	No. of Shares	%			No. of Rights Shares	No. of Rights Shares
<u>Name of Shareholders/ Directors</u>						
Perfect Commerce Sdn Bhd	11,283,000	9.40	5,641,500	-	5,641,500	9.40
Wong Ser Yian	9,517,246	7.93	4,758,623	-	4,758,623	7.93
Lee, Hui-Ta also known as Li Hui Ta	9,639,177	8.03	4,819,588	1,298,600	6,118,188	10.20
Hsu, Chin-Shui	10,853,375	9.04	5,426,687	-	5,426,687	9.04
Yong Poh Yow	2,434,668	2.03	1,217,334	2,800,200	4,017,534	6.70
Wu, Mao-Yuan	3,075,000	2.56	1,537,500	1,500,000	3,037,500	5.06
Khoo Lay Tatt	-	-	-	5,000,000	5,000,000	8.33
Total	46,802,466	38.99	23,401,232	10,598,800	34,000,032	56.66

Note:-

(1) Percentage calculated based on 60,000,000 Rights Shares available for subscription under the Two-Call Rights Issue.

Pursuant to the Additional Undertakings, Lee, Hui-Ta also known as Li Hui Ta, Yong Poh Yow and Wu, Mao-Yuan will apply for excess Rights Shares which will rank the same as the other Entitled Shareholders under the Excess Application. Thereafter, any Rights Shares (up to 5,000,000 Rights Shares) not subscribed under the Excess Application by the Entitled Shareholders and/or their renounee(s) would be taken up by Khoo Lay Tatt pursuant to KLT Undertaking.

As the Two-Call Rights Issue is structured on a Minimum Subscription Level basis, our Group has not procured any underwriting arrangements.

The above Parties have also on 18 April 2013 provided their respective confirmations that they have sufficient financial resources to take up the Rights Shares pursuant to the Entitlement Undertakings, Additional Undertakings and KLT Undertaking (where applicable). Bank Islam has verified that the Parties have sufficient financial resources to subscribe for the Rights Shares pursuant to the Entitlement Undertakings, Additional Undertakings and KLT Undertaking (where applicable).

Notwithstanding the above, in the event that the Minimum Subscription Level is not achieved due to reasons beyond the control of our Company, (for example in the unlikely event of any one of the above Parties fails to subscribe for the Rights Shares pursuant to the Entitlement Undertakings, Additional Undertakings and KLT Undertaking (where applicable) for whatever reasons), the Two-Call Rights Issue will not be implemented. All subscription monies received will be returned without interest in accordance with Section 243 of the CMSA. Please refer to Section 7.2 (b) of this AP for further details. As at the LPD, our Company does not have any other alternative plan in the event the Minimum Subscription Level is not achieved.

The above Entitlement Undertakings, Additional Undertakings and KLT Undertaking will not trigger any take-over implications pursuant to Part III of the Code.

For illustration purposes, assuming the Two-Call Rights Issue is being undertaken on a Minimum Subscription Level basis and only the Parties who have given irrevocable written undertakings subscribe for the Rights Shares pursuant to their respective Entitlement Undertakings, Additional Undertakings and KLT Undertaking, the proforma effect on the public shareholdings spread of our Company is as follows:-

	Public shareholdings spread
As at the LPD	59.47%
Upon completion of the Two-Call Rights Issue (Minimum Subscription Level basis)	46.34%

4. INSTRUCTIONS FOR ACCEPTANCE, PAYMENT AND EXCESS APPLICATION

4.1 General

If you are an Entitled Shareholder, your CDS Account will be duly credited with the number of Provisional Allotment, which you are entitled to subscribe for in full or in part under the terms of the Two-Call Rights Issue. You will find enclosed together with this AP, the NPA notifying you of the crediting of such Provisional Allotment into your CDS Account and the RSF to enable you to subscribe for the Provisional Allotment, as well as to apply for excess Rights Shares if you choose to do so.

4.2 NPA

The Provisional Allotment are prescribed securities pursuant to Section 14(5) of the SICDA and therefore, all dealings in the Provisional Allotment will be by book entries through CDS Accounts and will be governed by the SICDA and the Rules of Bursa Depository. You and/or your renouncee(s) (if applicable) are required to have valid and subsisting CDS Accounts when making your applications.

4.3 Last Date and Time for Acceptance and Payment

The last date and time for acceptance and payment for the Provisional Allotment is at **5.00 p.m. on 8 July 2013**, or such extended date and time as our Board may decide at its absolute discretion. Where the closing date of the acceptance is extended from the original closing date, the announcement of such extension will be made not less than two (2) Market Days before the original closing date.

4.4 Procedure for Full Acceptance and Payment

Acceptance and payment for the Provisional Allotment by you as an Entitled Shareholder or your renouncee(s) (if applicable) must be made on the RSF enclosed together with this AP and must be completed in accordance with the notes and instructions contained in these documents. Acceptances which do not conform to the terms of this AP, NPA or RSF or the notes and instructions contained in these documents or which are illegible may not be accepted at the absolute discretion of our Board.

FULL INSTRUCTIONS FOR THE ACCEPTANCE AND PAYMENT FOR THE PROVISIONAL ALLOTMENT, EXCESS APPLICATION FOR THE TWO-CALL RIGHTS ISSUE AND THE PROCEDURES TO BE FOLLOWED SHOULD YOU WISH TO SELL/TRANSFER ALL OR ANY PART OF YOUR ENTITLEMENT ARE SET OUT IN THIS AP AND THE ACCOMPANYING RSF.

YOU AND/OR YOUR RENOUNCEE(S) (IF APPLICABLE) ARE ADVISED TO READ THIS AP, THE RSF AND THE NOTES AND INSTRUCTIONS PRINTED THEREIN CAREFULLY.

You or your renounee(s) (if applicable) who are accepting the Provisional Allotment are required to fill and complete the RSF in accordance with the notes and instructions provided therein. Each completed and signed RSF together with the relevant payment must be despatched by **ORDINARY POST, COURIER or DELIVERY BY HAND**, at your own risk, in the self-addressed envelope provided, to our Share Registrar at the following address:-

Securities Services (Holdings) Sdn Bhd

Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Tel: 603 – 2084 9000
Fax: 603 – 2094 9940 / 2095 0292

so as to arrive not later than **5.00 p.m. on 8 July 2013**, being the last time and date for acceptance and payment, or such extended time and date as may be determined and announced by our Board at its absolute discretion. A reply envelope is enclosed in this AP. In order to facilitate the processing of the RSF by the Share Registrar for the Two-Call Rights Issue, you are advised to use one (1) reply envelope for each completed RSF.

One (1) RSF can only be used for acceptance of Provisional Allotment standing to the credit of one (1) CDS Account. Separate RSF must be used for the acceptance of Provisional Allotment standing to the credit of more than one (1) CDS Account. If successful, the Rights Shares subscribed by you or your renounee(s) (if applicable) will be credited into the respective CDS Accounts where the Provisional Allotment is standing to the credit.

You and/or your renounee(s) (if applicable) should take note that a trading board lot for the Rights Shares will comprise 100 Rights Shares. The minimum number of securities that can be subscribed for or accepted is one (1) Rights Share for every two (2) existing Dufu Shares held. Fractions of a Rights Share will be disregarded and shall be dealt with in such manner as our Board in its absolute discretion deem fit and expedient, and to be in the best interests of our Company.

If acceptance and payment for the Provisional Allotment by you and/or your renounee(s) (if applicable) is not received by our Share Registrar by **5.00 p.m. on 8 July 2013**, being the last date and time for acceptance and payment, or any other extended date and time as may be determined and announced by our Board not less than two (2) Market Days before the stipulated time and date at its discretion, you and/or your renounee(s) (if applicable) will be deemed to have declined the Provisional Allotment made to you and/or your renounee(s) and it will be cancelled. Such Rights Shares not taken up will be allotted to the applicants applying for excess Rights Shares. Proof of time of postage shall not constitute proof of time of receipt by the Share Registrar. Our Board reserves the right not to accept or to accept in part only any application without providing any reasons.

You and/or your renounee(s) (if applicable) who lose, misplace or for any other reasons require another copy of the RSF may obtain additional copies from your stockbrokers, Bursa Securities' website (<http://www.bursamalaysia.com>), our Share Registrar at the address stated above or our registered office.

EACH COMPLETED RSF MUST BE ACCOMPANIED BY REMITTANCE MADE IN RM FOR THE FULL AMOUNT IN THE FORM OF BANKER'S DRAFT(S), CASHIER'S ORDER(S), MONEY ORDER(S) OR POSTAL ORDER(S) DRAWN ON A BANK OR POST OFFICE IN MALAYSIA CROSSED "A/C PAYEE ONLY" AND MADE PAYABLE TO "DUFU RIGHTS ISSUE ACCOUNT" AND ENDORSED ON THE REVERSE SIDE WITH THE NAME, ADDRESS AND CDS ACCOUNT OF THE APPLICANT IN BLOCK LETTERS TO BE RECEIVED BY OUR SHARE REGISTRAR.

APPLICATIONS ACCOMPANIED BY PAYMENT OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF OUR BOARD. DETAILS OF THE REMITTANCES MUST BE FILLED IN THE APPROPRIATE BOXES PROVIDED IN THE RSF.

NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF OR APPLICATION MONIES WILL BE MADE BY OUR COMPANY OR OUR SHARE REGISTRAR IN RESPECT OF THE TWO-CALL RIGHTS ISSUE. HOWEVER, SUCCESSFUL APPLICANTS WILL BE ALLOTTED THEIR RIGHTS SHARES, AND NOTICES OF ALLOTMENT WILL BE ISSUED AND FORWARDED BY ORDINARY POST TO THEM OR THEIR RENOUNCEE(S) (IF APPLICABLE) AT THEIR OWN RISK TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY WITHIN EIGHT (8) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE TWO-CALL RIGHTS ISSUE.

APPLICANTS SHOULD NOTE THAT THE RSF AND REMITTANCES SO LODGED WITH OUR SHARE REGISTRAR SHALL BE IRREVOCABLE AND CANNOT BE SUBSEQUENTLY WITHDRAWN.

WHERE AN APPLICATION IS NOT ACCEPTED OR ACCEPTED ONLY IN PART, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, SHALL BE REFUNDED WITHOUT INTEREST AND SHALL BE DESPATCHED TO THE APPLICANTS WITHIN FIFTEEN (15) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS ISSUE BY ORDINARY POST TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY AT THE APPLICANTS' OWN RISK.

APPLICATIONS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT.

4.5 Procedure for Part Acceptance

You can accept part of your Provisional Allotment. The minimum number of securities that can be subscribed for or accepted is one (1) Rights Share for every two (2) existing Dufu Shares held.

You must complete Part I(A) and II of the RSF by specifying the number of Rights Shares which you are accepting and deliver the completed RSF together with the relevant payment to our Share Registrar, in the same manner as set out in **Section 4.4** of this AP.

The portion of the Provisional Allotment that have not been accepted shall be allotted to any other persons allowed under the laws, regulations or rules to accept the transfer of the Provisional Allotment who have made Excess Application(s) as set out in **Section 4.8** of this AP.

4.6 Procedure for Sale or Transfer of Provisional Allotment

As the Provisional Allotment are a prescribed security, you may sell or transfer all or part of your entitlement to the Rights Shares to one (1) or more person(s) through your stockbrokers without first having to request for a split of the Provisional Allotment standing to the credit of your CDS Accounts. To dispose all or part of your entitlement to the Rights Shares, you may sell such entitlement on the open market or transfer to such persons as may be allowed pursuant to the Rules of Bursa Depository.

In selling or transferring all or part of your Provisional Allotment, you and/or your renounee(s) (if applicable) need not deliver any document including the RSF, to any stockbroker. However, you and/or your renounee(s) (if applicable) must ensure that there is sufficient Provisional Allotment standing to the credit of your CDS Accounts that are available for settlement of the sale or transfer.

If you have sold or transferred only part of your Provisional Allotment, you may still accept the balance of your Provisional Allotment by completing the RSF. Please refer to **Section 4.4** of this AP for the acceptance and payment.

Purchaser(s) or transferee(s) of the Provisional Allotment may obtain a copy of this AP and the RSF from their stockbrokers or from our Share Registrar or at our Registered Office. This AP and RSF are also available on Bursa Securities' website (<http://www.bursamalaysia.com>).

4.7 Procedure for Acceptance by Renounee(s)

Renounee(s) who wish to accept the Provisional Allotment must obtain a copy of the RSF from their stockbrokers, our Share Registrar, or at our registered office or from the Bursa Securities' website (<http://www.bursamalaysia.com>) and complete the RSF, submit the same together with the remittance in accordance with the notes and instructions printed therein.

The procedure for acceptance and payment applicable to the Entitled Shareholders as set out in **Section 4.4** of this AP also applies to renounee(s) who wish to accept the Provisional Allotment.

RENOUNEE(S) ARE ADVISED TO READ, UNDERSTAND AND CONSIDER CAREFULLY THE CONTENTS OF THIS AP AND ADHERE TO THE NOTES AND INSTRUCTIONS CONTAINED IN THIS AP AND RSF CAREFULLY.

4.8 Procedure for Excess Application

As an Entitled Shareholder, you and/or your renounee(s) (if applicable) may apply for excess Rights Shares in addition to the Provisional Allotment to you and/or your renounee(s) by completing Part I(B) of the RSF (in addition to Part I(A) and II) and forward it (together with a **separate remittance** for the full amount payable in respect of the excess Rights Shares applied for) to our Share Registrar at the address set out above, so as to arrive **not later than 5.00 p.m. on 8 July 2013**, being the last time and date for acceptance and payment, or such extended time and date as may be determined and announced by our Board at its absolute discretion.

Payment for the excess Rights Shares applied for should be made in the same manner as described above, except that the Banker's Draft(s), Cashier's Order(s), Money Order(s) or Postal Order(s) drawn on a bank or post office in Malaysia crossed "**A/C PAYEE ONLY**" and made payable to "**DUFU EXCESS RIGHTS ISSUE ACCOUNT**" and endorsed on the reverse side with the name, address and CDS Account of the applicant in block letters to be received by our Share Registrar.

Our Board reserves the right to allot the excess Rights Shares applied for under Part I(B) of the RSF, in a fair and equitable basis and in such manner as they deem fit and expedient. As such, it is the intention of our Board to allot the excess Rights Shares in the following priority:-

- (i) Firstly, to minimise the incidence of odd lots;
- (ii) Secondly, for allocation to the Entitled Shareholders who have applied for excess Rights Shares on a pro-rata basis and in board lots, calculated based on their respective shareholdings as at the Entitlement Date;
- (iii) Thirdly, for allocation to the Entitled Shareholders who have applied for excess Rights Shares on a pro-rata basis calculated based on the quantum of their respective excess Rights Shares applied for; and
- (iv) Fourthly, for allocation to transferee(s) and/or renounee(s) who have applied for excess Rights Shares on a pro-rata basis calculated based on the quantum of their respective excess Rights Shares applied for.

Thereafter, any Rights Shares (up to 5,000,000 Rights Shares) not subscribed under the Excess Application by the Entitled Shareholders and/or their renounee(s) would be taken up by Khoo Lay Tatt pursuant to KLT Undertaking.

Nevertheless, our Board reserves the right to allot any excess Rights Shares applied under Part I(B) of the RSF in such manner as it deems fit and expedient and in the best interest of our Company subject always to such allocation being made on a fair and equitable basis, and that the intention of our Board set out in **Section 4.8 (i)-(iv)** of this AP are achieved. Our Board also reserves the right to accept the excess Rights Shares application, in full or in part, without assigning any reason.

NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF OR APPLICATION MONIES WILL BE MADE BY OUR COMPANY OR OUR SHARE REGISTRAR IN RESPECT OF THE EXCESS RIGHTS SHARES. HOWEVER, SUCCESSFUL APPLICANTS WILL BE ALLOTTED WITH THEIR RIGHTS SHARES, AND NOTICES OF ALLOTMENT WILL BE ISSUED AND FORWARDED BY ORDINARY POST TO THE APPLICANTS AT THEIR OWN RISK TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY WITHIN EIGHT (8) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE EXCESS RIGHTS SHARES.

IN RESPECT OF UNSUCCESSFUL OR PARTIALLY SUCCESSFUL EXCESS RIGHTS SHARES APPLICATIONS, THE FULL AMOUNT OR THE SURPLUS APPLICATION MONIES, AS THE CASE MAY BE, SHALL BE REFUNDED WITHOUT INTEREST TO THE APPLICANTS WITHIN FIFTEEN (15) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE EXCESS RIGHTS SHARES BY ORDINARY POST TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY AT THE APPLICANTS' OWN RISK.

4.9 Form of Issuance

Bursa Securities have already prescribed Dufu's Shares listed on the Main Market of Bursa Securities to be deposited with Bursa Depository. Accordingly, the Rights Shares are prescribed securities and as such, the SICDA and the Rules of Bursa Depository shall apply in respect of the dealings in the Rights Shares.

Failure to comply with the specific instructions for applications or inaccuracy in the CDS Account number may result in the application being rejected. No physical share certificate shall be issued to you under the Two-Call Rights Issue. Instead, the Rights Shares will be credited directly into your CDS Accounts.

The notices of allotment will be issued and forwarded to you by ordinary post at your own risk to the address shown in the Record of Depositors provided by Bursa Depository within eight (8) Market Days from the last time and date for acceptance and payment of the Two-Call Rights Issue.

Any person who intends to subscribe for the Rights Shares as a renounee by purchasing the Provisional Allotment from an Entitled Shareholder will have his Rights Shares credited directly as prescribed securities into his CDS Account.

The excess Rights Shares, if allotted to the successful applicant who applied for excess Rights Shares, will be credited directly as prescribed securities into his CDS Account.

4.10 Laws of Foreign Jurisdictions

This AP, and the accompanying NPA and RSF have not been (and will not be) made to comply with the laws of any foreign jurisdiction and have not been (and will not be) lodged, registered or approved pursuant to or under any legislation (or with or by any regulatory authorities or other relevant bodies) of any foreign jurisdiction. The Two-Call Rights Issue will not be made or offered in any foreign jurisdiction.

Foreign Entitled Shareholders or their renounee(s) (if applicable) may accept or renounce (as the case may be) all or any part of their entitlements and exercise any other rights in respect of the Two-Call Rights Issue only to the extent that it would be lawful to do so.

Bank Islam, other experts, our Company and our Board and officers would not, in connection with the Two-Call Rights Issue, be in breach of the laws of any jurisdiction to which the foreign Entitled Shareholders or their renounee(s) (if applicable) are or may be subject to. Foreign Entitled Shareholders or their renounee(s) (if applicable) shall solely be responsible to seek advice as to the laws of the jurisdictions to which they are or may be subject to Bank Islam, other experts, our Company and our Board and officers shall not accept any responsibility or liability in the event that any acceptance or renunciation made by any foreign Entitled Shareholders or renounee(s) (if applicable), is or shall become unlawful, unenforceable, voidable or void in any such jurisdiction.

Accordingly, this AP together with the accompanying documents will not be sent to the foreign Entitled Shareholders or their renounee(s) (if applicable) who do not have a registered address in Malaysia. However, such foreign Entitled Shareholders or their renounee(s) (if applicable) may collect this AP including the accompanying documents from our Share Registrar, in which event our Share Registrar shall be entitled to request for such evidence as it deems necessary to satisfy itself as to the identity and authority of the person collecting the aforesaid documents.

The foreign Entitled Shareholders or their renounee(s) (if applicable) will be responsible for payment of any issue, transfer or any other taxes or other requisite payments due in such jurisdiction and we shall be entitled to be fully indemnified and held harmless by such foreign Entitled Shareholders or their renounee(s) (if applicable) for any issue, transfer or other taxes or duties as such person may be required to pay. They will have no claims whatsoever against us or Bank Islam in respect of their rights and entitlements under the Two-Call Rights Issue. Such foreign Entitled Shareholders or their renounee(s) (if applicable) should consult their professional advisers as to whether they require any governmental, exchange control or other consents or need to comply with any other applicable legal requirements to enable them to accept the Two-Call Rights Issue.

By signing any of the forms accompanying this AP, the NPA, and the RSF, the foreign Entitled Shareholders or their renounee(s) (if applicable) are deemed to have represented, acknowledged and declared in favour of (and which representations, acknowledgements and declarations will be relied upon by) Bank Islam, other experts, our Company and our Board and officers that:-

- (i) We would not, by acting on the acceptance or renunciation in connection with the Two-Call Rights Issue, be in breach of the laws of any jurisdiction to which that foreign Entitled Shareholders or renounee(s) (if applicable) are or may be subject to;
- (ii) They have complied with the laws to which they are or may be subject to in connection with the acceptance or renunciation;
- (iii) They are not a nominee or agent of a person in respect of whom we would, by acting on the acceptance or renunciation, be in breach of the laws of any jurisdiction to which that person is or may be subject to;

- (iv) They are aware that the Rights Shares can only be transferred, sold or otherwise disposed off, or charged, hypothecated or pledged in accordance with all applicable laws in Malaysia;
- (v) They have respectively received a copy of this AP and have had access to such financial and other information and have been afforded the opportunity to pose such questions to the representatives of our Company and receive answers thereto as they deem necessary in connection with their decision to subscribe for or purchase the Rights Shares; and
- (vi) They have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing or purchasing the Rights Shares, and are and will be able, and are prepared to bear the economic and financial risks of investing in and holding the Rights Shares.

Persons receiving this AP, NPA and RSF (including without limitation custodians, nominees and trustees) must not, in connection with the offer, distribute or send it into any jurisdiction where to do so would or might contravene local securities, exchange control or relevant laws or regulations. If this AP, NPA and RSF are received by any persons in such jurisdiction, or by the agent or nominee of such a person, he must not seek to accept the offer unless he has complied with and observed the laws of the relevant jurisdiction in connection herewith.

Any person who does forward this AP, NPA and RSF to any such jurisdiction, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this section and we reserve the right to reject a purported acceptance of the Rights Shares from any such application by foreign Entitled Shareholders or their renounee(s) (if applicable) in any jurisdiction other than Malaysia.

Our Company reserves the right, in its absolute discretion, to treat any acceptance of the Rights Shares as invalid if it believes that such acceptance may violate any applicable legal or regulatory requirements in Malaysia.

5. RATIONALE FOR THE TWO-CALL RIGHTS ISSUE

The Two-Call Rights Issue will enable our Company to raise funds for the following:-

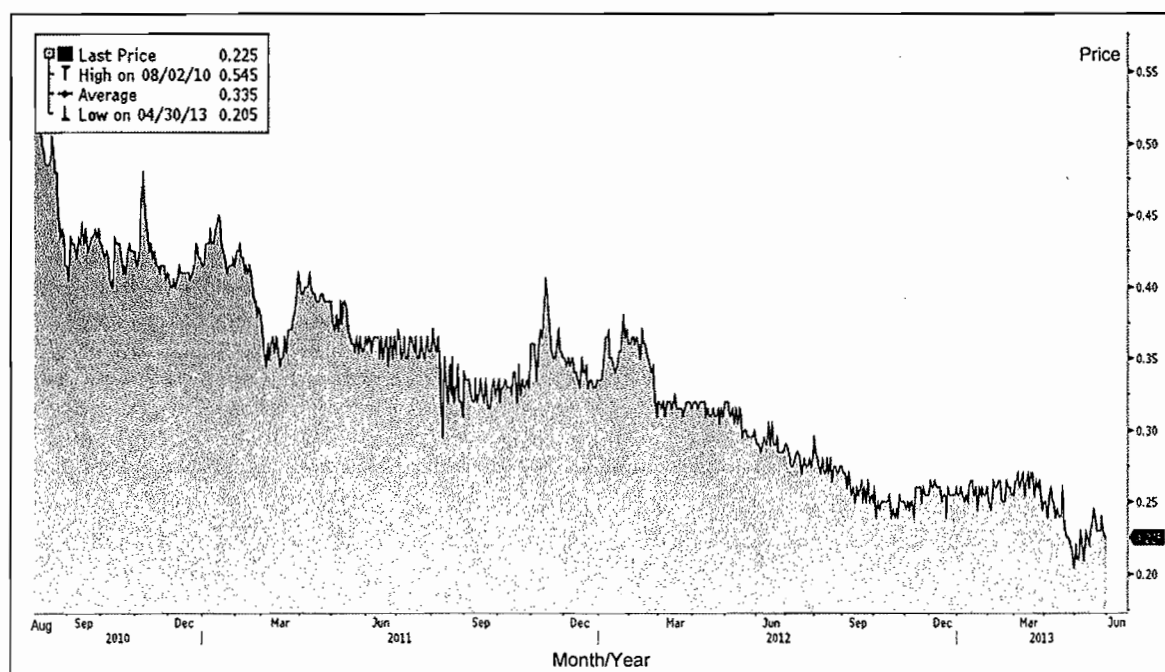
- (i) To grow our non-HDD components products which include the purchase of machinery for the manufacturing of medical devices components such as pedicle screws, rods, hooks, x-links and plates; and control and sensor components such as sensor housing, infra-red sensor housing, sensor terminal pins, sensor cap, lead frame, mounting bar and reflection plate; and
- (ii) To provide additional working capital for our Group's non-HDD components products as mentioned in Section 6 of this AP. This is expected to improve liquidity of our Group and increase the revenue contribution from the non-HDD component products.

Our Group has ventured into the non-HDD components products since year 2004 for the control and sensor sector and year 2010 for the medical devices sector. The major clients of our Group's non-HDD products are Honeywell Sensor System and Emerson Process Management for the control and sensor sector and Specsavers Procurement Ltd and Kens Finemedtech Sdn Bhd for the medical devices sector. The detailed breakdown of revenue contribution from the HDD and non-HDD components products for the FYE 31 December 2012 are as follows:-

FYE 31 December 2012	Revenue RM'000	Percentage (%)
HDD products	81,311	71%
Non-HDD products	33,212	29%
Total	114,523	100%

After due consideration of the various funding options available to our Company, our Board is of the opinion that raising funds by way of the Two-Call Rights Issue is the most appropriate means of fund raising after taking into consideration the following factors:-

- (i) The Two-Call Rights Issue will allow our Company to raise the requisite equity capital for our Group without having to incur interest expense or service principal repayment as compared to bank borrowings. This would allow our Group to preserve cash flow for reinvestment and/or operational purpose;
- (ii) The Two-Call Rights Issue will provide an opportunity for our existing shareholders to further participate in the equity of our Company without diluting the existing shareholders' percentage shareholdings, assuming all the Entitled Shareholders fully subscribe for their respective entitlements to the Rights Shares and ultimately, participate in the prospect and future growth of our Group; and
- (iii) It will ensure the Two-Call Rights Issue can be implemented with an attractive pricing to our shareholders and after taking into consideration the following:-
 - (a) The requirement to issue shares at not less than its par value; and
 - (b) Share price of our Company has been trading below its par value of RM0.50 since August 2010 up to the LPD as shown in the graph below:-



(Source: Bloomberg)

6. UTILISATION OF PROCEEDS

Based on the first call of RM0.20 per Rights Share, the Two-Call Rights Issue is expected to raise total gross proceeds of up to RM12.0 million which our Company proposes to utilise as follows:-

Description of utilisation of proceeds	Note	Minimum Scenario (RM'000)	Maximum Scenario (RM'000)	Estimated timeframe for utilisation from the date of the listing of the Rights Shares
Investment in new machinery	(a)	3,000	3,000	Within 24 months
Working capital	(b)	3,200	8,400	Within 24 months
Estimated expenses for the Two-Call Rights Issue	(c)	600	600	Within 6 months
Gross proceeds to be raised		6,800	12,000	

Notes:-

- (a) *The procurement of six (6) units of precision computer numerical control ("CNC") machines of which four (4) units are for the manufacturing of medical devices components and two (2) units are for the manufacturing of control and sensor components. The estimated cost per unit of the CNC machines is within the range of RM400,000 and RM500,000. A CNC machine directs a cutting tool based on computer numerical control program for material removal that is to produce parts from raw materials to final component.*

In order to mitigate the negative impact of the HDD industry as shown in Section 8 of this AP, our Group has been constantly seeking new opportunities to expand into non-HDD industry. With the continuous effort, our Group has managed to broaden our customer base during the year 2012 into the non-HDD sector. Currently, the CNC machines used for the manufacturing of our medical devices components and control and sensor components have reached its full capacity. As such, the procurement of additional CNC machines is required to increase our current production lines to meet the expected increase in demand for our medical devices components and control and sensor components in the future.

- (b) *Funding of our Group's day-to-day operations for the non-HDD components products, which include, but not limited to the following:-*

(i) *Procurement of high-value raw materials. Currently, our Group uses high-value raw materials such as titanium and stainless steel for the manufacturing of medical devices components; and stainless steel and aluminium for the manufacturing of control and sensor components. The high-value raw materials are required to ensure that the components manufactured are of high quality and reliability in order to meet the stringent requirements set by global manufacturers and customers. The additional working capital requirement is in tandem with the business expansion for these components in order to meet the anticipated increase in sales for these components. The procurement of high-value raw materials also required upfront and bulk purchase, which is a new procurement arrangement with the suppliers; and*

(ii) *Labour cost and factory overhead.*

Under the Minimum Scenario, the working capital required for business expansion for the non-HDD components products will be funded by the fund raised through the Two-Call Rights Issue and from internally generated funds. Under the Maximum Scenario, the amount raised through the Two-Call Rights Issue is expected to be sufficient to meet the full capacity of our working capital requirement. The details of the utilisation of proceeds that is allocated for working capital purposes are set out as below:-

Expenses	Minimum Scenario (RM'000)	Maximum Scenario (RM'000)
<i>Procurement of raw materials</i>	1,600	4,000
<i>Labour cost</i>	750	2,000
<i>Factory overhead</i>	850	2,400
Total	3,200	8,400

The nature of expenses and exact amount required may vary depending on the changes in business dynamics. The breakdown of proceeds to be utilised for the working capital is merely an estimate at this juncture, the actual proceeds to be utilised for working capital may differ subject to the operating requirements at the time of utilisation.

(c) *The breakdown of the estimated expenses is as follows:-*

Estimated expenses	RM
<i>Professional fees</i>	450,000
<i>Fees payable to the authorities</i>	40,000
<i>Printing cost of circular and abridged prospectus</i>	55,000
<i>Advertising</i>	25,000
<i>Miscellaneous expenses</i>	30,000
Total	600,000

Any variation in the actual proceeds raised from the Two-Call Rights Issue will be adjusted to or from the amount allocated for working capital. Any shortfall or excess in the funds allocated for the estimated expenses will be funded from or used for the working capital of our Group.

Pending utilisation of the proceeds from the Two-Call Rights Issue for the above purpose, the proceeds will be placed in deposits with financial institutions or short-term money market instruments. The interest derived from the deposits with financial institutions or any gains arising from the short-term money market instruments will be used as additional working capital of our Group.

7. RISK FACTORS

You and/or your renounee(s) (if applicable) should carefully consider the following risk factors (which may not be exhaustive) which may have an impact on the future performance of our Group, in addition to other information contained elsewhere in this AP, before subscribing for or investing in the Two-Call Rights Issue.

7.1 Risks relating to our Group

(a) Dependence on Key Personnel

Our Group believes that our continued success will depend to a certain extent upon the abilities and continued efforts of our Directors and key management personnel, who have in-depth knowledge and experience in the industry we currently operate in. To ensure smooth succession planning, efforts have been made by our Company to promote long-term commitment amongst our key management personnel through incentives and opportunities for career development within our Group.

The loss of any of our Directors and/or key members of the senior management without suitable and timely replacement may adversely affect our continued ability to compete effectively in the industry. Our Group's future success will also depend upon our ability to attract and retain skilled

personnel. Our Group also continuously reviews our remuneration packages to ensure competitiveness and takes appropriate measures and programmes to attract new personnel as well as to retain existing staff. However, we cannot provide any assurance that the above measures will be successful in attracting and retaining our key management personnel or ensuring a smooth transition should changes occur.

(b) Supply and Price of Raw Materials

Aluminium rods and sheets, various grades of stainless steel coils, rods and sheets and titanium accounted for approximately 45% of our Group's total purchases in the FYE 31 December 2012. The major raw materials used by our Group such as aluminium, stainless steel and titanium are not available in the local market. As such, our Group sources these raw materials from overseas.

Although our Group imports our major raw materials, the volatile international metal prices has not adversely affected our Group's financial performance. In the event of a substantial rise in raw material price, our Group may pass on the price increase to our customers periodically. In addition, our Group purchases our raw materials directly from the manufacturers, not from stockists, further buffering it from the volatile price fluctuations.

(c) Business and Operational Risk

Our Group manufactures precision metal components for the HDD industry. These components, namely disk spacers, disk clamps, latch pins, ground pins and hexagon nuts, are essential for the assembly of a complete HDD. In view of the above, to a certain extent, our Group depends on the continued demand for the aforementioned components. Any unexpected industry downturn of and adverse change in the demand for the HDD components may result in an adverse development in the future results of our Group.

Although, our Group continuously takes appropriate measures such as reduce our Group's dependence on the HDD industry by working towards expanding our customer base into non-HDD segment, namely the medical devices sector and the control and sensor sector, effective human resource management and effective cost control policy, which we deemed fit to manage such risks, no assurance can be given that any change to these factors will not have a materially adverse effect on our Group's business.

(d) Overall Quality and Costs of New and Established Products

Several key attributes are important to our business, including quality, cost, service and price. Our operating results could be adversely affected if the following are not met:-

- (i) Maintain overall quality and competitive cost structures on our new and established products;
- (ii) Develop new products on a timely basis that have changes in overall specifications or features that our customers may require for their business needs; and
- (iii) Maintain an adequate supply of sub-components and raw materials required to manufacture our products.

Although we adopt prudent management to ensure that the quality and cost of our products are optimised (i.e. thorough review of our manufactured components through quality inspection and testing), there can be no assurance that other unanticipated events that will have materially impact to our operating results.

(e) A Production Delay in One of Our Manufacturing Facilities Could Affect Our Production Process

Our manufacturing facilities are in different location and each facility is responsible for different parts of the production process. In addition to our manufacturing facilities in Malaysia, we have manufacturing facilities in China. The manufacturing facilities in China are mainly for the manufacturing of HDD components. The manufactured components will then be sent to our subsidiaries in Singapore and Malaysia for plating and the finished products will be distributed directly to the customers. As such, our operations may be affected by political, economic and social developments in China in which we operate, which may result in production delays, if there is a production delay or capacity constraint in one of our manufacturing facilities, this may affect our production process and we may not be able to deliver the products to our customers in a timely manner. This could have a material adverse effect on our business and results of operations.

(f) Political, Economic and Regulatory Risks

Changes in political, economic and regulatory conditions in Malaysia, China and Singapore could materially and adversely affect the financial and business prospect of our Group.

Such political, economic and regulatory uncertainties include, *inter-alia*, changes in interest and currency exchange rates, inflation, economic growth, method of taxation, renegotiation and nullification of contract, changes in political leadership and unfavourable changes in the government's policies.

Although we seek to limit these risks by adopting prudent management and effective operating procedure, there can be no assurance that such economic, political and regulatory uncertainties will not materially affect our Group.

(g) Competition

Our Group faces competition from various competitors which include both private and public listed companies in local and foreign countries. Overall, the HDD industry is a competitive industry. The global HDD market is dominated by a handful of multinational companies. There is a high level of competition amongst the HDD components suppliers as they have to compete for contracts from just a handful of HDD manufacturers. These competitions may have an impact on our existing market share in the respective industries. However, with our business track record and after considering our competitive advantages such as long term relationship/strategic partnership with leading multinational companies customers, quality assurance, timely delivery, manufacturing capability, experienced management team and focus on customer service, the risk arising from competition is mitigated.

7.2 Risks relating to the Two-Call Rights Issue

(a) Investment Risk

The prices of our Shares as traded on Bursa Securities will continue to fluctuate, like all listed securities. Notwithstanding that the Rights Shares will be issued at the issue price of RM0.50 per Rights Share, there is no assurance that the Shares will be traded at or above the TERP of RM0.2186 based on the five (5)-days VWAP up to and including 4 June 2013 of RM0.2279, being the last Market Day immediately preceding the Price-Fixing Date.

A variety of factors could cause the prices of the Shares to fluctuate, including sales of substantial amounts of the Shares in the public market; announcements of developments relating to our Group's business; fluctuations in our Group's operating results and revenue levels; general industry conditions or economic conditions; and announcements of services or products or service enhancements by our Group or our competitors.

In addition to the fundamentals of our Group, the future price performance of our Shares will also depend upon various external factors such as general economic, political and industry conditions, the performance of regional and world bourses as well as sentiments and liquidity in the local stock market.

(b) Delay in or Abortion of the Two-Call Rights Issue

There is a risk that the Two-Call Rights Issue may be aborted or delayed on the occurrence of any one or more of the following events:-

- (i) Material adverse change of events/circumstances, which are beyond the control of our Company and Bank Islam, arising during the implementation of the Two-Call Rights Issue;
- (ii) The parties set out in **Section 3** of this AP who has given their irrevocable Entitlement Undertakings, Additional Undertakings and KLT Undertaking under the Two-Call Rights Issue may not fulfil or be able to fulfil their obligations.

In this respect, our Company will exercise its best endeavours to ensure the successful implementation of the Two-Call Rights Issue. However, there can be no assurance that the abovementioned factors/events will not cause a delay in or abortion of the Two-Call Rights Issue. Pursuant to Section 243 of the CMSA, in the event that the Two-Call Rights Issue is aborted, our Company will repay without interest all monies received from the applicants pursuant to the AP, and if any such monies are not repaid within fourteen (14) days after our Company so becomes liable to repay it, in addition to the liability of our Company, our officers shall be jointly and severally liable to repay such money with interest at the rate of 10% per annum or such other rates as may be prescribed by the SC from the expiration of that period.

(c) Potential Dilution

Entitled Shareholders who do not or are not able to accept the Provisional Allotment will have their proportionate ownership and voting interests in our Company reduced, and the percentage of our enlarged issued and paid-up ordinary share capital represented by their shareholdings in our Company will also be reduced accordingly.

(d) Forward-Looking Statements

Certain statements in this AP are forward-looking in nature, which are subject to uncertainties and contingencies. All forward-looking statements are based on estimates and assumptions made by our Board, and although believed to be reasonable, are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievement to differ materially from the future results, performance or achievements expressed or implied in such forward-looking statements.

In light of these uncertainties, the inclusion of forward-looking statements in this AP should not be regarded as a representation or warranty by our Company and/or the advisers that the plans and objectives of our Group will be achieved.

8. INDUSTRY OVERVIEW AND FUTURE PROSPECTS

8.1 Outlook of the Global Economy

The global economy expanded at a modest pace in the first quarter of 2013, with the growth momentum remaining uneven between and within regions. In the advanced economies, growth in the United States (“US”) remained slow, while most European economies experienced weak or negative economic performance. In Asia, economic expansion continued albeit at a slower pace. Given the modest economic performance and low inflation, monetary authorities continued to maintain accommodative policies to support the recovery process.

Financial market conditions generally improved during the quarter, as favourable economic and policy developments resulted in lower market perception of tail risks. At the beginning of the first quarter, global equity markets improved, underpinned by the successful aversion of the fiscal cliff, temporary suspension of the statutory debt limit, and positive economic data releases in the US. The commitment by major central banks to maintain an accommodative policy stance further reinforced investor optimism. In particular, market expectations in Japan were lifted by the introduction of an “open-ended monetary easing” stance and the adoption of a 2% inflation target. However, market volatility increased in February and March, following the re-emergence of uncertainty in the euro area. Inconclusive election results in Italy and domestic political tensions in Spain led to concerns over the indebted nations’ ability to implement economic reforms. In addition, the initial proposal to impose a deposit levy as a condition for the Cyprus bailout raised uncertainty over the progress towards achieving a European banking union. Despite these developments, global equity markets ended the quarter at higher levels.

Going forward, the global economy is expected to continue its moderate expansion. Downside risks to growth, however, remain. While there has been progress made in the major advanced economies to address the fiscal and financial issues, the sustainability of the economic recovery remains vulnerable to continued policy uncertainties and the risk of contagion. The divergent policies across regions are also resulting in spillover effects on global financial conditions, as reflected by the large capital flows into the emerging economies. Nevertheless, in Asia, growth will continue to be sustained by domestic demand, underpinned by income growth and healthy labour market conditions, and supported by continued policy flexibility.

(Source: Economic and Financial Developments in the Malaysian Economy in the First Quarter of 2013, Bank Negara Malaysia)

The International Monetary Fund (“IMF”) yesterday shaved projections for global economic growth for this year and next to take into account sharp government spending cuts in the US and the latest struggles of recession-stricken Europe.

While it said economic prospects had improved in recent months with a fading of financial risks, it warned Europe against relaxing efforts to combat its debt crisis given the messy bailout in Cyprus and political stalemate in Italy. The IMF also upwardly revised its forecast for Japan, welcoming the Bank of Japan’s aggressive new monetary stimulus, which it said would boost growth and help vanquish deflation.

The IMF cut its 2013 forecast for global growth to 3.3%, down from its January projection of 3.5%. It also trimmed its 2014 forecast to 4% from 4.1%. A more subdued outlook for the US and for the eurozone led it to lower its forecast for advanced economies to 1.2% for 2013 while it kept its 2014 forecast at 2.2%.

While it lowered its projection for growth in emerging economies to 5.3% for this year, it also said growth was already accelerating and would hit 5.7% in 2014. Growth has returned to a healthy pace in China and activity is expected to recover in Brazil next year, the IMF said.

(Source: Extracted from newspaper article entitled, “IMF trims global growth forecast” dated 17 April 2013, The Edge Malaysia)

8.2 Outlook of the Malaysian Economy

The Malaysian economy expanded by 4.1% in the first quarter of 2013 (4Q 2012: 6.5%), supported by stronger domestic demand that expanded by 8.2% during the quarter (4Q 2012: 7.8%). Private consumption registered strong growth during the quarter, while the expansion in gross fixed capital formation continued to be firm, reflecting sustained capital spending by both the private and public sectors. Exports contracted marginally during the quarter, and with higher growth of imports, led to a larger negative contribution of net exports to growth. On the supply side, while the domestic-oriented industries continued to register sustained growth, activity in the major economic sectors was weighed down by the weak external conditions.

Domestic demand registered a strong growth of 8.2% in the first quarter (4Q 2012: 7.8%). Growth was driven by higher private consumption, while gross fixed capital formation remained firm with a double-digit growth rate.

Gross fixed capital formation continued to register a firm growth of 13.2% (4Q 2012: 16%), underpinned by capital spending in both the private and public sectors. Private sector investment grew by 10.9% (4Q 2012: 20.1%), supported by continued capital spending in the domestic-oriented manufacturing and consumer-related services sub-sectors, namely, telecommunication, real estate and aviation, in addition to the ongoing implementation of projects in the oil and gas sector. Public investment expanded by 17.3% (4Q 2012: 12.9%), driven by higher capital spending by public enterprises in the oil and gas, telecommunication and utilities sectors. Federal Government development expenditure was channelled mainly into the transportation, education, and trade and industry sectors. By type of assets, investment activity was broad-based, as reflected by the strong investment growth in both machinery and equipment (15.1%; 4Q 2012: 12%), and structures (13.1%; 4Q 2012: 21.5%).

(Source: Economic and Financial Developments in the Malaysian Economy in the First Quarter of 2013, Bank Negara Malaysia)

The Malaysian economy is expected to strengthen further and projected to grow at a faster rate of 4.5%-5.5% in 2013. Growth will be supported by improving exports and strong domestic demand on the assumption that global growth will pick up, especially during the second half of 2013. The growth projection is premised upon the expectation of an improvement in the resolution of the debt crisis in the euro area and stronger growth momentum in the economies of Malaysia's major trading partners. Domestic demand is expected to maintain its strong momentum driven by robust private investment and strong private consumption. Private sector activity will be supported by an accommodative monetary policy in an environment of low inflation coupled with a robust financial sector. Recovery in the external sector, particularly increasing external demand for regional economies and major trading partners will further provide the impetus for a private-led growth.

Given that domestic economic activity is expected to strengthen further in 2013, inflation is estimated to increase moderately, partly mitigated by further capacity expansion in the economy. The key supply side factors that will influence inflation, namely prices of energy and food commodities are expected to ease during the first half of 2013, but are likely to trend up during the second half on the assumption that global growth continues to pick up pace. Hence, for 2013, the average inflation rate is estimated to be between 2% and 3%.

(Source: Economic Report 2012/2013, Ministry of Finance Malaysia)

8.3 Overview and Outlook of the Industry that Our Group is operating in

Our Group is principally involved in developing and manufacturing of precision machining components for the HDD industry; control and sensor components for various industries and markets, including but not limited to, oil and gas industry, automotive industry, electrical industry and housing application; and components for medical devices for the medical industry. As such, below are the overview and outlook of the aforementioned industries that our Company is operating in:-

8.3.1 Manufacturing Industry

Growth in the manufacturing sector slowed to 0.3% in the first quarter (4Q 2012: 5.7%), weighed down largely by weak external demand. Growth in the export-oriented industries contracted (-0.6%; 4Q 2012: 5.3%), due to the weakness in global demand for electronics and electrical ("E&E") products, and more moderate regional demand for refined petroleum products, chemicals and chemical products. Nevertheless, the domestic-oriented industries registered a growth of 2.4% (4Q 2012: 8.1%), supported by continued economic activity in both the consumer- and construction-related clusters.

The overall capacity utilisation rate in the manufacturing sector was marginally lower in the first quarter (79%; 4Q 2012: 80%). The export- and domestic-oriented industries operated at 80% and 74% of total capacity respectively (4Q 2012: 80% and 79% respectively).

(Source: Economic and Financial Developments in the Malaysian Economy in the First Quarter of 2013, Bank Negara Malaysia)

On the supply side, growth in 2013 is expected to be broad-based supported by expansion in all sectors of the economy. Of significance, external trade-related industries are envisaged to benefit from stronger global growth, particularly during the second half of 2013. The services and manufacturing sectors are expected to contribute 4.2 percentage points to the GDP growth. Growth in the manufacturing sector is expected to strengthen in tandem with the recovery in the E&E demand from the US and euro area.

Value-added of the manufacturing sector is expected to grow 4.9% (2012: 4.2%). Export oriented-industries are expected to benefit from the higher growth of global trade, while domestic-oriented industries expand in line with the better consumer sentiment and business confidence.

(Source: Economic Report 2012/2013, Ministry of Finance Malaysia)

8.3.2 HDD Industry

Although the global semiconductor market has lately shown signs of recovery, analysts are not as optimistic on the hard disk drive sector going into the second half of the year.

Weakness in the Personal Computer ("PC") market remains the biggest factor behind the wariness for the HDD sector, which has resulted in the downward revision of estimates. According to reports, technology research firm Gartner has cut its global PC shipment forecast to 363 million units this year, 0.4% lower than the 365 million units shipped in 2011.

(Source: Extracted from newspaper article entitled, "Bleaker outlook for HDD in second half" dated 30 July 2012, The Edge Malaysia)

The technology sector is expected to see another dull year this year due to the sluggish PC market, to be affected by weak demand for HDD products.

OSK Research said in its outlook for the tech sector that 2013 may closely mirror 2012 and see another year of lacklustre growth. The research house added that the weak demand for HDD products and the decline in active server pages are contributing factors to the lacklustre growth.

OSK said 2012 has been a turbulent year for tech stocks given the lack of a long-term outlook and visibility for the global HDD, semiconductor and camera industries. The tech sector also faced slow recovery from the catastrophic floods in Thailand.

(Source: Extracted from newspaper article entitled, "Dull outlook for tech sector this year" dated 14 January 2013, The Edge Malaysia)

For information purposes, the major clients of our Company for the HDD industry are Western Digital, Seagate, Hitachi and Toshiba.

8.3.3 Medical Devices Industry

There are immense opportunities for growth in the Malaysian medical devices industry, which has been identified as a priority sector under the government's Healthcare Services National Key Economic Area ("NKEA"), says the Malaysian Investment Development Authority ("MIDA").

Based on data from the Ministry of Health, the Malaysian market for medical devices was valued at about RM3.5 billion in 2011 and is expected to hit RM5.3 billion by 2015. Changes in demographics with a rise in the ageing population as well as changes in lifestyle and better access to healthcare together with a growing health tourism market have driven demand for medical products. The industry is expected to contribute some RM11.4 billion to the country's revenue and create 86,000 jobs by 2020.

Malaysia has a well-diversified and significant medical devices industry that produces a wide range of products including catheters, medical gloves, implantable devices, orthopaedic devices and dialysers to diagnostic imaging equipment.

(Source: MIDA: Strong growth prospects for Malaysia's medical devices industry, Malaysian Investment Development Authority)

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8.4 Prospects of Our Group

2012 was a challenging year for the HDD industry as a whole, as it continued to face uncertainties due to the volatility in the world economy coupled with the weakening of the US Dollar. The aftermath of the Japan earthquake and tsunami and the Thailand flood in the last quarter of 2011 had significantly affected the landscape of the HDD supply chain. Our Group was expecting a more consistent growth in the HDD industry in year 2012 as the HDD industry players were trying to normalise the shortage of parts which were significantly interrupted by the two major natural disasters mentioned above. However, such momentum as expected by the HDD industry players was downplayed by the economic uncertainty that continues in year 2012 and the increase in popularity in the usage of Ultra-book and Tablets PC of which increase the demand for solid-state drive rather than HDD.

In view of the economic uncertainty that continues to affect mainly Europe and the US, our management is constantly reviewing the entire Group's operations and continues to shift the low margin products to lower labour cost countries. In addition, our Group has taken steps to improve the manufacturing processes which include further automation to improve operational efficiencies to counter labour dependency.

In order to mitigate the negative impact of the HDD industry, our Group has been constantly seeking opportunities to expand into new non-HDD businesses such as in the control and sensor and medical devices sectors which carry better margin with positive prospects. As at 31 December 2012, our Group has successfully increased the ratio of revenue contribution from the non-HDD industry from 26% in FYE 31 December 2011 to 29% in FYE 31 December 2012.

Currently, our Group has sold our product components to Thailand, Singapore, China and Malaysia for the HDD industry; Japan, Germany, US, Mexico and China for the control and sensor sector; and US, United Kingdom ("UK"), Indonesia and Malaysia for the medical devices sector. The revenue breakdown, net profit contribution and sales in local and overseas (in percentage) for HDD, control and sensor devices and medical devices segments for FYE 31 December 2012 are as follows:-

Business Segments	Revenue	Net Profit	Local Sales	Overseas Sales
	%	%	%	%
HDD	71.0	-196.0	21.2	78.8
Control and sensor	13.0	66.0	10.1	89.9
Medical device	1.0	9.0	1.0	99.0
Others*	15.0	21.0	97.3	2.7

Note:-

* *Others include other non-HDD products such as electronics and telecommunication components, computer peripheral, moulds and tools.*

Our Group has managed to broaden our customer base during the year 2012 in countries such as US, Germany, UK, China and Japan through our effort in diversifying into other industries mainly to cater for the needs of the control and sensor and medical devices sectors. In view of this, our Group is currently investing in plant and machinery that can effectively handle high precision high mixed low volume products with less labour dependency. Further, we offers our precision knowledge and resources to develop and deliver cost effective, individually tailored solutions to improve the quality and reliability required by our new non-HDD customers. As the Two-Call Rights Issue is expected to complete by the third (3rd) quarter of 2013, the effect of the revenue contribution growth from the new customer base will only be apparent from the fourth (4th) quarter of 2013.

In addition, our Group has lined up its products and series to control and sensor sector such as oil and gas sensing, automotive sensor, test and measurement sensors and medical devices control. The control and sensor components are required to be highest quality and reliability to meet the stringent requirements set by global manufacturer.

Currently, our Group manufactures a variety of control and sensors components that used by various markets and industries such as follows:-

Product	Usage
Sensor Housing	This component is used for housing a heat or gas sensor. It shapes like a round metal connector with an inner hole, and typically has threads in inner and outer diameter. The part is typically made of stainless steel.
Infra-red Sensor Housing	This component is used for housing infra-red sensor. It has no typical shape or size. Its unique feature is the finishing whereby it can either be reflective or in matted finish.
Sensor Terminal Pins	This component is used as electrical contacts within chemical sensors. It is shaped like a round metal pin with several diameter sizes. It also has threads depending on application. The part is typically made of brass, nickel, silver and mild steel.
Sensor Cap	This component is a metal protective cap used in gas sensor assembly. The part is typically made of cold-rolled steel and stainless steel.
Lead Frame	This component is the electrical contact used for gas sensor assembly. The part is made of beryllium copper.
Mounting Bar	This component is used as a bracket to mount a lighting sensor. The part is made of mild steel.
Reflection Plate	This part is used as a reflection for a sensor light. The part is made of aluminium.

Our Group has made in routes to strengthen our positioning in the control and sensor market by utilising our precision knowledge and expertise in this market. Our Executive Directors namely Hsu, Chin-Shui, Lee, Hui-Ta also known as Li Hui Ta and Yong Poh Yow, as well as the key management team, have an average of twenty (20) years experience in the design, development, manufacturing, marketing and distribution of precision machining parts and components, and stamped parts for the HDD, industrial safety and sensor, telecommunication, electronics and computer peripheral markets. Most of the key personnel possess an engineering qualification, creating a strong technical foundation that permits the hands-on culture of our Group. We will continue our efforts to work closely with our customers to develop new parts to support the new, innovative control and sensor products of the customers.

Besides the focus in the control and sensor market, our Group has also embarked in the medical devices industry, namely, orthopaedic devices. The orthopaedic devices comprises a wide range of products which can be subdivided into a few major segments, namely, spine, trauma, knee, hip, biologics and extremities. Our Group is currently focusing on two (2) orthopaedic segments, i.e. the trauma and spine segments.

Orthopaedic Segment	Products
Spine	Pedicle screws, rods, hooks and x-links
Trauma	Plates and screws

Our Group's orthopaedic products are currently distributed locally and overseas via our customers' brand. Our Group has established foothold as the contract manufacturing partners for the local and foreign medical devices customers such as Mediscope, Specsavers Procurement Ltd, IFS and Kens Finemedtech Sdn Bhd. Our Group will intensify our market development and constantly seeking for new opportunities to expand our contract manufacturing positioning in the orthopaedic medical devices industry.

Going forward, we will continue our effort in increasing our contribution from the non-HDD industry, while the contribution from the HDD industry is expected to remain substantial. The funds to be raised from the Two-Call Rights Issue are important in facilitating our Company's business expansion for the control and sensor and medical devices sectors. Our Group will continue to seek new opportunities in the non-HDD industry through our competitive strengths in order to further improve our overall revenue growth.

9. FINANCIAL EFFECTS OF THE TWO-CALL RIGHTS ISSUE

The financial effects of the Two-Call Rights Issue are set out hereunder based on the following scenarios and issue price of RM0.50 per Rights Share, of which first call price of RM0.20 per Rights Share and second call of RM0.30 per Rights Share:-

- Minimum Scenario

Assumes the Two-Call Rights Issue will be implemented based on the Minimum Subscription Level after taking into consideration the minimum level of funds of RM6.8 million that our Company wishes to raise from the Two-Call Rights Issue.

- Maximum Scenario

Assumes all the Entitled Shareholders subscribe for their respective entitlements of the 60,000,000 Rights Shares in full to raise a maximum of RM12.0 million under the Two-Call Rights Issue.

9.1 Issued and Paid-Up Share Capital

The proforma effects of the Two-Call Rights Issue on the issued and paid-up share capital of our Company are as follows:-

	<----Minimum Scenario---->		<----Maximum Scenario-->	
	No. of Shares	RM	No. of Shares	RM
Issued and paid-up share capital as at the LPD	120,000,000	60,000,000	120,000,000	60,000,000
To be issued pursuant to the Two-Call Rights Issue	34,000,032	17,000,016	60,000,000	30,000,000
Upon completion of Two-Call Rights Issue	154,000,032	77,000,016	180,000,000	90,000,000

9.2 NA and Gearing

Based on the audited consolidated statements of financial position of our Company as at 31 December 2012 and on the assumption that the Two-Call Rights Issue had been effected as at that date, the proforma effects of the Two-Call Rights Issue on the consolidated NA and gearing of our Group are as follows:-

	Audited	After Two-Call Rights Issue	
	As at 31 December 2012	Minimum Scenario	Maximum Scenario
	RM '000	RM '000	RM '000
Share capital	60,000	77,000	90,000
Retained earnings	49,182	38,382 [^]	30,582 [^]
Other reserves	(25,712)	(25,712)	(25,712)
Shareholders' funds/NA	83,470	89,670	94,870
NA per share (RM)	0.70	0.58	0.53
Borrowings	57,883	57,883	57,883
Gearing (times)	0.69	0.65	0.61

Note:

[^] After netting off estimated expenses of RM600,000 and capitalisation of retained earnings of approximately RM10.2 million and RM18.0 million under the Minimum and Maximum Scenario respectively pursuant to the Two-Call Rights Issue.

9.3 Earnings and EPS

Based on the assumption that the Two-Call Rights Issue is expected to be completed by the third (3rd) quarter of the year 2013, the Two-Call Rights Issue is not expected to have any material effect on the earnings of our Group for the FYE 31 December 2013. Nevertheless, the consolidated EPS of our Company for the FYE 31 December 2013 is expected to be diluted as a result of the immediate increase in the number of Dufu Shares in issue after the Two-Call Rights Issue.

Over time, the Two-Call Rights Issue is expected to contribute positively to the future earnings of our Group arising from the proposed utilisation of the proceeds as disclosed in Section 6 of this AP. As and when the returns from the utilisation of proceeds materialise, shareholders through our Company are envisaged to enjoy increased earnings. Ultimately, any potential EPS growth of our Group in the future will depend on the returns from the intended utilisation of the proceeds from the Two-Call Rights Issue.

10. WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES AND MATERIAL COMMITMENTS

10.1 Working Capital

Our Board is of the opinion that after taking into consideration the proceeds from the Two-Call Rights Issue, cash in hand and banking facilities available, our Group will have sufficient working capital to meet our current core business requirements due within a period of twelve (12) months from the date of this AP.

10.2 Borrowings

As at the LPD, our Group had total outstanding borrowings of approximately RM55.93 million, all of which are interest-bearing, details of which are as follows:-

	RM'000
<u>Short-term borrowings</u>	
Hire purchase	3,690
Term loans	5,002
Bankers' facilities	12,867
Bank overdraft	7,462
	29,021
<u>Long-term borrowings</u>	
Hire purchase	3,548
Term loans	23,361
	26,909
Total	55,930

There has not been any default on payments of either interest and/or principal sums in respect of any borrowings throughout the past one (1) financial year and the subsequent financial periods as at the LPD.

Our Group borrowings are denominated in the following currencies:-

	RM'000
Ringgit Malaysia	38,101
US Dollar	14,719 [*]
Hong Kong Dollar	3,110 [^]
Total	55,930

Notes:-

* As at the LPD, our Group has hire purchase and term loans of approximately United States Dollar ("USD") 4.77 million (equivalent to approximately RM14.72 million based on the exchange rate of USD1=RM3.0850), which forms part of our Group's long and short-term borrowings.

^ As at the LPD, our Group has bank overdraft and hire purchase of approximately Hong Kong Dollar ("HKD") 7.83 million (equivalent to approximately RM3.11 million based on the exchange rate of HKD1=RM0.3974), which forms part of our Group's short-term borrowings.

10.3 Contingent Liabilities

Save as disclosed below, as at the LPD, there are no contingent liabilities incurred or known to be incurred, which upon becoming enforceable, may have a material impact in the financial results/position of our Group:-

	RM'000
Corporate guarantees given to financial institutions for credit facilities provided to subsidiaries	122,670

10.4 Material Commitments

As at the LPD, there are no material commitments incurred or known to be incurred by our Group that has not been provided for, which upon becoming enforceable, may have a material impact on the financial results/position of our Group.

11. TERMS AND CONDITIONS

The issuance of the Rights Shares pursuant to the Two-Call Rights Issue is governed by the terms and conditions as set out in this AP, NPA and RSF enclosed herewith.

12. FURTHER INFORMATION

You are requested to refer to the attached appendices for further information.

Yours faithfully,
For and on behalf of the Board of
DUFU TECHNOLOGY CORP. BERHAD



LEE, HUI-TA ALSO KNOWN AS LI HUI TA
Executive Director/Chief Financial Officer

APPENDIX I- CERTIFIED TRUE EXTRACT OF THE ORDINARY RESOLUTIONS PERTAINING TO THE TWO-CALL RIGHTS ISSUE AND THE ALLOTMENT OF SHARES (KLT UNDERTAKING) PASSED AT OUR EGM II HELD ON 31 MAY 2013

DUFU TECHNOLOGY CORP. BERHAD
(Company No. 581612-A)
(Incorporated in Malaysia)

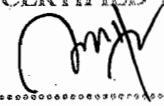
Minutes of the Extraordinary General Meeting II of the Company held at Room Dayang of Plot 19, Hilir Sungai Keluang 2, Taman Perindustrian Bayan Lepas, Fasa IV, 11900 Penang on Friday, May 31, 2013 at 10.00 a.m.

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Attendance

As per Attendance List.

The Meeting commenced at 10.00 a.m. with the requisite quorum being present.



Secretary

Ooi Han Hoon

(MAICSA 7057073)

Notice

The Notice convening the Meeting was taken as read.

31 MAY 2013

1. **CHAIRMAN'S ADDRESS**

Mr. Khoo Lay Tatt was elected to chair the Meeting. Upon the confirmation of a quorum being present, the Chairman welcomed all members and thanked them for their attendance at the Company's Extraordinary General Meeting II.

2. **ORDINARY RESOLUTION 1**

PROPOSED RENOUNCEABLE TWO-CALL RIGHTS ISSUE OF UP TO 60,000,000 NEW ORDINARY SHARES OF RM0.50 EACH IN DUFU ("RIGHTS SHARES"), ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY TWO (2) EXISTING ORDINARY SHARES OF RM0.50 EACH HELD IN DUFU ON AN ENTITLEMENT DATE TO BE DETERMINED LATER, AT AN INDICATIVE ISSUE PRICE OF RM0.50 PER RIGHTS SHARE PAYABLE IN TWO (2) CALLS, OF WHICH THE FIRST CALL OF RM0.20 PER RIGHTS SHARE SHALL BE PAYABLE IN CASH UPON APPLICATION WHILST THE SECOND CALL OF RM0.30 PER RIGHTS SHARE SHALL BE CAPITALISED FROM THE COMPANY'S RETAINED EARNINGS UPON ALLOTMENT (PROPOSED TWO-CALL RIGHTS ISSUE)

Upon proposal by Mr. Chairman and seconded by Mr. Chong Kok, the Proposed Ordinary Resolution 1 be put forth for voting by poll. By the following voting results:-

Vote in Favour		Vote Against		Abstained
No. of Shares	%	No. of Shares	%	No. of Shareholders / No. of Shares
34,964,685	100	0	0	0

It was resolved that the following be approved:-

"THAT subject to all approvals being obtained from the relevant authorities or parties (where required), approval be and is hereby given to the Board of Directors of Dufu ("Board") to provisionally allot and issue by way of renounceable two-call rights issue of up to 60,000,000 Rights Shares at an indicative issue price of RM0.50 per Rights Share, of which the first call of RM0.20 per Rights Share is payable by cash on application and the second call of RM0.30 per Rights Share is to be capitalised from the Company's retained earnings upon allotment, to the shareholders of the Company whose names appear in the Record of Depositors of the Company at the close of business on the entitlement date to be determined by the Board, or their renounees, on the basis of one (1) Rights Share for every two (2) existing Dufu Shares held, further particulars of which are set out in the Circular to shareholders of the Company dated 15 May 2013 ("Circular");

Chairman's Signature

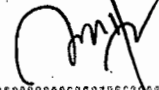


APPENDIX I- CERTIFIED TRUE EXTRACT OF THE ORDINARY RESOLUTIONS PERTAINING TO THE TWO-CALL RIGHTS ISSUE AND THE ALLOTMENT OF SHARES (KLT UNDERTAKING) PASSED AT OUR EGM II HELD ON 31 MAY 2013 (CONT'D)

DUFU TECHNOLOGY CORP. BERHAD
(Company No. 581612-A)
(Incorporated in Malaysia)

Minutes of the Extraordinary General Meeting II of the Company held at Room Dayang of Plot 19, Hilir Sungai Keluang 2, Taman Perindustrian Bayan Lepas, Fasa IV, 11900 Penang on Friday, May 31, 2013 at 10.00 a.m. (Continued...)

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Secretary
Ooi Ean Heem
(MAICSA 7057078)

2. **ORDINARY RESOLUTION 1**
PROPOSED TWO-CALL RIGHTS ISSUE (CONTINUED...)

31 MAY 2013

AND THAT the Board be and is hereby authorised to determine the final issue price, first call price and second call price of the Rights Shares after taking into consideration, amongst others, the theoretical ex-rights price ("**TERP**") based on the five (5)-day volume-weighted average market price ("**VWAP**") of the existing Dufu Shares prior to the price-fixing date to be determined by the Board, the final issue price for the Rights Shares shall in no event be lower than the par value of Dufu Shares of RM0.50 each, the adequacy of retained earnings for capitalisation, funding requirements of Dufu Group, the then prevailing market conditions and market price of Dufu Shares;

AND THAT all such Rights Shares shall upon allotment and issuance, rank *pari passu* in all respects with the then existing Shares, save and except that the Rights Shares will not be entitled to any dividends, rights, allotment and/or other forms of distributions that may be declared, made or paid, the entitlement date of which precedes the date of allotment and issuance of the Rights Shares;

AND THAT the Board be and is hereby authorised to capitalise from the Company's retained earnings towards paying in full the final second call of the Rights Shares pursuant to the Proposed Two-Call Rights Issue;

AND THAT any fractional entitlements arising from the Proposed Two-Call Rights Issue shall be dealt with in such manner as the Board may in their sole and absolute discretion deem expedient or to be in the best interest of the Company;

AND THAT the proceeds of the Proposed Two-Call Rights Issue be utilised for the purposes as set out in the Circular, and the Board be authorised with full powers to vary the manner and/or purpose of utilisation of such proceeds in such manner as the Board may deem fit, necessary and/or expedient, subject (where required) to the approval of the relevant authorities;

AND THAT the Board be and is hereby authorised to do all such acts and things, execute such documents and enter into all such transactions, arrangements, agreements as may be necessary or expedient to give full effect to the Proposed Two-Call Rights Issue with full power to assent to any conditions, modifications, variations and/or amendments as the Board may deem fit, necessary and/or expedient in the interests of the Company or as may be imposed by any relevant authority or consequent upon the implementation of the said conditions, modifications, variations and/or amendments."

Chairman's Signature



APPENDIX I- CERTIFIED TRUE EXTRACT OF THE ORDINARY RESOLUTIONS PERTAINING TO THE TWO-CALL RIGHTS ISSUE AND THE ALLOTMENT OF SHARES (KLT UNDERTAKING) PASSED AT OUR EGM II HELD ON 31 MAY 2013 (CONT'D)

DUFU TECHNOLOGY CORP. BERHAD
(Company No. 581612-A)
(Incorporated in Malaysia)

Minutes of the Extraordinary General Meeting II of the Company held at Room Dayang of Plot 19, Hilir Sungai Keluang 2, Taman Perindustrian Bayan Lepas, Fasa IV, 11900 Penang on Friday, May 31, 2013 at 10.00 a.m. (Continued...)

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Secretary
Ooi Ean Hoon
(MAICSA 7057078)

3. **ORDINARY RESOLUTION 2**
PROPOSED ALLOTMENT TO KHOO LAY TATT (KLT) FOR UP TO 5,000,000 RIGHTS SHARES PURSUANT TO KLT UNDERTAKING (AS DEFINED IN THE CIRCULAR) IN THE EVENT OF UNDER-SUBSCRIPTION OF THE PROPOSED TWO-CALL RIGHTS ISSUE (PROPOSED ALLOTMENT)

31 MAY 2013

It was noted that Mr. Khoo Lay Tatt is the interested director to the Proposed Allotment. As such, the Mr. Khoo Lay Tatt and the persons connected to him would abstain from exercising their voting rights on this resolution.

Upon proposal by Mr. Chairman and seconded by Ms. Koay San San, the Proposed Ordinary Resolution 2 be put forth for voting by poll. By the following voting results:-

Vote in Favour		Vote Against		Abstained
No. of Shares	%	No. of Shares	%	No. of Shares
34,950,385	100	0	0	14,300


It was resolved that the following be approved:-

“**THAT**, subject to the passing of Ordinary Resolution 1 above and the approvals of all relevant authorities being obtained, the Company and the Board be and is hereby authorised to issue and allot up to 5,000,000 Rights Shares to KLT, a Senior Independent Non-Executive Director of the Company, pursuant to KLT Undertaking in the event there are Rights Shares not subscribed by other entitled shareholders and/or their renounees arising from the Proposed Two-Call Rights Issue upon such terms and conditions and on the basis as disclosed in the Circular.”

4. **TERMINATION**

The Meeting concluded at 10.25 a.m. with a vote of thanks to the Chair.

Confirmed as a correct record



KHOO LAY TATT
Chairman

APPENDIX II- INFORMATION ON OUR COMPANY

1. HISTORY AND BUSINESS

Our Company was incorporated in Malaysia on 30 May 2002 under the Act as a private limited company under the name of Dufu Technology Corp. Sdn Bhd. We subsequently converted into a public limited company on 26 December 2002 and assumed its present name. Our Company was listed on the Second Board of the Bursa Securities on 28 February 2007 and was then transferred to the Main Market on 11 September 2008.

The principal activities of our Company are investment holding and provision of management services to our subsidiaries. Our subsidiary companies are principally involved in, amongst others:-

- (i) Developing and manufacturing of precision machining components for the HDD industry, industrial safety and sensor industries, telecommunication industry, computer industry and consumer electronics industry;
- (ii) Designing and manufacturing of precision steel moulds and stamping parts and components; and
- (iii) Marketing and engineering support services.

Further details of the principal activities of our subsidiary companies are set out in **Section 6** of this Appendix II.

2. SHARE CAPITAL

As at the LPD, our authorised and issued and paid-up share capital are as follows:-

Type	No. of Shares	Par value (RM)	Total (RM)
Authorised	200,000,000	0.50	100,000,000
Issued and fully paid-up	120,000,000	0.50	60,000,000

3. CHANGES IN ISSUED AND PAID-UP CAPITAL

There are no changes in the issued and paid-up share capital of our Company for the last three (3) years up to and including the LPD.

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APPENDIX II- INFORMATION ON OUR COMPANY (CONT'D)

4. SUBSTANTIAL SHAREHOLDERS

Based on the Register of Substantial Shareholders as at the LPD, the effects of the Two-Call Rights Issue on the shareholdings of the substantial shareholders of our Company are as follows:-

Minimum Scenario:

Assuming only the shareholders and/or Directors that have given irrevocable written undertakings subscribed for the Rights Shares pursuant to their respective Entitlement Undertakings, Additional Undertakings and KLT Undertaking.

	As at the LPD			After Two-Call Rights Issue		
	<-----Direct----->	<-----Indirect----->	%	<-----Direct----->	<-----Indirect----->	%
	No. of Shares	No. of Shares	%	No. of Shares	No. of Shares	%
Perfect Commerce Sdn Bhd	11,283,000	-	9.40	16,924,500	-	10.99
Wong Ser Yian	9,517,246	-	7.93	14,275,869	-	9.27
Lee, Hui-Ta also known as Li Hui Ta	9,639,177	11,283,000 [^]	8.03	15,757,365	16,924,500 [^]	10.23
Hsu, Chin-Shui	10,853,375	-	9.04	16,280,062	-	10.57
Lee, Wen-Jung	-	11,283,000 [^]	-	-	16,924,500 [^]	9.40
Lee, Su Hui-Fen	-	11,283,000 [^]	-	-	16,924,500 [^]	9.40

Note:-

[^] Indirect Interest by virtue of his/her substantial interest in Perfect Commerce Sdn Bhd.

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APPENDIX II- INFORMATION ON OUR COMPANY (CONT'D)

4. SUBSTANTIAL SHAREHOLDERS (CONT'D)

Maximum Scenario:

Assuming all the Entitled Shareholders subscribed for their respective entitlements under the Two-Call Rights Issue.

	As at the LPD			After Two-Call Rights Issue		
	<-----Direct----->	<-----Indirect----->	%	<-----Direct----->	<-----Indirect----->	%
	No. of Shares	No. of Shares	%	No. of Shares	No. of Shares	%
Perfect Commerce Sdn Bhd	11,283,000	-	9.40	16,924,500	-	9.40
Wong Ser Yian	9,517,246	-	7.93	14,275,869	-	7.93
Lee, Hui-Ta also known as Li Hui Ta	9,639,177	11,283,000 [^]	8.03	14,458,765	16,924,500 [^]	8.03
Hsu, Chin-Shui	10,853,375	-	9.04	16,280,062	-	9.04
Lee, Wen-Jung	-	11,283,000 [^]	-	-	16,924,500 [^]	9.40
Lee, Su Hui-Fen	-	11,283,000 [^]	-	-	16,924,500 [^]	9.40

Note:-

[^] Indirect Interest by virtue of his/her substantial interest in Perfect Commerce Sdn Bhd.

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APPENDIX II- INFORMATION ON OUR COMPANY (CONT'D)

5. OUR BOARD OF DIRECTORS

5.1 Details of our Directors

The particulars of our Directors as at the LPD are as follows:-

Name (Designation)	Nationality	Address	Age	Profession
Hsu, Chin-Shui (Executive Chairman)	Taiwanese	22, Pantai Jerjak 18 Sungai Nibong 11900 Bayan Lepas Penang	57	Managing Director
Lee, Hui-Ta also known as Li Hui Ta (Executive Director/Chief Financial Officer)	Taiwanese	29-16-1, Tingkat Bukit Jambul 1 Bukit Jambul 11900 Penang	54	Director
Yong Poh Yow (Executive Director/Chief Executive Officer)	Singaporean	1, Denai Pinang 8 Sri Tanjung Tanjong Tokong 10470 Penang	52	Director
Wu, Mao-Yuan (Non-Independent Non-Executive Director)	Taiwanese	7F, No. 36-1 Gongyuan St Banqiao Dist New Taipei City 220 Taiwan	56	Director
Khoo Lay Tatt (Senior Independent Non-Executive Director)	Malaysian	17, Jalan Pekaka 2 11700 Gelugor Penang	40	Director
Ang Siak Keng (Independent Non-Executive Director)	Malaysian	39, Lorong Padang Tembak 11400 Ayer Itam Pulau Pinang	42	Lawyer
Ong Choon Heng (Independent Non-Executive Director)	Malaysian	1067 Jalan Besar Permatang Tinggi 14000 Bukit Mertajam Pulau Pinang	37	Director

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APPENDIX II- INFORMATION ON OUR COMPANY (CONT'D)

5.2 Directors' Shareholdings

The proforma effect of the Two-Call Rights Issue on our Directors' shareholdings is set out below:-

Minimum Scenario:

Assuming only the shareholders and/or Directors that have given irrevocable written undertakings subscribed for the Rights Shares pursuant to their respective Entitlement Undertakings, Additional Undertakings and KLT Undertaking.

	As at the LPD			After Two-Call Rights Issue		
	<-----Direct----->	<-----Indirect----->	%	<-----Direct----->	<-----Indirect----->	%
	No. of Shares	No. of Shares	%	No. of Shares	No. of Shares	%
Hsu, Chin-Shui	10,853,375	1,000,000 [#]	9.04	16,280,062	1,000,000 [#]	0.65
Lee, Hui-Ta also known as Li Hui Ta	9,639,177	11,283,000 [^]	8.03	15,757,365	16,924,500 [^]	10.99
Yong Poh Yow	2,434,668	-	2.03	6,452,202	-	-
Wu, Mao-Yuan	3,075,000	-	2.56	6,112,500	-	-
Khoo Lay Tatt	-	-	-	5,000,000	-	-
Ang Siak Keng	-	-	-	-	-	-
Ong Choon Heng	802,200	-	0.67	802,200	-	-

Notes:-

Other interest held through his children pursuant to Section 134(12)(c) of the Act.
[^] Indirect Interest by virtue of his substantial interest in Perfect Commerce Sdn Bhd.

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APPENDIX II- INFORMATION ON OUR COMPANY (CONT'D)

5.2 Directors' Shareholdings (Cont'd)

Maximum Scenario:

Assuming all the Entitled Shareholders subscribed for their respective entitlements under the Two-Call Rights Issue.

	As at the LPD			After Two-Call Rights Issue		
	<-----Direct----->	%	No. of Shares	<-----Indirect----->	%	No. of Shares
Hsu, Chin-Shui	10,853,375	9.04	1,000,000 [#]	16,280,062	9.04	1,500,000 [#]
Lee, Hui-Ta also known as Li Hui Ta	9,639,177	8.03	11,283,000 [^]	14,458,765	8.03	16,924,500 [^]
Yong Poh Yow	2,434,668	2.03	-	3,652,002	2.03	-
Wu, Mao-Yuan	3,075,000	2.56	-	4,612,500	2.56	-
Khoo Lay Tatt	-	-	-	-	-	-
Ang Siak Keng	-	-	-	-	-	-
Ong Choon Heng	802,200	0.67	-	1,203,300	0.67	-

Notes:-

- # Other interest held through his children pursuant to Section 134(12)(c) of the Act.
- ^ Indirect Interest by virtue of his substantial interest in Perfect Commerce Sdn Bhd.

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APPENDIX II- INFORMATION ON OUR COMPANY (CONT'D)

6. SUBSIDIARY COMPANIES

As at the LPD, our Company does not have any associated company. Our subsidiary companies as at the LPD are set out below:-

Name of company	Date and place of incorporation	Principal activities	Issued and paid-up share capital (RM) (Unless otherwise stated)	Effective equity interest %
Dufu Industries Sdn Bhd	22 October 1987/ Malaysia	Design, development, manufacture, assembly and trade of die components and precision machining of vice, computer peripherals and parts, for HDD, and manufacture parts and components for the existing non-HDD components products	5,000,000	100
I.P.G Metal Industry (M) Sdn Bhd	19 September 1989/ Malaysia	Manufacture of precision steel moulds and parts and components for electronic equipment	2,000,000	100
Futron Technology Limited	12 February 2003/ Hong Kong	Trading of optics, magnetism driver and parts	HKD40,000,000	100
Dufu Dyna-Edge Sdn Bhd	20 August 2010/ Malaysia	Dormant	3,000,000	100
Dufusion Sdn Bhd	10 June 2011/ Malaysia	Dufusion Sdn Bhd is currently dormant and its intended principal activities are as follows:- (a) Manufacturing of medical devices, medical and surgical appliances and apparatus of every description; and (b) Design, develop, manufacture, assemble and trade of precision and stamping parts, plastic injection moulds, precision steel moulds, tools and dies, tooling parts, die components and precision machining of vice, computer peripherals and its related parts.	2,000,000	100
<u>Subsidiary of Dufu Industries Sdn Bhd</u>				
Dufu Industries Services Pte Ltd	29 May 2002/ Singapore	Processing and trading of high quality computer disk-drive related components	SGD2	100
<u>Subsidiary of Futron Technology Limited</u>				
Futron Technology Co. Ltd.	31 May 2002/ People's Republic of China	Manufacture and trading of optics, magnetism driver and parts	USD5,700,000	100

APPENDIX II- INFORMATION ON OUR COMPANY (CONT'D)

7. PROFIT AND DIVIDEND RECORDS

The profit and dividend records based on our Group's audited consolidated financial statements for the past three (3) financial years, i.e. FYE 31 December 2010, FYE 31 December 2011 and FYE 31 December 2012 and the unaudited consolidated financial statements for the three (3)-month FPE 31 March 2013 are as follows:-

FYE	-----Audited----->			Unaudited
	31 December 2010 RM	31 December 2011 RM	31 December 2012 RM	31 March 2013 RM
Revenue	128,495,485	119,295,663	114,522,714	27,969,000
Gross profit	23,433,160	10,778,417	11,914,820	4,093,000
Earnings before interest, taxation, depreciation, amortisation	34,789,300	23,118,529	24,996,566	7,654,000
Depreciation and amortisation	(11,373,034)	(12,363,377)	(13,103,330)	(3,569,000)
Interest income	16,894	23,265	21,593	8,000
Finance costs	(2,551,510)	(2,415,444)	(2,510,223)	(670,000)
Operating profit before taxation	20,881,650	8,362,973	9,404,606	3,423,000
Other income	3,540,878	3,128,844	4,492,208	660,000
Administration and general expenses	(14,499,833)	(15,977,491)	(14,945,165)	(3,228,419)
Selling and distribution costs	(2,345,396)	(1,386,985)	(840,630)	(196,581)
Share of profits and losses of associates and joint ventures	-	-	-	-
Profit/(Loss) before tax	7,577,299	(5,872,659)	(1,888,981)	658,000
Tax (expense)/income	(752,558)	1,062,351	(305,543)	(105,000)
Profit/(Loss) after tax	6,824,741	(4,810,308)	(2,194,524)	553,000
Attributable to:-				
Equity holders of our Company	6,824,741	(4,810,308)	(2,194,524)	553,000
Minority interests	-	-	-	-
Profit/(Loss) for the financial year	6,824,741	(4,810,308)	(2,194,524)	553,000
Earnings/(Loss) per share:-				
Basic (sen)	5.69	(4.01)	(1.83)	0.46
Diluted (sen)	5.69	(4.01)	(1.83)	0.46
Profit margin:-				
Gross profit margin (%)	18.24	9.04	10.40	14.63
Profit/(Loss) before tax margin (%)	5.90	(4.92)	(1.65)	2.35
Profit/(Loss) after tax margin (%)	5.31	(4.03)	(1.92)	1.98
Dividends per share:-				
Declared (sen)	-	-	-	-
Proposed (sen)	-	-	-	-

Commentary:-

FYE 31 December 2010

For the FYE 31 December 2010, our Group recorded revenue of RM128.50 million, an increase of 10.17% or RM11.86 million as compared to RM116.64 million in 2009. The increase in revenue was mainly due to the increase in the sales volume during the FYE 31 December 2010.

However, due to the appreciation of Ringgit Malaysia against the US Dollar, increased in raw materials and labour costs had caused the profit after tax to decrease by 38.72% or RM4.31 million, from RM11.13 million in 2009 to RM6.82 million in 2010.

FYE 31 December 2011

For the FYE 31 December 2011, our Group recorded revenue of RM119.30 million, a decrease of 7.16% or RM9.20 million as compared to RM128.50 million in 2010. The decrease in revenue was mainly due to the decrease in the demand from the HDD sector in the last quarter of 2011. This was mainly due to the Thailand flood that caused the supply chain of the HDD market unable to meet the demand which in turn has resulted in our Group sales to decrease in FYE 31 December 2011. Our gross profit margin has also decreased from 18.24% in FYE 31 December 2010 to 9.04% in FYE 31 December 2011 mainly due to the increase in total production costs of our components products.

The sales to overseas markets were mainly denominated in US Dollar. As such, the weakening of the US Dollar and uncertainties in the world economy especially in Europe and US had also affected our Group resulting in our Group record a loss after taxation of RM4.81 million, a decrease of 170.53% or RM11.63 million as compared to profit after taxation of RM6.82 million in 2010.

FYE 31 December 2012

For the FYE 31 December 2012, our Group recorded revenue of RM114.52 million, a decrease of 4.01% or RM4.78 million as compared to RM119.30 million in 2011. Our Group also recorded a loss after taxation of RM2.19 million for the FYE 31 December 2012, as compared to loss after taxation of RM4.81 million in 2011. The decreases in revenue and loss after taxation were mainly due to the lower demand and sales of HDD products arising from the increase in popularity in the usage of Ultra-book and Tablets PC which uses solid-state drive rather than HDD and higher operating costs during the FYE 31 December 2012. The better performance of our Group in terms of the reduction in loss before taxation was mainly due to the favourable foreign exchange rates as compared to the previous financial year.

Unaudited Three (3)-Month FPE 31 March 2013

For the three (3)-month FPE 31 March 2013, our Group recorded revenue of RM27.97 million, an increase of 23.76% or RM5.37 million as compared to the preceding three (3)-month FPE 31 December 2012 of RM22.60 million. Our Group also recorded a profit after taxation of RM0.55 million for the three (3)-month FPE 31 March 2013, an increase of 3.42 million or 119.16% as compared to loss after taxation of RM2.87 million in three (3)-month FPE 31 December 2012. The main reason for the increase in performance in the three (3)-month FPE 31 March 2013 was mainly due to the increase in revenue from the non-HDD products.

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APPENDIX II- INFORMATION ON OUR COMPANY (CONT'D)

8. HISTORICAL PRICES

The monthly highest and lowest closing market prices of our Shares as traded on Bursa Securities for the past twelve (12) months from June 2012 to May 2013 are set out below:-

	High RM	Low RM
<u>2012</u>		
June	0.305	0.285
July	0.295	0.270
August	0.285	0.265
September	0.270	0.250
October	0.260	0.240
November	0.260	0.240
December	0.265	0.240
<u>2013</u>		
January	0.265	0.245
February	0.265	0.245
March	0.270	0.245
April	0.260	0.205
May	0.245	0.210

The last transacted price of our Shares on 19 April 2013, being the last day on which our Shares were traded, prior to the date of Announcement of the Two-Call Rights Issue, was RM0.235.

The last transacted price of our Shares on 18 June 2013, being the last day on which our Shares were traded, prior to the ex-date for the Two-Call Rights Issue, was RM0.210.

The last transacted price of our Shares on 31 May 2013, being the LPD prior to the issuance of this AP, was RM0.225.

(Source: Bloomberg)

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APPENDIX III- PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2012 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON



Crowe Horwath AF 1018
Chartered Accountants
Member Crowe Horwath International

Date: 11 JUN 2013

The Board of Directors
DUFU TECHNOLOGY CORP. BERHAD
57-G Persiaran Bayan Indah
Bayan Bay, Sungai Nibong
11900 Penang

Penang Office
17.01 Menara Boustead Penang
39 Jalan Sultan Ahmad Shah
10050 Penang, Malaysia
+6 04 2277 061 Main
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www.crowehorwath.com.my
info.pg@crowehorwath.com.my

Dear Sirs

**DUFU TECHNOLOGY CORP. BERHAD ("DUFU" OR THE "COMPANY")
PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31
DECEMBER 2012**

We have reviewed the Proforma Consolidated Statements of Financial Position of Dufu and its subsidiaries ("Dufu Group" or the "Group") as at 31 December 2012 together with the accompanying notes and assumptions thereto (which we have stamped for the purpose of identification). The Proforma Consolidated Statements of Financial Position of the Group were prepared for inclusion in the Abridged Prospectus in connection with the renounceable two-call rights issue of up to 60,000,000 new ordinary shares of RM0.50 each in Dufu ("Rights Shares") on the basis of one (1) Rights Share for every two (2) existing ordinary shares of RM0.50 each held in Dufu at an issue price of RM0.50 per Rights Share (the "Two-Call Rights Issue").

The Proforma Consolidated Statements of Financial Position, because of their nature, may not be reflective of the Group's actual position. Further, such information does not purport to predict the future financial position of the Group.

DIRECTORS' RESPONSIBILITIES

The board of directors of Dufu is solely responsible for the preparation of the Proforma Consolidated Statements of Financial Position as at 31 December 2012 for the inclusion in the Abridged Prospectus.

OUR RESPONSIBILITIES

Our responsibility is to express an opinion as to the proper compilation of the Proforma Consolidated Statements of Financial Position. In providing this opinion, we are not responsible for updating or refreshing any reports or opinions previously issued by us on any financial information used in the compilation of the Proforma Consolidated Statements of Financial Position, nor we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Offices in Malaysia:

Kuala Lumpur • Klang • Penang • Johor Bahru • Melaka • Muar • Kuching • Sibul • Bintulu • Miri • Kota Kinabalu • Labuan

APPENDIX III- PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2012 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)



We conducted our work in accordance with the Malaysian Approved Standard on Assurance Engagements, ISAE 3000: Assurance Engagements Other Than Audits or Reviews of Historical Financial Information. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information to the source documents, considering the evidence supporting the adjustments and discussing the Proforma Consolidated Statements of Financial Position as at 31 December 2012 with Dufu Group's management.

We planned and performed our work so as to obtain information and explanations we considered necessary in order to provide us with reasonable assurance that the Proforma Consolidated Statements of Financial Position have been properly compiled on the basis stated and that such basis is consistent with the accounting policies of Dufu Group and in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. Our work also involves assessing whether the adjustments made to the information used in the preparation of the Proforma Consolidated Statements of Financial Position are appropriate for the purposes of preparing the Proforma Consolidated Statements of Financial Position.

OPINION

In our opinion,

- (i) the Proforma Consolidated Statements of Financial Position as at 31 December 2012 have been properly compiled on the basis set out in the accompanying notes;
- (ii) the basis is consistent with the accounting policies normally adopted by the Group in the preparation of its audited consolidated financial statements; and
- (iii) the adjustments made are appropriate for the purposes of preparing the Proforma Consolidated Statements of Financial Position.

OTHER MATTERS

We understand that this letter will be used solely for the purpose stated above, in connection with the aforementioned Two-Call Rights Issue. As such, this letter should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

Yours faithfully

A large, stylized handwritten signature in black ink, likely representing a member of the firm.

Crowe Horwath
Firm No : AF 1018
Chartered Accountants

A large, stylized handwritten signature in black ink, belonging to Eddy Chan Wai Hun.

Eddy Chan Wai Hun
Approval No : 2182/10/13 (J)
Chartered Accountant

Offices in Malaysia:

Kuala Lumpur • Klang • Penang • Johor Bahru • Melaka • Muar • Kuching • Sibul • Bintulu • Miri • Kota Kinabalu • Labuan

APPENDIX III- PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2012 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

**DUFU TECHNOLOGY CORP. BERHAD AND ITS SUBSIDIARIES
PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

1. Introduction

The proforma consolidated statements of financial position are prepared in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards consistent with those previously adopted in the preparation of the audited financial statements of Dufu Group for the financial year ended 31 December 2012, and after incorporating the effects of the renounceable two-call rights issue of up to 60,000,000 new ordinary shares of RM0.50 each in Dufu ("Rights Shares") on the basis of one (1) Rights Share for every two (2) existing ordinary shares of RM0.50 each held in Dufu at an issue price of RM0.50 per Rights Share (the "Two-Call Rights Issue").

The issue price of RM0.50 per Rights Share will be payable in two (2) calls. The First Call of RM0.20 per Rights Share will be payable in cash on application, and the Second Call of RM0.30 per Rights Share will be payable via capitalisation of the Company's retained profits upon allotment.

The proforma consolidated statements of financial position of Dufu Group as at 31 December 2012 incorporate the effects of the Two-Call Rights Issue assuming the Two-Call Rights Issue had been completed on 31 December 2012 and based on the following scenarios:-

- Minimum Scenario** : Assume the Two-Call Rights Issue will be implemented based on the Minimum Subscription Level after taking into consideration the minimum level of funds of RM6.8 million that the Company wishes to raise from the Two-Call Rights Issue.
- Maximum Scenario** : Assume all the Entitled Shareholders subscribe for their respective entitlements of the 60,000,000 Rights Shares in full to raise a maximum of RM12.0 million under the Two-Call Rights Issue.

The Two-Call Rights Issue is expected to raise total gross proceeds of up to RM12.0 million which will be utilised as follows:-

<u>Description of Utilisation of Proceeds</u>	Minimum Scenario RM'000	Maximum Scenario RM'000
Investment in new machinery	3,000	3,000
Working capital	3,200	8,400
Estimated expenses for Two-Call Rights Issue	600	600
Gross proceeds to be raised	<u>6,800</u>	<u>12,000</u>

APPENDIX III- PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2012 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

**DUFU TECHNOLOGY CORP. BERHAD AND ITS SUBSIDIARIES
PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)**

2. Proforma Consolidated Statements of Financial Position as at 31 December 2012

Minimum Scenario

	Note	Audited as at 31 Dec 2012 RM'000	After the Two-Call Rights Issue RM'000
NON-CURRENT ASSETS			
Property, plant and equipment	2.1	95,301	98,301
Investments in club memberships, at cost		61	61
Available-for-sale financial assets		312	312
Deferred tax assets		137	137
		<u>95,811</u>	<u>98,811</u>
CURRENT ASSETS			
Inventories		28,570	28,570
Trade and other receivables		29,537	29,537
Financial assets at fair value through profit or loss		5	5
Prepayments		266	266
Current tax assets		383	383
Cash and bank balances	2.2	6,449	9,649
		<u>65,210</u>	<u>68,410</u>
CURRENT LIABILITIES			
Trade and other payables		19,408	19,408
Loans and borrowings		26,091	26,091
Current tax liabilities		258	258
		<u>45,757</u>	<u>45,757</u>
NET CURRENT ASSETS		19,453	22,653
NON-CURRENT LIABILITIES			
Loans and borrowings		31,792	31,792
Deferred tax liabilities		2	2
		<u>31,794</u>	<u>31,794</u>
NET ASSETS		<u>83,470</u>	<u>89,670</u>
EQUITY			
Share capital	2.3	60,000	77,000
Currency translation reserve		(1,602)	(1,602)
Reverse acquisition reserve		(24,110)	(24,110)
Retained profits	2.4	49,182	38,382
TOTAL EQUITY		<u>83,470</u>	<u>89,670</u>
Number of ordinary shares of RM0.50 each in issue ('000)		<u>120,000</u>	<u>154,000</u>
Net assets ("NA") / Proforma consolidated NA (RM'000)		<u>83,470</u>	<u>89,670</u>
NA/Proforma consolidated NA per ordinary share (RM)		<u>0.70</u>	<u>0.58</u>
Loans and borrowings (RM'000)		<u>57,883</u>	<u>57,883</u>
Gearing (times)		<u>0.69</u>	<u>0.65</u>

APPENDIX III- PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2012 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

**DUFU TECHNOLOGY CORP. BERHAD AND ITS SUBSIDIARIES
PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)**

2. Proforma Consolidated Statements of Financial Position as at 31 December 2012 (cont'd)

Maximum Scenario

	Note	Audited as at 31 Dec 2012 RM'000	After the Two-Call Rights Issue RM'000
NON-CURRENT ASSETS			
Property, plant and equipment	2.1	95,301	98,301
Investments in club memberships, at cost		61	61
Available-for-sale financial assets		312	312
Deferred tax assets		137	137
		<u>95,811</u>	<u>98,811</u>
CURRENT ASSETS			
Inventories		28,570	28,570
Trade and other receivables		29,537	29,537
Financial assets at fair value through profit or loss		5	5
Prepayments		266	266
Current tax assets		383	383
Cash and bank balances	2.2	6,449	14,849
		<u>65,210</u>	<u>73,610</u>
CURRENT LIABILITIES			
Trade and other payables		19,408	19,408
Loans and borrowings		26,091	26,091
Current tax liabilities		258	258
		<u>45,757</u>	<u>45,757</u>
NET CURRENT ASSETS		19,453	27,853
NON-CURRENT LIABILITIES			
Loans and borrowings		31,792	31,792
Deferred tax liabilities		2	2
		<u>31,794</u>	<u>31,794</u>
NET ASSETS		83,470	94,870
EQUITY			
Share capital	2.3	60,000	90,000
Currency translation reserve		(1,602)	(1,602)
Reverse acquisition reserve		(24,110)	(24,110)
Retained profits	2.4	49,182	30,582
TOTAL EQUITY		83,470	94,870
Number of ordinary shares of RM0.50 each in issue ('000)		<u>120,000</u>	<u>180,000</u>
Net assets ("NA") / Proforma consolidated NA (RM'000)		<u>83,470</u>	<u>94,870</u>
NA/Proforma consolidated NA per ordinary share (RM)		<u>0.70</u>	<u>0.53</u>
Loans and borrowings (RM'000)		<u>57,883</u>	<u>57,883</u>
Gearing (times)		<u>0.69</u>	<u>0.61</u>

APPENDIX III- PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2012 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

**DUFU TECHNOLOGY CORP. BERHAD AND ITS SUBSIDIARIES
PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)**

2. Proforma Consolidated Statements of Financial Position as at 31 December 2012 (cont'd)

2.1 Property, Plant and Equipment

	Minimum Scenario	Maximum Scenario
	RM'000	RM'000
Audited as at 31 December 2012	95,301	95,301
Proposed investment in new machinery	3,000	3,000
	98,301	98,301

2.2 Cash and Bank Balances

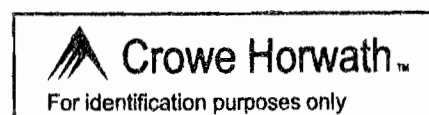
	Minimum Scenario	Maximum Scenario
	RM'000	RM'000
Audited as at 31 December 2012	6,449	6,449
Two-Call Rights Issue	6,800	12,000
Proposed investment in new machinery	(3,000)	(3,000)
Estimated expenses for Two-Call Rights Issue	(600)	(600)
	9,649	14,849

2.3 Share Capital

	Minimum Scenario		Maximum Scenario	
	No. of Shares '000	RM'000	No. of Shares '000	RM'000
Audited as at 31 December 2012	120,000	60,000	120,000	60,000
Two-Call Rights Issue	34,000	17,000	60,000	30,000
	154,000	77,000	180,000	90,000

2.4 Retained Profits

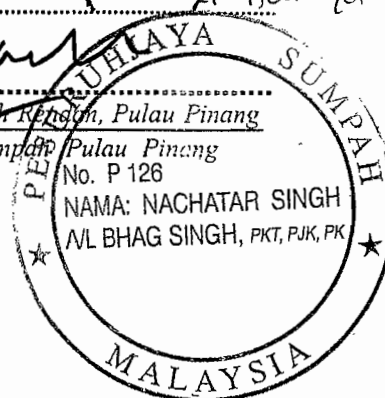
	Minimum Scenario	Maximum Scenario
	RM'000	RM'000
Audited as at 31 December 2012	49,182	49,182
Capitalisation for Two-Call Rights Issue	(10,200)	(18,000)
Estimated expenses for Two-Call Rights Issue	(600)	(600)
	38,382	30,582



APPENDIX IV- AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITOR'S REPORT THEREON

PERKARA
 "A"
 trilah Benda bukti bertanda.....
 yang disebutkan didalam surat ikrar..... *Lee Hui-Ta also known as*
 Diikrar pada *12 APR 2013 Li Hui Ta*

.....
 Pengadil, Mahkamah Rendah, Pulau Pinang
 Pesuruhjaya Sumpah



120 LEBUH PENANG
 10200 PULAU PINANG

DUFU TECHNOLOGY CORP. BERHAD

(Incorporated in Malaysia)
 Company No: 581612-A

FINANCIAL REPORT
for the financial year ended 31 December 2012

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**APPENDIX IV- AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR
THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITOR'S REPORT
THEREON (CONT'D)**

DUFU TECHNOLOGY CORP. BERHAD

(Incorporated in Malaysia)
Company No: 581612-A

DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and the Company for the financial year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The principal activities of the Company are those of investment holding and provision of management services to its subsidiaries. The principal activities of the subsidiaries are disclosed in Note 6 to the financial statements. There have been no significant changes in the nature of the principal activities of the Group and the Company during the financial year.

RESULTS

	Group RM	Company RM
(Loss)/Profit for the financial year	<u>(2,194,524)</u>	<u>19,676,149</u>

DIVIDENDS

No dividends were proposed, declared or paid by the Company since the end of the previous financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year apart from those disclosed in the financial statements.

ISSUE OF SHARES OR DEBENTURES

There was no issue of shares or debentures by the Company during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No share options were granted by the Company during the financial year.

DUFU TECHNOLOGY CORP. BERHAD

(Incorporated in Malaysia)
Company No: 581612-A

DIRECTORS' REPORT

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of the allowance made for doubtful debts inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements of the Group and the Company were made out, the directors took reasonable steps to ascertain whether any current assets, other than debts, were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and the Company and to the extent so ascertained were written down to an amount that they might be expected to realise.

At the date of this report, the directors are not aware of any circumstances that would render the values attributed to the current assets in the financial statements of the Group and the Company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:-

- (i) any charge on the assets of the Group or the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or
- (ii) any contingent liability in respect of the Group or the Company that has arisen since the end of the financial year.

No contingent liability or other liability has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group or the Company to meet their obligations as and when they fall due.

**APPENDIX IV- AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR
THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITOR'S REPORT
THEREON (CONT'D)**

DUFU TECHNOLOGY CORP. BERHAD

(Incorporated in Malaysia)
Company No: 581612-A

DIRECTORS' REPORT

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or in the financial statements of the Group and the Company that would render any amount stated in the respective financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and the Company for the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature which, in the opinion of the directors, will affect substantially the results of the operations of the Group and the Company for the financial year in which this report is made.

DIRECTORS OF THE COMPANY

The directors who served since the date of the last report are:-

Lee, Hui-Ta also known as Li Hui Ta
Hsu, Chin-Shui
Yong Poh Yow
Baqir Hussain Bin Hatim Ali
Khoo Lay Tatt
Ang Siak Keng
Wu, Mao Yuan (Appointed on 19.12.2012)

Particulars of the interests in shares in the Company of the directors in office at the end of the financial year, as shown in the Register of Directors' Shareholdings, are as follows:-

Name of Director	Number of Ordinary Shares of RM0.50 Each					
	Direct Interest			Deemed Interest		
	Balance at 1.1.2012	Bought	Sold	Balance at 31.12.2012	Balance at 1.1.2012	Balance at 31.12.2012
Lee, Hui-Ta also known as Li Hui Ta	9,639,177	0	0	9,639,177	11,283,000	11,283,000
Hsu, Chin-Shui	15,353,375	0	(1,000,000)	14,353,375	0	0
Yong Poh Yow	2,434,668	0	0	2,434,668	0	0

By virtue of his interests in shares in the Company, Lee, Hui-Ta also known as Li Hui Ta is also deemed to have interests in shares in the subsidiaries to the extent of the Company's interests, pursuant to Section 6A of the Companies Act 1965.

Save as disclosed above, none of the other directors in office at the end of the financial year held any interests in shares in the Company or its related corporations during the financial year.

DUFU TECHNOLOGY CORP. BERHAD

(Incorporated in Malaysia)
Company No: 581612-A

DIRECTORS' REPORT

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than the directors' remuneration disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to have arisen by virtue of those related party transactions as disclosed in Note 22 to the financial statements.

Neither during nor at the end of the financial year, was the Company a party to any arrangement whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

AUDITORS

The auditors, Messrs. Crowe Horwath, have expressed their willingness to continue in office.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS

DATED 12 APR 2013



Lee, Hui-Ta also known as Li Hui Ta



Yong Poh Yow

APPENDIX IV- AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITOR'S REPORT THEREON (CONT'D)

DUFU TECHNOLOGY CORP. BERHAD

(Incorporated in Malaysia)
Company No: 581612-A

STATEMENT BY DIRECTORS

We, Lee, Hui-Ta also known as Li Hui Ta and Yong Poh Yow, being two of the directors of Dufu Technology Corp. Berhad, do hereby state that in the opinion of the directors, the financial statements set out on pages 9 to 52 give a true and fair view of the financial position of the Group and the Company as at 31 December 2012 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

In the opinion of the directors, the supplementary information set out on page 53 is prepared, in all material respects, in accordance with Guidance on Special Matter No. 1 *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS

DATED 12 APR 2013

Lee, Hui-Ta also known as Li Hui Ta

Yong Poh Yow

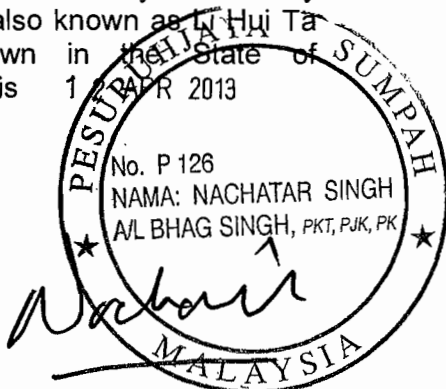
STATUTORY DECLARATION

I, Lee, Hui-Ta also known as Li Hui Ta, being the director primarily responsible for the financial management of Dufu Technology Corp. Berhad, do solemnly and sincerely declare that the financial statements set out on pages 9 to 52 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by
Lee, Hui-Ta also known as Li Hui Ta
at Georgetown in the State of
Penang on this 12 APR 2013

Lee, Hui-Ta also known as Li Hui Ta

Before me



120 LEBUH PENANG
10200 PULAU PINANG



Crowe Horwath AF 1018
Chartered Accountants
Member Crowe Horwath International

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10050 Penang, Malaysia
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info.pg@crowehorwath.com.my

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DUFU TECHNOLOGY CORP. BERHAD

(Incorporated in Malaysia)
Company No: 581612-A

Report on the Financial Statements

We have audited the financial statements of Dufu Technology Corp. Berhad, which comprise the statements of financial position as at 31 December 2012 of the Group and the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 9 to 52.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DUFU TECHNOLOGY CORP. BERHAD (cont'd)

(Incorporated in Malaysia)
Company No: 581612-A

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2012 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:-

- (i) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (ii) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 6 to the financial statements.
- (iii) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (iv) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

The supplementary information set out on page 53 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants ("the MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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Crowe Horwath™

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
DUFU TECHNOLOGY CORP. BERHAD (cont'd)**

(Incorporated in Malaysia)
Company No: 581612-A

Other Matters

- (i) As stated in Note 2.1 to the financial statements, the Group and the Company adopted Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2011 and 1 January 2011, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the financial year ended 31 December 2011 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and the Company for the financial year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as at 31 December 2012 and financial performance and cash flows for the financial year then ended.
- (ii) This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Horwath
Firm No: AF 1018
Chartered Accountants

Date: 12 APR 2013

Penang

Eddy Chan Wai Hun
Approval No: 2182/10/13 (J)
Chartered Accountant

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**APPENDIX IV- AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR
THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITOR'S REPORT
THEREON (CONT'D)**

DUFU TECHNOLOGY CORP. BERHAD

(Incorporated in Malaysia)
Company No: 581612-A

"A"

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012**

	Note	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
NON-CURRENT ASSETS				
Property, plant and equipment	4	95,301,159	95,364,439	81,649,772
Goodwill on consolidation	5	0	0	25,252
Investments in club memberships, at cost		61,000	61,000	61,000
Available-for-sale financial assets	7	312,088	303,051	294,910
Deferred tax assets	8	136,624	109,750	115,743
		<u>95,810,871</u>	<u>95,838,240</u>	<u>82,146,677</u>
CURRENT ASSETS				
Inventories	9	28,569,654	30,821,330	25,552,880
Trade and other receivables	10	29,536,607	24,932,722	37,570,531
Financial assets at fair value through profit or loss	11	5,284	0	0
Prepayments		266,461	2,104,895	1,523,316
Current tax assets		382,526	1,579,410	390,706
Cash and bank balances	12	6,449,263	5,440,932	6,192,177
		<u>65,209,795</u>	<u>64,879,289</u>	<u>71,229,610</u>
CURRENT LIABILITIES				
Trade and other payables	13	19,408,017	14,150,499	15,748,506
Loans and borrowings	14	26,090,764	26,999,196	24,375,555
Financial liabilities at fair value through profit or loss	11	0	870,750	0
Current tax liabilities		257,648	27,000	308,159
		<u>45,756,429</u>	<u>42,047,445</u>	<u>40,432,220</u>
NET CURRENT ASSETS		19,453,366	22,831,844	30,797,390
NON-CURRENT LIABILITIES				
Loans and borrowings	14	31,791,981	31,714,012	21,887,542
Deferred tax liabilities	8	2,055	206,599	1,533,190
		<u>31,794,036</u>	<u>31,920,611</u>	<u>23,420,732</u>
NET ASSETS		<u>83,470,201</u>	<u>86,749,473</u>	<u>89,523,335</u>
EQUITY				
Share capital	15	60,000,000	60,000,000	60,000,000
Currency translation reserve		(1,601,958)	(517,210)	(2,553,656)
Reverse acquisition reserve		(24,110,002)	(24,110,002)	(24,110,002)
Retained profits		49,182,161	51,376,685	56,186,993
TOTAL EQUITY		<u>83,470,201</u>	<u>86,749,473</u>	<u>89,523,335</u>

**APPENDIX IV- AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR
THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITOR'S REPORT
THEREON (CONT'D)**

DUFU TECHNOLOGY CORP. BERHAD

(Incorporated in Malaysia)
Company No: 581612-A

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012**

	Note	2012 RM	2011 RM
Revenue	16	114,522,714	119,295,663
Other income		4,492,208	3,128,844
Changes in work-in-progress and finished goods		(1,459,372)	3,701,282
Raw materials consumed		(36,755,008)	(35,935,103)
Purchase of trading and semi finished goods		(12,746,362)	(19,550,836)
Depreciation		(13,103,330)	(12,363,377)
Employee benefits expense	17	(26,997,838)	(25,967,865)
Interest expense		(2,510,223)	(2,415,444)
Other expenses		(27,331,770)	(35,765,823)
Loss before tax	18	<u>(1,888,981)</u>	<u>(5,872,659)</u>
Tax (expense)/income	19	(305,543)	1,062,351
Loss for the financial year		<u>(2,194,524)</u>	<u>(4,810,308)</u>
Other comprehensive income:-			
Currency translation differences for foreign operations		(1,084,748)	2,036,446
Other comprehensive income for the financial year		<u>(1,084,748)</u>	<u>2,036,446</u>
Total comprehensive income for the financial year		<u>(3,279,272)</u>	<u>(2,773,862)</u>
Loss per share:-	20		
- Basic (sen)		<u>(1.83)</u>	<u>(4.01)</u>
- Diluted (sen)		<u>(1.83)</u>	<u>(4.01)</u>

DUFU TECHNOLOGY CORP. BERHAD

(Incorporated in Malaysia)
Company No: 581612-A

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012**

	Non-distributable		Distributable		Total equity RM
	Share capital RM	Currency translation reserve RM	Reverse acquisition reserve RM	Retained profits RM	
Balance at 1 January 2011	60,000,000	(2,553,656)	(24,110,002)	56,186,993	89,523,335
Loss for the financial year	0	0	0	(4,810,308)	(4,810,308)
Currency translation differences for foreign operations (representing other comprehensive income for the financial year)	0	2,036,446	0	0	2,036,446
Total comprehensive income for the financial year	0	2,036,446	0	(4,810,308)	(2,773,862)
Balance at 31 December 2011	60,000,000	(517,210)	(24,110,002)	51,376,685	86,749,473
Loss for the financial year	0	0	0	(2,194,524)	(2,194,524)
Currency translation differences for foreign operations (representing other comprehensive income for the financial year)	0	(1,084,748)	0	0	(1,084,748)
Total comprehensive income for the financial year	0	(1,084,748)	0	(2,194,524)	(3,279,272)
Balance at 31 December 2012	60,000,000	(1,601,958)	(24,110,002)	49,182,161	83,470,201

The annexed notes form an integral part of these financial statements.

**APPENDIX IV- AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR
THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITOR'S REPORT
THEREON (CONT'D)**

DUFU TECHNOLOGY CORP. BERHAD

(Incorporated in Malaysia)
Company No: 581612-A

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012**

	Note	2012 RM	2011 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(1,888,981)	(5,872,659)
Adjustments for:-			
Depreciation		13,103,330	12,363,377
Gain on disposal of property, plant and equipment		0	(11,900)
Impairment loss on goodwill		0	25,252
Impairment loss on loans and receivables		0	141,636
Interest expense		2,510,223	2,415,444
Interest income		(21,593)	(23,265)
Inventories written down		0	1,513,381
Property, plant and equipment written off		552,435	0
Reversal of impairment loss on loans and receivables		(8,000)	0
Reversal of inventories written down		(453,224)	0
Unrealised (gain)/loss on financial instruments at fair value through profit or loss		(5,284)	870,750
Unrealised (gain)/loss on foreign exchange		(502,775)	832,268
Operating profit before working capital changes		13,286,131	12,254,284
Changes in:-			
Inventories		2,704,900	(6,781,831)
Receivables and prepayments		(2,757,451)	11,941,676
Payables		5,257,518	(1,586,529)
Financial instruments at fair value through profit or loss		(870,750)	0
Cash generated from operations		17,620,348	15,827,600
Tax paid		(342,754)	(1,720,857)
Tax refunded		1,231,511	0
Net cash from operating activities		18,509,105	14,106,743
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		21,593	23,265
Proceeds from disposal of property, plant and equipment		0	26,500
Purchase of available-for-sale financial assets		(9,037)	(8,141)
Purchase of property, plant and equipment	21	(11,277,289)	(22,869,525)
Net cash used in investing activities		(11,264,733)	(22,827,901)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(2,510,223)	(2,426,922)
Net (decrease)/increase in short-term loans and borrowings		(1,839,834)	5,179,911
Repayment of hire purchase obligations		(5,351,089)	(6,209,621)
Repayment of term loans		(4,874,747)	(3,138,406)
Term loans raised		7,785,580	16,200,000
Net cash (used in)/from financing activities		(6,790,313)	9,604,962
Currency translation differences		(734,298)	903,453
Net (decrease)/increase in cash and cash equivalents		(280,239)	1,787,257
Cash and cash equivalents brought forward		2,535,197	747,940
Cash and cash equivalents carried forward	21	2,254,958	2,535,197

**APPENDIX IV- AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR
THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITOR'S REPORT
THEREON (CONT'D)**

DUFU TECHNOLOGY CORP. BERHAD

(Incorporated in Malaysia)
Company No: 581612-A

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012**

	Note	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
NON-CURRENT ASSETS				
Investments in subsidiaries	6	58,351,525	56,351,527	54,351,525
Available-for-sale financial assets	7	312,088	303,051	294,910
		<u>58,663,613</u>	<u>56,654,578</u>	<u>54,646,435</u>
CURRENT ASSETS				
Other receivables	10	23,386,532	5,819,730	8,148,986
Current tax assets		46,000	46,000	46,000
Cash and bank balances	12	299,858	199,546	196,301
		<u>23,732,390</u>	<u>6,065,276</u>	<u>8,391,287</u>
CURRENT LIABILITIES				
Other payables	13	20,450	20,450	34,683
		<u>20,450</u>	<u>20,450</u>	<u>34,683</u>
NET CURRENT ASSETS		<u>23,711,940</u>	<u>6,044,826</u>	<u>8,356,604</u>
NET ASSETS		<u>82,375,553</u>	<u>62,699,404</u>	<u>63,003,039</u>
EQUITY				
Share capital	15	60,000,000	60,000,000	60,000,000
Retained profits		22,375,553	2,699,404	3,003,039
TOTAL EQUITY		<u>82,375,553</u>	<u>62,699,404</u>	<u>63,003,039</u>

**APPENDIX IV- AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR
THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITOR'S REPORT
THEREON (CONT'D)**

DUFU TECHNOLOGY CORP. BERHAD

(Incorporated in Malaysia)
Company No: 581612-A

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012**

	Note	2012 RM	2011 RM
Revenue	16	20,132,025	131,297
Other income		0	945
Employee benefits expense	17	(302,000)	(266,000)
Other expenses		(153,876)	(169,877)
Profit/(Loss) before tax	18	<u>19,676,149</u>	<u>(303,635)</u>
Tax expense	19	0	0
Profit/(Loss) for the financial year		<u>19,676,149</u>	<u>(303,635)</u>
Other comprehensive income for the financial year		0	0
Total comprehensive income for the financial year		<u>19,676,149</u>	<u>(303,635)</u>

**APPENDIX IV- AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR
THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITOR'S REPORT
THEREON (CONT'D)**

DUFU TECHNOLOGY CORP. BERHAD

(Incorporated in Malaysia)
Company No: 581612-A

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012**

	Share capital RM	Retained profits RM	Total equity RM
Balance at 1 January 2011	60,000,000	3,003,039	63,003,039
Loss (representing total comprehensive income) for the financial year	0	(303,635)	(303,635)
Balance at 31 December 2011	<u>60,000,000</u>	<u>2,699,404</u>	<u>62,699,404</u>
Profit (representing total comprehensive income) for the financial year	0	19,676,149	19,676,149
Balance at 31 December 2012	<u>60,000,000</u>	<u>22,375,553</u>	<u>82,375,553</u>

**APPENDIX IV- AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR
THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITOR'S REPORT
THEREON (CONT'D)**

DUFU TECHNOLOGY CORP. BERHAD

(Incorporated in Malaysia)
Company No: 581612-A

**STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012**

	Note	2012 RM	2011 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) before tax		19,676,149	(303,635)
Adjustments for:-			
Dividend income		(20,000,000)	0
Interest income		<u>(12,025)</u>	<u>(11,297)</u>
Operating loss before working capital changes		(335,876)	(314,932)
Change in:-			
Payables		<u>0</u>	<u>(14,233)</u>
Net cash used in operating activities		(335,876)	(329,165)
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend received		20,000,000	0
Interest received		12,025	11,297
Net (advance to)/repayment from subsidiaries		(17,566,802)	2,329,256
Purchase of available-for-sale financial assets		(9,037)	(8,141)
Subscription for shares in subsidiaries		<u>(1,999,998)</u>	<u>(2,000,002)</u>
Net cash from investing activities		436,188	332,410
Net increase in cash and cash equivalents		100,312	3,245
Cash and cash equivalents brought forward		199,546	196,301
Cash and cash equivalents carried forward	21	<u>299,858</u>	<u>199,546</u>

DUFU TECHNOLOGY CORP. BERHAD

(Incorporated in Malaysia)
Company No: 581612-A

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

1. GENERAL INFORMATION

The Company is a public company limited by shares, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The principal activities of the Company are those of investment holding and provision of management services to its subsidiaries. The principal activities of the subsidiaries are disclosed in Note 6.

The registered office of the Company is located at 57-G, Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang and its principal place of business is located at 19, Hilir Sungai Keluang 2, Taman Perindustrian Bayan Lepas, Fasa IV, 11900 Penang.

The consolidated financial statements set out on pages 9 to 12 together with the notes thereto cover the Company and its subsidiaries ("the Group"). The separate financial statements of the Company set out on pages 13 to 16 together with the notes thereto cover the Company solely.

The presentation currency is Ringgit Malaysia ("RM").

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 12 APR 2013

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation of Financial Statements

The financial statements of the Group and the Company are prepared under the historical cost convention, modified to include other bases of measurement as disclosed in other sections of the significant accounting policies, and in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

These are the first MFRS financial statements of the Group and the Company, and MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* has been applied. The Group and the Company adopted MFRSs on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2011 and 1 January 2011, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the financial year ended 31 December 2011 and related disclosures. The Group and the Company prepared their previous financial statements in accordance with Financial Reporting Standards ("FRSs"). The effects of transition from FRSs to MFRSs are disclosed in Note 2.2.

**APPENDIX IV- AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR
THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITOR'S REPORT
THEREON (CONT'D)**

DUFU TECHNOLOGY CORP. BERHAD

(Incorporated in Malaysia)
Company No: 581612-A

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012**

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.1 Basis of Preparation of Financial Statements (cont'd)

The Group and the Company have not applied the following MFRSs which have been issued as at the end of the reporting period but are not yet effective:-

<u>MFRS (Issued as at the end of the reporting period)</u>	<u>Effective for annual periods beginning on or after</u>
MFRS 9 <i>Financial Instruments</i>	1 January 2015
MFRS 10 <i>Consolidated Financial Statements</i>	1 January 2013
MFRS 11 <i>Joint Arrangements</i>	1 January 2013
MFRS 12 <i>Disclosure of Interests in Other Entities</i>	1 January 2013
MFRS 13 <i>Fair Value Measurement</i>	1 January 2013
MFRS 119 <i>Employee Benefits</i> (amended in 2011)	1 January 2013
MFRS 127 <i>Separate Financial Statements</i> (amended in 2011)	1 January 2013
MFRS 128 <i>Investments in Associates and Joint Ventures</i> (amended in 2011)	1 January 2013
IC Interpretation 20 <i>Stripping Costs in the Production Phase of a Surface Mine</i>	1 January 2013
Amendments to MFRS 1 <i>Government Loans</i>	1 January 2013
Amendments to MFRS 7 <i>Disclosures - Offsetting Financial Assets and Financial Liabilities</i>	1 January 2013
Amendments to MFRS 10, MFRS 11 and MFRS 12 <i>Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance</i>	1 January 2013
Amendments to MFRS 101 <i>Presentation of Items of Other Comprehensive Income</i>	1 July 2012
Amendments to MFRS 132 <i>Offsetting Financial Assets and Financial Liabilities</i>	1 January 2014
Amendments to MFRSs contained in the document entitled " <i>Annual Improvements 2009 - 2011 Cycle</i> "	1 January 2013

Management foresees that the initial application of the above MFRSs will not have any significant impacts on the financial statements except as follows:-

MFRS 9 *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139 *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets by dividing them into 3 classifications: (1) those measured at amortised cost; (2) those measured at fair value through profit or loss; and (3) those measured at fair value through other comprehensive income. Management foresees that the adoption of these new classifications will not result in any significant changes to the existing measurement bases of financial assets of the Group and the Company.

DUFU TECHNOLOGY CORP. BERHAD

(Incorporated in Malaysia)
Company No: 581612-A

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.1 Basis of Preparation of Financial Statements (cont'd)

MFRS 10 Consolidated Financial Statements

MFRS 10 replaces the consolidation guidance in MFRS 127 *Consolidated and Separate Financial Statements* and IC Interpretation 112 *Consolidation - Special Purpose Entities* by introducing a single consolidation model for all entities based on control. Under MFRS 10, control is based on whether an investor has (1) power over the investee; (2) exposure, or rights, to variable returns from its involvement with the investee; and (3) the ability to use its power over the investee to affect the amount of the returns. Management foresees that the adoption of these new control criteria will not result in any significant changes to the existing composition of the Group.

2.2 Transition to MFRSs

The effects of transition from FRSs to MFRSs on the reported financial position are as follows:-

	FRSs RM	Effects of transition RM	MFRSs RM
<u>Consolidated Statement of Financial Position (Extract)</u>			
<u>As at 1 January 2011</u>			
Revaluation surplus	2,141,617	(2,141,617)	0
Retained profits	54,045,376	2,141,617	56,186,993
Total equity	<u>89,523,335</u>	<u>0</u>	<u>89,523,335</u>
<u>As at 31 December 2011</u>			
Revaluation surplus	2,034,883	(2,034,883)	0
Retained profits	49,341,802	2,034,883	51,376,685
Total equity	<u>86,749,473</u>	<u>0</u>	<u>86,749,473</u>

Under FRSs, certain property, plant and equipment of the Group were stated at valuation less accumulated depreciation and accumulated impairment losses, if any. The last revaluation of these property, plant and equipment was made in 1997. Upon transition to MFRSs, the Group elected to use this revaluation as deemed cost at the date of revaluation. Accordingly, the revaluation surplus of RM2,141,617 and RM2,034,883 as at 1 January 2011 and 31 December 2011 respectively was reclassified to retained profits.

The transition from FRSs to MFRSs did not have any significant effects on the reported financial performance and cash flows.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Basis of Consolidation

A subsidiary is an entity that is controlled by the Group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to the end of the reporting period using the acquisition method. Under the acquisition method, the consideration transferred, the identifiable assets acquired and the liabilities assumed are measured at their acquisition-date fair values. The components of non-controlling interests that are present ownership interests are measured at the present ownership instruments' proportionate share in the recognised amounts of the identifiable net assets acquired. All other components of non-controlling interests are measured at their acquisition-date fair values. In a business combination achieved in stages, the previously held equity interest in the acquiree is remeasured at its acquisition-date fair value and any resulting gain or loss is recognised in profit or loss. All acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss as incurred.

Goodwill at the acquisition date is measured as the excess of (a) over (b) below:-

- (a) the aggregate of:-
 - (i) the acquisition-date fair value of the consideration transferred;
 - (ii) the amount of any non-controlling interests; and
 - (iii) in a business combination achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree.
- (b) the net of the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed.

Goodwill is recognised as an asset at the aforementioned amount less accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.7. When the above (b) exceeds (a), the excess represents a bargain purchase gain and, after reassessment, is recognised in profit or loss.

A subsidiary is consolidated from the acquisition date, being the date on which control is obtained, and continues to be consolidated until the date when control is lost. Intragroup balances, transactions, income and expenses are eliminated in full on consolidation. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Basis of Consolidation (cont'd)

Upon loss of control of a subsidiary, the assets (including any goodwill) and liabilities of, and any non-controlling interests in the subsidiary are derecognised. All amounts recognised in other comprehensive income in relation to the subsidiary are accounted for on the same basis as would be required if the related assets or liabilities had been directly disposed of. Any consideration received and any investment retained in the former subsidiary are recognised at their fair values. The resulting difference is then recognised as a gain or loss in profit or loss.

2.4 Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.7.

Leasehold land is depreciated on a straight-line basis over the lease terms of 38 to 57 years. Other property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets using the following annual rates:-

Buildings	5% - 6.67%
Plant and machinery	10%
Furniture, fittings and office equipment	8% - 33.33%
Renovation and electrical installation	10% - 20%
Motor vehicles	10% - 20%

The residual value, useful life and depreciation method of an asset are reviewed at least at the end of each reporting period and any changes in expectations from previous estimates are accounted for prospectively as changes in accounting estimates.

2.5 Investments in Subsidiaries

As required by the Companies Act 1965, the Company prepares separate financial statements in addition to the consolidated financial statements. In the separate financial statements of the Company, investments in subsidiaries are stated at cost less impairment losses, if any. The impairment policy is disclosed in Note 2.7.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.6 Investments in Club Memberships

Investments in club memberships are stated at cost less impairment losses, if any. The impairment policy is disclosed in Note 2.7.

2.7 Impairment of Non-financial Assets

At the end of each reporting period, the Group and the Company assess whether there is any indication that a non-financial asset, other than inventories and deferred tax assets, may be impaired. If any such indication exists, the recoverable amount of the asset, being the higher of its fair value less costs to sell and its value in use, is estimated. Irrespective of whether there is any indication of impairment, goodwill is tested for impairment annually. Any excess of the carrying amount of the asset over its recoverable amount represents an impairment loss and is recognised in profit or loss.

An impairment loss on an asset, other than goodwill, is reversed if there has been a change in the estimates used to determine the recoverable amount and it is reversed only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised. The reversal is recognised in profit or loss. An impairment loss on goodwill is not reversed.

2.8 Inventories

Inventories of materials and goods are valued at the lower of cost (determined on the weighted average and first-in, first-out bases) and net realisable value. Cost consists of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale.

2.9 Financial Assets

Financial assets of the Group and the Company consist of quoted investments, receivables, derivatives and cash and cash equivalents.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.9 Financial Assets (cont'd)

Recognition and Measurement

A financial asset is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument. A regular way purchase or sale of financial assets is recognised or derecognised using settlement date accounting. A financial asset is initially recognised at fair value plus, in the case of a financial asset not at fair value through profit or loss, directly attributable transaction costs. The subsequent measurement of a financial asset depends on its classification as follows:-

(i) Financial assets at fair value through profit or loss

All derivatives, except for those designated as hedges, are classified as held for trading under this category. After initial recognition, such financial assets are measured at fair value. Any gain or loss arising from a change in the fair value is recognised in profit or loss.

(ii) Held-to-maturity investments

The Group and the Company do not have any financial assets classified under this category.

(iii) Loans and receivables

All receivables and cash and cash equivalents are classified under this category. After initial recognition, such financial assets are measured at amortised cost using the effective interest method. Any gain or loss is recognised in profit or loss when the financial asset is derecognised or impaired as well as through the amortisation process.

(iv) Available-for-sale financial assets

All quoted investments are classified under this category. After initial recognition, such financial assets are measured at fair value. Any gain or loss arising from a change in the fair value, except for impairment loss, is recognised in other comprehensive income and accumulated in equity as fair value reserve until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

A financial asset is derecognised when, and only when, the contractual rights to the cash flows from the financial asset have expired or all the risks and rewards of ownership have been substantially transferred.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.9 Financial Assets (cont'd)

Impairment

At the end of each reporting period, the Group and the Company assess whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the impairment loss is measured as follows:-

(i) Financial assets carried at amortised cost

An impairment loss on loans and receivables is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted using the asset's original effective interest rate. The asset's carrying amount is reduced through the use of an allowance account and the impairment loss is recognised in profit or loss. The gross carrying amount and the associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the increased carrying amount does not exceed what the amortised cost would have been had no impairment loss been recognised at the reversal date. The reversal is recognised in profit or loss.

(ii) Available-for-sale financial assets

When there is a significant or prolonged decline in the fair value of an investment in equity instrument classified as available-for-sale, the cumulative loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognised. Such cumulative loss reclassified from equity to profit or loss represents an impairment loss and is measured as the difference between the acquisition cost and current fair value, less any impairment loss previously recognised in profit or loss. The impairment loss is not reversed through profit or loss in any subsequent period.

Determination of Fair Values

The carrying amounts of receivables and cash and cash equivalents which are short-term in nature or repayable on demand are assumed to be reasonable approximations of fair values.

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2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.9 Financial Assets (cont'd)

Determination of Fair Values (cont'd)

Fair value measurements recognised in the statement of financial position are categorised into the following levels of fair value hierarchy:-

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of quoted investments are determined by reference to their quoted closing bid prices at the end of the reporting period (i.e. Level 1).

The fair values of forward exchange contracts are quoted by the financial institutions. If such quotation is not available, the fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (i.e. Level 2).

2.10 Financial Liabilities

Financial liabilities of the Group and the Company consist of payables, loans and borrowings and derivatives (including financial guarantee contracts).

Recognition and Measurement

A financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is initially recognised at fair value less, in the case of a financial liability not at fair value through profit or loss, directly attributable transaction costs. After initial recognition, all financial liabilities, except for financial liabilities at fair value through profit or loss and financial guarantee contracts, are measured at amortised cost using the effective interest method. Any gain or loss is recognised in profit or loss when the financial liability is derecognised as well as through the amortisation process.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.10 Financial Liabilities (cont'd)

Recognition and Measurement (cont'd)

(i) Financial liabilities at fair value through profit or loss

All derivatives, except for financial guarantee contracts or those designated as hedges, are classified as held for trading under this category. After initial recognition, such financial liabilities are measured at fair value. Any gain or loss arising from a change in the fair value is recognised in profit or loss.

(ii) Financial guarantee contracts

After initial recognition at fair value, if any, financial guarantee contracts are measured at the higher of the amount initially recognised less appropriate amortisation and the estimate of any probable obligation.

A financial liability is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires.

Determination of Fair Values

The carrying amounts of payables and loans and borrowings which are short-term in nature or repayable on demand are assumed to be reasonable approximations of fair values.

The fair values of long-term loans and borrowings are estimated by discounting the expected future cash flows using the current market interest rates for similar liabilities.

Fair value measurements recognised in the statement of financial position are categorised into the following levels of fair value hierarchy:-

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of forward exchange contracts are quoted by the financial institutions. If such quotation is not available, the fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (i.e. Level 2).

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2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.10 Financial Liabilities (cont'd)

Determination of Fair Values (cont'd)

The fair values of financial guarantee contracts are estimated based on probability-adjusted discounted cash flow analysis after considering the probability of default by the debtors (i.e. Level 3).

2.11 Leases

Finance Lease

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee.

A finance lease, including hire purchase, is initially recognised as an asset and liability at the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The minimum lease payments are subsequently apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability. The depreciation policy for depreciable leased assets is consistent with that for equivalent owned assets.

Operating Lease

An operating lease is a lease other than a finance lease.

Lease payments under an operating lease are recognised in profit or loss on a straight-line basis over the lease term.

2.12 Foreign Currency Transactions and Translation

The consolidated financial statements and separate financial statements of the Company are presented in Ringgit Malaysia, which is also the Company's functional currency, being the currency of the primary economic environment in which the entity operates. Items included in the financial statements of each individual entity within the Group are measured using the individual entity's own functional currency.

A foreign currency transaction is recorded in the functional currency using the exchange rate at transaction date. At the end of the reporting period, foreign currency monetary items are translated into the functional currency using the closing rate. Foreign currency non-monetary items measured at cost are translated using the exchange rate at transaction date whereas those measured at fair value are translated using the exchange rate at valuation date. Exchange differences arising from the settlement or translation of monetary items are recognised in profit or loss. Any exchange component of the gain or loss on a non-monetary item is recognised on the same basis as that of the gain or loss, i.e. in profit or loss or in other comprehensive income.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.12 Foreign Currency Transactions and Translation (cont'd)

In translating the financial position and results of a foreign operation whose functional currency is not the presentation currency, i.e. Ringgit Malaysia, assets and liabilities are translated into the presentation currency using the closing rate whereas income and expenses are translated using the exchange rates at transaction dates. All resulting exchange differences are recognised in other comprehensive income and accumulated in equity as currency translation reserve until the foreign operation is disposed of, at which time the cumulative exchange differences previously recognised in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment.

Any goodwill and fair value adjustments arising from the acquisition of a foreign operation occurring after 1 January 2011 are treated as assets and liabilities of the foreign operation to be expressed in its functional currency and translated into the presentation currency using the closing rate. As allowed by MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards*, goodwill and fair value adjustments arising from the acquisition which occurred before 1 January 2011 have not been restated and continue to be treated as assets and liabilities of the acquirer. Accordingly, these goodwill and fair value adjustments are reported using the exchange rate at acquisition date.

2.13 Share Capital

Ordinary shares are classified as equity. Transaction costs that relate to the issue of new shares are accounted for as a deduction from equity.

Dividends on shares declared and unpaid at the end of the reporting period are recognised as a liability whereas dividends proposed or declared after the reporting period are disclosed in the notes to the financial statements.

2.14 Income Recognition

Income from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

Income from the rendering of services is recognised when the services are performed.

Dividend income is recognised when the shareholder's right to receive payment is established.

Interest income is recognised using the effective interest method.

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2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.15 Employee Benefits

Short-term Employee Benefits

Short-term employee benefits such as wages, salaries, bonuses and social security contributions are recognised in profit or loss in the period in which the associated services are rendered by the employee.

Defined Contribution Plans

As required by law, employers in Malaysia make contributions to the statutory pension scheme, Employees Provident Fund ("EPF"). The Group's foreign subsidiaries make contributions to their respective countries' statutory pension schemes. Contributions to defined contribution plans are recognised in profit or loss in the period in which the associated services are rendered by the employee.

2.16 Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, which is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of the asset, until such time as the asset is substantially ready for its intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.17 Income Taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax represents the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided for under the liability method in respect of all temporary differences between the carrying amount of an asset or liability and its tax base except for those temporary differences associated with goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and affects neither accounting nor taxable results at the time of the transaction.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.17 Income Taxes (cont'd)

A deferred tax liability is recognised for all taxable temporary differences whereas a deferred tax asset is recognised for all deductible temporary differences, unused tax losses and unused tax credits (including unused reinvestment allowances) to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits (including unused reinvestment allowances) can be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the end of the reporting period.

2.18 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, term deposits (excluding those pledged as security), bank overdrafts and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3. JUDGEMENTS AND ESTIMATION UNCERTAINTY

Judgements Made in Applying Accounting Policies

In the process of applying the accounting policies of the Group and the Company, management is not aware of any judgements, apart from those involving estimations, that can significantly affect the amounts recognised in the financial statements.

Sources of Estimation Uncertainty

The key assumptions about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:-

Allowance for inventories

Reviews are made periodically by management on inventories for excess inventories, obsolescence and decline in net realisable value below cost. These reviews require the use of judgements and estimates. Possible changes in these estimates may result in revisions to the valuation of inventories. The carrying amounts of inventories are disclosed in Note 9.

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3. JUDGEMENTS AND ESTIMATION UNCERTAINTY (cont'd)

Sources of Estimation Uncertainty (cont'd)

Impairment of loans and receivables

The Group and the Company make allowance for impairment based on an assessment of the recoverability of loans and receivables. Allowance is applied to loans and receivables when there is objective evidence that the balances may not be recoverable. Management specifically analyses historical bad debts, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment. Where expectations are different from previous estimates, the difference will impact on the carrying amounts of loans and receivables as disclosed in Note 10.

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4. PROPERTY, PLANT AND EQUIPMENT

Group

	Short-term leasehold land RM	Buildings RM	Plant and machinery RM	Furniture, fittings and office equipment RM	Renovation and electrical installation RM	Motor vehicles RM	Total RM
<u>Cost</u>							
Balance at 1 January 2011	4,800,000	23,552,199	102,897,967	3,126,439	2,335,782	3,101,089	139,813,476
Additions	10,069,146	11,261,814	3,418,566	192,769	0	24,609	24,966,904
Disposals	0	0	0	0	0	(70,264)	(70,264)
Currency translation differences	0	76,739	1,413,811	58,459	6,000	65,515	1,620,524
Balance at 31 December 2011	14,869,146	34,890,752	107,730,344	3,377,667	2,341,782	3,120,949	166,330,640
Additions	6,651,022	2,728,978	4,301,730	118,964	0	140,427	13,941,121
Write-offs	0	0	(2,421,087)	0	0	0	(2,421,087)
Currency translation differences	0	(21,238)	(420,833)	(14,525)	(1,953)	(13,257)	(471,806)
Balance at 31 December 2012	21,520,168	37,598,492	109,190,154	3,482,106	2,339,829	3,248,119	177,378,868
<u>Accumulated Depreciation</u>							
Balance at 1 January 2011	1,115,789	7,940,850	43,713,646	1,957,904	1,715,745	1,719,770	58,163,704
Depreciation	234,817	2,005,512	9,280,481	254,982	163,103	424,482	12,363,377
Disposals	0	0	0	0	0	(55,664)	(55,664)
Currency translation differences	0	12,521	373,033	50,582	2,600	56,048	494,784
Balance at 31 December 2011	1,350,606	9,958,883	53,367,160	2,263,468	1,881,448	2,144,636	70,966,201
Depreciation	400,229	2,364,162	9,591,559	273,545	151,286	322,549	13,103,330
Write-offs	0	0	(1,868,652)	0	0	0	(1,868,652)
Currency translation differences	0	(4,128)	(99,317)	(9,924)	(861)	(8,940)	(123,170)
Balance at 31 December 2012	1,750,835	12,318,917	60,990,750	2,527,089	2,031,873	2,458,245	82,077,709
<u>Carrying Amount</u>							
Balance at 1 January 2011	3,684,211	15,611,349	59,184,321	1,168,535	620,037	1,381,319	81,649,772
Balance at 31 December 2011	13,518,540	24,931,869	54,363,184	1,114,199	460,334	976,313	95,364,439
Balance at 31 December 2012	19,769,333	25,279,575	48,199,404	955,017	307,956	789,874	95,301,159

**APPENDIX IV- AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR
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THEREON (CONT'D)**

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**NOTES TO THE FINANCIAL STATEMENTS
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4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

The carrying amounts of property, plant and equipment pledged as security for credit facilities granted to the Group are as follows:-

	2012 RM	2011 RM
Short-term leasehold land	19,769,333	13,518,540
Buildings	<u>24,524,112</u>	<u>24,096,316</u>
	<u>44,293,445</u>	<u>37,614,856</u>

The carrying amounts of property, plant and equipment acquired under hire purchase financing which remained outstanding as at the end of the reporting period are as follows:-

	2012 RM	2011 RM
Plant and machinery	12,066,497	15,494,611
Motor vehicles	<u>389,436</u>	<u>504,543</u>
	<u>12,455,933</u>	<u>15,999,154</u>

5. GOODWILL ON CONSOLIDATION

Group

	2012 RM	2011 RM
Cost	25,252	25,252
Accumulated impairment losses	<u>(25,252)</u>	<u>(25,252)</u>
	<u>0</u>	<u>0</u>

6. INVESTMENTS IN SUBSIDIARIES

Company

	2012 RM	2011 RM
Unquoted shares - at cost	<u>58,351,525</u>	<u>56,351,527</u>

**APPENDIX IV- AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR
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THEREON (CONT'D)**

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6. INVESTMENTS IN SUBSIDIARIES (cont'd)

The details of the subsidiaries are as follows:-

Name of Subsidiary	Country of Incorporation	Effective Ownership Interest		Principal Activity
		2012	2011	
Dufu Industries Sdn. Bhd.	Malaysia	100%	100%	Design, development, manufacture, assembly and trade of die components and precision machining of vice, computer peripherals and parts, for hard disk drive
I.P.G. Metal Industry (M) Sdn. Bhd.	Malaysia	100%	100%	Manufacture of precision steel moulds and parts and components for electronic equipment
Futron Technology Limited*	Hong Kong	100%	100%	Trading of optics, magnetism driver and parts
Dufu Dyna-Edge Sdn. Bhd.	Malaysia	100%	100%	Dormant
Dufusion Sdn. Bhd.	Malaysia	100%	100%	Dormant
<u>Subsidiary of Dufu Industries Sdn. Bhd.</u>				
Dufu Industries Services Pte. Ltd.*	Singapore	100%	100%	Processing and trading of high quality computer disk-drive related components
<u>Subsidiary of Futron Technology Limited</u>				
Futron Technology Co. Ltd.*	People's Republic of China	100%	100%	Manufacture and trading of optics, magnetism driver and parts

* Not audited by Crowe Horwath

**APPENDIX IV- AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR
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THEREON (CONT'D)**

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**NOTES TO THE FINANCIAL STATEMENTS
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7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Group and Company

	2012 RM	2011 RM
Unit trust quoted in Malaysia, at fair value (Level 1)	<u>312,088</u>	<u>303,051</u>

8. DEFERRED TAX ASSETS/(LIABILITIES)

Group

	2012 RM	2011 RM
Balance at 1 January	(96,849)	(1,417,447)
Deferred tax income relating to origination and reversal of temporary differences	233,232	996,604
Deferred tax liabilities overprovided in prior year	0	316,741
Currency translation differences	<u>(1,814)</u>	<u>7,253</u>
Balance at 31 December	<u>134,569</u>	<u>(96,849)</u>

Disclosed as:-

- Deferred tax assets	136,624	109,750
- Deferred tax liabilities	<u>(2,055)</u>	<u>(206,599)</u>
	<u>134,569</u>	<u>(96,849)</u>

In respect of:-

- (Taxable)/Deductible temporary differences of:-		
- Property, plant and equipment	(165,055)	(3,808,599)
- Financial instruments	136,624	327,750
- Inventories	163,000	749,000
- Unused capital allowances	0	336,000
- Unused reinvestment allowances	0	2,299,000
	<u>134,569</u>	<u>(96,849)</u>

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8. DEFERRED TAX ASSETS/(LIABILITIES) (cont'd)

Save as disclosed above, as at 31 December 2012, deferred tax liabilities and deferred tax assets have also effectively been recognised and offset against each other by the Group to the extent of approximately RM3,670,000 (2011 : RM264,000). No further deferred tax assets have been recognised for the excess of the unused capital allowances, unused reinvestment allowances, unused tax losses and deductible temporary differences over the taxable temporary differences as follows:-

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Unused capital allowances	5,294,000	1,087,000	0	0
Unused reinvestment allowances	13,100,000	2,374,000	0	0
Unused tax losses	850,000	1,281,000	605,000	379,000
Deductible/(Taxable) temporary differences of:-				
- Inventories	1,060,000	41,000	0	0
- Property, plant and equipment	(14,673,000)	(1,057,000)	0	0
- Financial instruments	(5,000)	0	0	0
	<u>5,626,000</u>	<u>3,726,000</u>	<u>605,000</u>	<u>379,000</u>

9. INVENTORIES

Group	2012 RM	2011 RM
Raw materials	7,434,342	8,008,034
Work-in-progress	2,864,780	2,935,912
Finished goods	16,547,007	18,304,208
Tools and instruments	1,723,525	1,573,176
	<u>28,569,654</u>	<u>30,821,330</u>

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10. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Trade receivables:-				
- Related parties*	1,729	747,064	0	0
- Unrelated parties	26,832,241	20,817,729	0	0
- Allowance for impairment	(62,968)	(212,604)	0	0
	<u>26,769,273</u>	<u>20,605,125</u>	<u>0</u>	<u>0</u>
	26,771,002	21,352,189	0	0
Other receivables:-				
- Subsidiaries	0	0	23,386,532	5,819,730
- Unrelated parties	2,765,605	3,580,533	0	0
	<u>2,765,605</u>	<u>3,580,533</u>	<u>23,386,532</u>	<u>5,819,730</u>
	<u>29,536,607</u>	<u>24,932,722</u>	<u>23,386,532</u>	<u>5,819,730</u>

* Being companies connected with certain directors

The currency profile of trade and other receivables is as follows:-

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Ringgit Malaysia	4,364,925	4,544,533	23,386,532	5,819,730
Hong Kong Dollar	69,020	30,527	0	0
Renminbi	2,677,253	3,197,685	0	0
US Dollar	21,857,787	16,530,365	0	0
Singapore Dollar	226,619	143,527	0	0
Others	341,003	486,085	0	0
	<u>29,536,607</u>	<u>24,932,722</u>	<u>23,386,532</u>	<u>5,819,730</u>

Trade Receivables

Trade receivables are unsecured, non-interest bearing and generally on 30 to 90 day terms.

The movements in allowance for impairment are as follows:-

	Group	
	2012 RM	2011 RM
Balance at 1 January	212,604	70,968
Impairment loss recognised	0	141,636
Impairment loss reversed	(8,000)	0
Impairment loss written off	(141,636)	0
Balance at 31 December	<u>62,968</u>	<u>212,604</u>

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10. TRADE AND OTHER RECEIVABLES (cont'd)

Trade Receivables (cont'd)

All the above impairment losses were individually determined after considering the adverse financial conditions of the debtors who have defaulted/delayed in payments.

The ageing analysis of trade receivables not impaired is as follows:-

	Group	
	2012 RM	2011 RM
Not past due	9,592,671	8,987,484
Past due 1 to 30 days	8,915,083	5,239,500
Past due 31 to 120 days	8,094,783	6,758,537
Past due more than 120 days	168,465	366,668
	<u>26,771,002</u>	<u>21,352,189</u>

Trade receivables that are neither past due nor impaired mainly relate to creditworthy customers who have regular transactions and good payment records with the Group.

Management determines credit risk concentrations in terms of counterparties and geographical areas. As at 31 December 2012, there were 3 (2011 : 3) major customers that accounted for 10% or more of the Group's trade receivables and the total outstanding balances due from these major customers amounted to RM17,442,719 (2011 : RM12,604,904). The credit risk concentration profile by geographical areas of trade receivables is as follows:-

	Group	
	2012 RM	2011 RM
Malaysia	14,301,504	7,478,944
China	8,264,290	5,839,461
Singapore	2,556,973	1,635,135
Thailand	0	3,759,603
Others	1,548,235	2,639,046
	<u>26,671,002</u>	<u>21,352,189</u>

Other Receivables

Other receivables are unsecured and non-interest bearing. The amounts owing by subsidiaries are repayable on demand. The amounts owing by unrelated parties mainly consist of advances and refundable deposits which have no fixed repayment terms.

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11. FINANCIAL ASSETS/(LIABILITIES) AT FAIR VALUE THROUGH PROFIT OR LOSS

Group	2012 RM	2011 RM
Derivatives classified as held for trading, at fair value (Level 2)	<u>5,284</u>	<u>(870,750)</u>

Derivatives consist of forward exchange contracts which are used to hedge the exposure to currency risk. The Group does not apply hedge accounting. As at 31 December 2012, the Group had contracts due within 1 year to buy RM1,866,000 (2011 : RM34,525,000) and sell USD600,000 (2011 : USD11,000,000) at contractual forward rates.

12. CASH AND BANK BALANCES

The currency profile of cash and bank balances is as follows:-

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Ringgit Malaysia	2,530,453	3,028,339	299,858	199,546
Hong Kong Dollar	125,149	4,744	0	0
Renminbi	1,083,063	129,502	0	0
US Dollar	2,566,451	2,026,140	0	0
Singapore Dollar	142,707	252,207	0	0
Others	1,440	0	0	0
	<u>6,449,263</u>	<u>5,440,932</u>	<u>299,858</u>	<u>199,546</u>

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13. TRADE AND OTHER PAYABLES

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Trade payables:-				
- Related party*	10,524	21,723	0	0
- Unrelated parties	12,067,247	8,881,573	0	0
	12,077,771	8,903,296	0	0
Other payables:-				
- Related parties*	22,798	76,018	0	0
- Unrelated parties	7,307,448	5,171,185	20,450	20,450
	7,330,246	5,247,203	20,450	20,450
	<u>19,408,017</u>	<u>14,150,499</u>	<u>20,450</u>	<u>20,450</u>

* Being companies connected with certain directors

The currency profile of trade and other payables is as follows:-

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Ringgit Malaysia	8,359,038	6,133,367	20,450	20,450
Hong Kong Dollar	82,845	85,659	0	0
Renminbi	4,162,827	4,689,740	0	0
US Dollar	1,522,642	806,401	0	0
Singapore Dollar	4,109,258	2,432,952	0	0
Others	1,171,407	2,380	0	0
	<u>19,408,017</u>	<u>14,150,499</u>	<u>20,450</u>	<u>20,450</u>

Trade and other payables are generally short-term in nature or repayable on demand and their carrying amounts will approximate to the remaining contractual undiscounted cash flows.

Trade Payables

Trade payables are unsecured, non-interest bearing and generally on 30 to 120 day terms.

Other Payables

Other payables are unsecured and non-interest bearing. The amounts mainly consist of sundry payables and accruals for operating expenses which are generally due within 30 to 90 days.

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14. LOANS AND BORROWINGS

Group	2012 RM	2011 RM
<u>Secured</u>		
Hire purchase payables (fixed rate)	7,545,743	10,233,000
Banker acceptances (fixed rate)	1,906,000	1,226,000
Bank overdrafts (floating rate)	911,541	0
Revolving credit (floating rate)	2,000,000	0
Term loans (floating rate)	32,405,435	29,821,189
<u>Unsecured</u>		
Banker acceptances (fixed rate)	6,569,128	10,580,469
Bank overdrafts (floating rate)	3,282,764	2,905,735
Revolving credit (floating rate)	3,000,000	3,508,493
Term loans (floating rate)	262,134	438,322
	<u>57,882,745</u>	<u>58,713,208</u>
Disclosed as:-		
- Current liabilities	26,090,764	26,999,196
- Non-current liabilities	31,791,981	31,714,012
	<u>57,882,745</u>	<u>58,713,208</u>

Hire purchase payables are secured against the assets acquired thereunder (Note 4). Other secured loans and borrowings are secured against certain property, plant and equipment (Note 4). Unsecured loans and borrowings are guaranteed by the Company.

The effective interest rates of loans and borrowings as at 31 December 2012 ranged from 2.10% to 8.64% (2011 : 2.25% to 8.64%) per annum.

The currency profile of loans and borrowings is as follows:-

	2012 RM	2011 RM
Ringgit Malaysia	32,245,256	29,293,300
Hong Kong Dollar	3,048,050	2,934,859
Rinminbi	477,689	1,165,258
US Dollar	22,095,359	25,274,094
Singapore Dollar	16,391	45,697
	<u>57,882,745</u>	<u>58,713,208</u>

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14. LOANS AND BORROWINGS (cont'd)

Except for hire purchase payables and term loans, loans and borrowings are generally short-term in nature or repayable on demand and their carrying amounts will approximate to the remaining contractual undiscounted cash flows.

Hire Purchase Payables

Hire purchase payables are repayable over 3 to 8 years. The repayment analysis is as follows:-

	2012 RM	2011 RM
Minimum hire purchase payments:-		
- Within 1 year	3,812,433	5,568,146
- Later than 1 year and not later than 2 years	1,824,735	3,251,743
- Later than 2 years and not later than 5 years	2,678,749	2,359,139
Total contractual undiscounted cash flows	8,315,917	11,179,028
Future finance charges	(770,174)	(946,028)
Present value of hire purchase payables:-		
- Within 1 year	3,418,814	5,010,071
- Later than 1 year and not later than 2 years	1,615,172	3,019,423
- Later than 2 years and not later than 5 years	2,511,757	2,203,506
	<u>7,545,743</u>	<u>10,233,000</u>

The carrying amounts of hire purchase payables are reasonable approximations of fair values as their effective interest rates also approximate to the current market interest rates for similar liabilities.

Term Loans

Term loans are repayable over 3 to 15 years. The repayment analysis is as follows:-

	2012 RM	2011 RM
Gross loan instalments:-		
- Within 1 year or on demand	6,203,532	4,831,293
- Later than 1 year and not later than 2 years	5,742,010	4,361,381
- Later than 2 years and not later than 5 years	15,585,797	12,163,328
- Later than 5 years	10,129,860	14,345,484
Total contractual undiscounted cash flows	37,661,199	35,701,486
Future finance charges	(4,993,630)	(5,441,975)
Present value of term loans:-		
- Within 1 year or on demand	5,002,517	3,768,428
- Later than 1 year and not later than 2 years	4,704,726	3,371,856
- Later than 2 years and not later than 5 years	13,611,034	9,981,606
- Later than 5 years	9,349,292	13,137,621
	<u>32,667,569</u>	<u>30,259,511</u>

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14. LOANS AND BORROWINGS (cont'd)

Term Loans (cont'd)

The carrying amounts of term loans are reasonable approximations of fair values as their effective interest rates also approximate to the current market interest rates for similar liabilities.

15. SHARE CAPITAL

	2012 RM	2011 RM
Authorised:- 200,000,000 ordinary shares of RM0.50 each	<u>100,000,000</u>	<u>100,000,000</u>
Issued and fully paid-up:- 120,000,000 ordinary shares of RM0.50 each	<u>60,000,000</u>	<u>60,000,000</u>

16. REVENUE

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Sale of goods	114,510,689	119,284,366	0	0
Rendering of services	0	0	120,000	120,000
Dividend income	0	0	20,000,000	0
Interest income	12,025	11,297	12,025	11,297
	<u>114,522,714</u>	<u>119,295,663</u>	<u>20,132,025</u>	<u>131,297</u>

17. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Short-term employee benefits	25,419,012	24,602,270	302,000	266,000
Defined contribution plans	1,578,826	1,365,595	0	0
	<u>26,997,838</u>	<u>25,967,865</u>	<u>302,000</u>	<u>266,000</u>

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18. (LOSS)/PROFIT BEFORE TAX

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
(Loss)/Profit before tax is arrived at after charging:-				
Auditors' remuneration:-				
- Current year	190,936	198,692	17,000	17,000
- Prior year	6,000	6,000	0	2,000
Directors' remuneration:-				
- Fee	252,000	216,000	252,000	216,000
- Other emoluments	980,858	945,908	50,000	50,000
Fee expense for financial instruments not at fair value through profit or loss	217,838	136,515	310	150
Impairment loss on goodwill*	0	25,252	0	0
Impairment loss on loans and receivables	0	141,636	0	0
Incorporation fee	0	3,000	0	0
Interest expense for financial liabilities not at fair value through profit or loss	2,510,223	2,415,444	0	0
Inventories written down	0	1,513,381	0	0
Loss on financial instruments at fair value through profit or loss (classified as held for trading)	0	870,750	0	0
Loss on foreign exchange:-				
- Realised	0	1,291,338	2,182	0
- Unrealised	0	832,268	0	0
Property, plant and equipment written off	552,435	0	0	0
Rental of equipment	7,127	22,702	0	0
Rental of motor vehicles	60,000	60,000	0	0
Rental of premises	141,146	143,065	0	0
and crediting:-				
Gain on disposal of property, plant and equipment	0	11,900	0	0
Gain on financial instruments at fair value through profit or loss (classified as held for trading)	5,284	0	0	0

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18. (LOSS)/PROFIT BEFORE TAX (cont'd)

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Gain on foreign exchange:-				
- Realised	1,261,848	0	0	945
- Unrealised	502,775	0	0	0
Gross dividend income from subsidiary	0	0	20,000,000	0
Interest income for financial assets not at fair value through profit or loss	26,173	23,265	12,025	11,297
Rental of premises	595,500	689,400	0	0
Reversal of impairment loss on loans and receivables	8,000	0	0	0
Reversal of inventories written down	453,224	0	0	0

* Included in other expenses

19. TAX EXPENSE/(INCOME)

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Tax based on results for the year:-				
- Malaysian income tax	174,000	27,000	0	0
- Overseas income tax	247,478	273,738	0	0
- Deferred tax	(233,232)	(996,604)	0	0
	188,246	(695,866)	0	0
Tax under/(over) provided in prior year:-				
- Malaysian income tax	158,233	(76,064)	0	0
- Overseas income tax	(40,936)	26,320	0	0
- Deferred tax	0	(316,741)	0	0
	305,543	(1,062,351)	0	0

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19. TAX EXPENSE/(INCOME) (cont'd)

The numerical reconciliation between the applicable tax rate, which is the statutory income tax rate, and the average effective tax rate on results for the year is as follows:-

	Group		Company	
	2012 %	2011 %	2012 %	2011 %
Applicable tax rate	(25.00)	(25.00)	25.00	(25.00)
Non-deductible expenses	41.46	16.24	0.14	25.00
Non-taxable income	(7.50)	(0.44)	(25.43)	0.00
Reinvestment allowances claimed	(23.27)	(5.39)	0.00	0.00
Increase in unrecognised deferred tax assets	24.78	3.88	0.29	0.00
Effect of differential tax rates	(0.50)	(1.14)	0.00	0.00
Average effective tax rate	<u>9.97</u>	<u>(11.85)</u>	<u>0.00</u>	<u>0.00</u>

As at 31 December 2012, the Company has sufficient tax credits and tax exempt income to frank/distribute its entire retained profits if paid out as dividends. It may also distribute its entire retained profits as at 31 December 2012 as tax exempt dividends under the single tier tax system.

20. LOSS PER SHARE

Group

The basic loss per share is calculated by dividing the Group's loss for the financial year by the weighted average number of ordinary shares in issue during the financial year as follows:-

	2012	2011
Loss for the financial year (RM)	<u>(2,194,524)</u>	<u>(4,810,308)</u>
Weighted average number of shares in issue	<u>120,000,000</u>	<u>120,000,000</u>
Basic loss per share (sen)	<u>(1.83)</u>	<u>(4.01)</u>

The diluted loss per share equals the basic loss per share as the Company did not have any dilutive potential ordinary shares during the financial year.

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21. NOTES TO STATEMENT OF CASH FLOWS

Purchase of Property, Plant and Equipment

	Group	
	2012 RM	2011 RM
Cost of property, plant and equipment purchased	13,941,121	24,966,904
Amount financed through hire purchase	<u>(2,663,832)</u>	<u>(2,097,379)</u>
Net cash disbursed	<u>11,277,289</u>	<u>22,869,525</u>

Cash and Cash Equivalents

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Cash and bank balances	6,449,263	5,440,932	299,858	199,546
Bank overdrafts	<u>(4,194,305)</u>	<u>(2,905,735)</u>	<u>0</u>	<u>0</u>
	<u>2,254,958</u>	<u>2,535,197</u>	<u>299,858</u>	<u>199,546</u>

22. RELATED PARTY DISCLOSURES

Significant transactions with related parties during the financial year are as follows:-

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Key management personnel compensation:-				
- Short-term employee benefits	1,164,439	1,249,341	302,000	266,000
- Defined contribution plan	68,419	63,413	0	0
	1,232,858	1,312,754	302,000	266,000
Subscription for shares in subsidiaries	0	0	1,999,998	2,000,002
Dividend declared from subsidiary	0	0	20,000,000	0
Management fee charged to subsidiary	0	0	120,000	120,000
Purchase of goods from other related parties*	241,539	204,936	0	0
Purchase of property, plant and equipment from other related party*	883,080	24,609	0	0

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22. RELATED PARTY DISCLOSURES (cont'd)

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Rental of motor vehicles charged by other related party*	60,000	60,000	0	0
Rental of premises charged to other related party*	0	54,000	0	0
Sale of goods to other related parties*	80	243,172	0	0

* Being companies connected with certain directors

23. SEGMENT REPORTING

Group

Operating Segments

Information about operating segments has not been reported separately as the Group's revenue, profit or loss, assets and liabilities are mainly confined to a single operating segment, namely the manufacture of industrial products and trading of high quality computer disk-drive related components.

Geographical Information

In presenting information about geographical areas, segment revenue is based on the geographical location of customers whereas segment assets are based on the geographical location of assets.

	External Revenue		Non-current Assets	
	2012 RM	2011 RM	2012 RM	2011 RM
Malaysia	32,260,403	42,064,233	79,979,342	78,347,768
Thailand	43,215,490	44,045,329	0	0
People's Republic of China	15,792,806	23,101,388	15,306,752	16,988,595
Singapore	14,470,812	490,039	76,065	89,076
Other countries	8,783,203	9,594,674	0	0
	<u>114,522,714</u>	<u>119,295,663</u>	<u>95,362,159</u>	<u>95,425,439</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012**

23. SEGMENT REPORTING (cont'd)

Major Customers

The major customers that contributed 10% or more of the Group's total revenue are as follows:-

	External Revenue	
	2012 RM	2011 RM
Customer I*	36,972,831	44,864,750
Customer II*	23,928,395	21,240,813
Customer III*	19,025,183	14,764,199

* The identity of the major customer has not been disclosed as permitted by MFRS 8 Operating Segments.

24. COMMITMENT FOR PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

Group

	2012 RM	2011 RM
Contracted but not provided for	0	8,100,000

25. CONTINGENT LIABILITIES - UNSECURED

Company

The Company has entered into financial guarantee contracts to provide financial guarantees to financial institutions for credit facilities granted to certain subsidiaries up to a total limit of approximately RM124,084,000 (2011 : RM124,900,000). The total utilisation of these credit facilities as at 31 December 2012 amounted to approximately RM76,155,000 (2011 : RM78,431,000).

The aforementioned financial guarantee contracts should have been recognised in the statement of financial position in accordance with the recognition and measurement policies as stated in Note 2.10. After considering that the probability of the subsidiaries defaulting on the credit lines is remote, the financial guarantee contracts have not been recognised as the fair values on initial recognition are not expected to be material.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

26. FINANCIAL RISK MANAGEMENT

The activities of the Group expose it to certain financial risks, including credit risk, liquidity risk, currency risk and interest rate risk. The overall financial risk management objective of the Group is to ensure that adequate financial resources are available for business development whilst minimising the potential adverse impacts of financial risks on its financial position, performance and cash flows.

The aforementioned financial risk management objective and its related policies and processes explained below have remained unchanged from the previous financial year.

Credit Risk

The Group's exposure to credit risk arises mainly from receivables, derivative financial assets and deposits placed with financial institutions. The maximum credit risk exposure of these financial assets is best represented by their respective carrying amounts in the statement of financial position. The Company is also exposed to credit risk in respect of its financial guarantees provided for credit facilities granted to certain subsidiaries. The maximum credit risk exposure of these financial guarantees is the total utilisation of the credit facilities granted as disclosed in Note 25.

As the Group only deals with reputable financial institutions, the credit risk associated with derivative financial assets and deposits placed with them is minimal. The Group manages its credit risk exposure of receivables by assessing counterparties' financial standings on an ongoing basis, setting and monitoring counterparties' limits and credit terms.

Liquidity Risk

The Group's exposure to liquidity risk relates to its ability to meet obligations associated with financial liabilities as and when they fall due. The remaining contractual maturities of financial liabilities are disclosed in their respective notes.

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities whilst maintaining sufficient cash and the availability of funding through standby credit facilities.

Currency Risk

The Group's exposure to currency risk arises mainly from transactions entered into by individual entities within the Group in currencies other than their functional currencies. The major functional currencies within the Group are Ringgit Malaysia ("RM"), Hong Kong Dollar ("HKD"), Renminbi ("RMB") and US Dollar ("USD") whereas the major foreign currencies transacted are US Dollar ("USD") and Singapore Dollar ("SGD").

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

26. FINANCIAL RISK MANAGEMENT (cont'd)

Currency Risk (cont'd)

The Group observes the movements in exchange rates and acts accordingly to minimise its exposure to currency risk. Where necessary, the Group enters into derivative contracts to hedge the exposure. Such exposure is also partly mitigated in the following ways:-

- (i) The Group's foreign currency sales and purchases provide a natural hedge against fluctuations in foreign currencies.
- (ii) The Group maintains part of its cash and cash equivalents in foreign currency accounts to meet future obligations in foreign currencies.

Based on a symmetric basis which uses the foreign currency as a stable denominator, the following table demonstrates the sensitivity of profit or loss to changes in exchange rates that were reasonably possible at the end of the reporting period, with all other variables held constant:-

	Group	
	(Increase)/ Decrease in Loss 2012 RM	(Increase)/ Decrease in Loss 2011 RM
Appreciation of USD against RM by 10%	(1,504,537)	(1,200,306)
Depreciation of USD against RM by 10%	1,504,537	1,200,306
Appreciation of USD against HKD by 10%	(311,039)	767,285
Depreciation of USD against HKD by 10%	311,039	(767,285)
Appreciation of USD against RMB by 10%	(343,691)	240,754
Depreciation of USD against RMB by 10%	343,691	(240,754)
Appreciation of SGD against USD by 10%	(311,039)	(159,444)
Depreciation of SGD against USD by 10%	<u>311,039</u>	<u>159,444</u>

Interest Rate Risk

The Group's exposure to interest rate risk arises mainly from interest-bearing financial instruments, namely loans and borrowings.

The Group observes the movements in interest rates and always strives to obtain the most favourable rates available for new financing or during repricing. It is also the Group's policy to maintain a mix of fixed and floating rate financial instruments.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

26. FINANCIAL RISK MANAGEMENT (cont'd)

Interest Rate Risk (cont'd)

As the Group does not account for its fixed rate financial instruments at fair value through profit or loss or as available-for-sale, any change in interest rates at the end of the reporting period would not affect its profit or loss or other comprehensive income. For floating rate financial instruments stated at amortised cost, the following table demonstrates the sensitivity of profit or loss to changes in interest rates that were reasonably possible at the end of the reporting period, with all other variables held constant:-

	Group	
	(Increase)/ Decrease in Loss 2012 RM	(Increase)/ Decrease in Loss 2011 RM
Increase in interest rates by 100 basis points	(344,323)	(281,419)
Decrease in interest rates by 100 basis points	<u>344,323</u>	<u>281,419</u>

27. CAPITAL MANAGEMENT

The overall capital management objective of the Group is to safeguard its ability to continue as a going concern so as to provide fair returns to owners and benefits to other stakeholders. In order to meet this objective, the Group always strives to maintain an optimal capital structure to reduce the cost of capital and sustain its business development.

The Group considers its total equity and total loans and borrowings to be the key components of its capital structure and may, from time to time, adjust the dividend payouts, purchase own shares, issue new shares, sell assets, raise or redeem debts, where necessary, to maintain an optimal capital structure. The Group monitors capital using a debt-to-equity ratio, which is calculated as total loans and borrowings divided by total equity. The Group's strategy is to maintain the ratio at below 1 : 1 as follows:-

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Total loans and borrowings	57,882,745	58,713,208	0	0
Total equity	<u>83,470,201</u>	<u>86,749,473</u>	<u>82,375,553</u>	<u>62,699,404</u>
Total capital	<u>141,352,946</u>	<u>145,462,681</u>	<u>82,375,553</u>	<u>62,699,404</u>
Debt-to-equity ratio	<u>0.69 : 1</u>	<u>0.68 : 1</u>	<u>0 : 1</u>	<u>0 : 1</u>

The aforementioned capital management objective, policies and processes have remained unchanged from the previous financial year.

**APPENDIX IV- AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR
THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITOR'S REPORT
THEREON (CONT'D)**

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SUPPLEMENTARY INFORMATION - REALISED AND UNREALISED PROFITS OR LOSSES

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Total retained profits of the Company and its subsidiaries:-				
- Realised	52,077,198	55,942,623	22,375,553	2,699,404
- Unrealised	2,971,493	1,399,060	0	0
	<u>55,048,691</u>	<u>57,341,683</u>	<u>22,375,553</u>	<u>2,699,404</u>
Consolidation adjustments and eliminations	(5,866,530)	(5,964,998)	0	0
Total retained profits as per statement of financial position	<u>49,182,161</u>	<u>51,376,685</u>	<u>22,375,553</u>	<u>2,699,404</u>

The above supplementary information is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

APPENDIX V- UNAUDITED CONSOLIDATED QUARTERLY RESULTS OF OUR GROUP FOR THE THREE (3)-MONTH FPE 31 MARCH 2013

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE 1st QUARTER ENDED 31 MARCH 2013

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31.03.2013 RM'000	Preceding Year Corresponding Quarter 31.03.2012 RM'000	Current Year To date 31.03.2013 RM'000	Preceding Year Corresponding Period 31.03.2012 RM'000
Revenue	2 7,969	28,512	27,969	28,512
Cost of Sales	(23,876)	(24,185)	(23,876)	(24,185)
Gross profit	4,093	4,327	4,093	4,327
Other operating income	660	459	660	459
General & administrative expenses	(3,425)	(2,983)	(3,425)	(2,983)
Profit from operations	1,328	1,803	1,328	1,803
Finance costs	(670)	(647)	(670)	(647)
Profit before tax	658	1,156	658	1,156
Tax expense	(105)	(105)	(105)	(105)
Net profit for the period	553	1,051	553	1,051
Other Comprehensive income, net of tax				
Exchange gain/(loss) on translation of net investment in foreign subsidiary companies	783	(228)	783	(228)
Total Comprehensive income for the period	1,336	823	1,336	823
Gross profit margin (%)	14.63	15.18	14.63	15.18
Profit after tax margin (%)	1.98	3.69	1.98	3.69
Weighted average number of shares ('000)	120,000	120,000	120,000	120,000
Earnings per ordinary share (sen)				
- Basic	0.46	0.88	0.46	0.88
- Diluted	0.46	0.88	0.46	0.88

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2012 and the accompanying notes to the Interim Financial Statements.

**APPENDIX V- UNAUDITED CONSOLIDATED QUARTERLY RESULTS OF OUR GROUP FOR THE
THREE (3)-MONTH FPE 31 MARCH 2013 (CONT'D)**

DUFU TECHNOLOGY CORP. BERHAD (COMPANY NO.: 581612 A)
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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF
31 MARCH 2013**

	As at 31.03.2013 RM'000	As at 31.12.2012 RM'000 (Audited)
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	92,896	95,301
Deferred tax assets	161	137
Investment in club memberships, at cost	61	61
Financial assets designated at fair value	315	312
Total Non-Current Assets	93,433	95,811
CURRENT ASSETS		
Inventories	28,844	28,570
Trade receivables	27,433	26,772
Other receivables and prepaid expenses	5,550	3,036
Tax recoverable	10	124
Cash and bank balances	1,540	6,449
Total Current Assets	63,377	64,951
TOTAL ASSETS	156,810	160,762
EQUITY AND LIABILITIES		
CAPITAL AND RESERVES		
Share capital	60,000	60,000
Reserves	24,806	23,470
Shareholders' Equity (Note A2)	84,806	83,470
NON-CURRENT LIABILITIES		
Term loans	26,360	27,665
Hire-purchase payables	3,795	4,127
Deferred tax liabilities	-	2
Total Non-Current and Deferred Liabilities	30,155	31,794
CURRENT LIABILITIES		
Trade payables	9,928	12,078
Other payables and accrued expenses	5,898	7,330
Term loans	5,002	5,002
Hire-purchase payables	3,690	3,419
Other bank borrowings	17,331	17,669
Total Current Liabilities	41,849	45,498
Total Liabilities	72,004	77,292
TOTAL EQUITY AND LIABILITIES	156,810	160,762
Net assets per ordinary share (RM)	0.707	0.696

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2012 and the accompanying notes to the Interim Financial Statements.

APPENDIX V- UNAUDITED CONSOLIDATED QUARTERLY RESULTS OF OUR GROUP FOR THE THREE (3)-MONTH FPE 31 MARCH 2013 (CONT'D)

DUFU TECHNOLOGY CORP. BERHAD (COMPANY NO.: 581612 A)
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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 1st QUARTER ENDED 31 MARCH 2013

	Share Capital RM'000	Other Reserves RM'000	Retained Profits RM'000	Total RM'000
Balance as of 1 January 2013	60,000	(25,712)	49,182	83,470
Total Comprehensive Income for the period	-	783	553	1,336
As at 31 March 2013	<u>60,000</u>	<u>(24,929)</u>	<u>49,735</u>	<u>84,806</u>

	Share Capital RM'000	Other Reserves RM'000	Retained Profits RM'000	Total RM'000
Balance as of 1 January 2012	60,000	(24,628)	51,376	86,748
Total Comprehensive Income for the year	-	(1,084)	(2,194)	(3,278)
As at 31 December 2012	<u>60,000</u>	<u>(25,712)</u>	<u>49,182</u>	<u>83,470</u>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2012 and the accompanying notes to the Interim Financial Statements.

APPENDIX V- UNAUDITED CONSOLIDATED QUARTERLY RESULTS OF OUR GROUP FOR THE THREE (3)-MONTH FPE 31 MARCH 2013 (CONT'D)

DUFU TECHNOLOGY CORP. BERHAD (COMPANY NO.: 581612 A)
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**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE CUMULATIVE QUARTER ENDED 31 MARCH 2013**

	Current Year To-date 31.03.2013 RM'000	Preceding Year Corresponding Period 31.12.2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before tax	658	(1,889)
Adjustments for:		
Depreciation of property, plant and equipment	3,569	13,103
Interest expenses	670	2,510
Property, plant and equipment written off	-	552
Interest income	(8)	(21)
Reversal of inventories written down	-	(453)
Reversal of impairment loss on loans and receivables	-	(8)
Unrealised gain on foreign exchange	(6)	(508)
Operating profit before working capital changes	4,883	13,286
Changes in working capital		
Net change in current assets	(3,449)	(923)
Net change in current liabilities	(3,582)	5,257
Cash (used in)/generated from operations	(2,148)	17,620
Tax paid	(38)	(343)
Tax Refund	-	1,232
Net cash/(used in)generated from operating activities	(2,186)	18,509
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	8	21
Purchase of other investment	(3)	(9)
Purchase of property, plant and equipment	(1,164)	(11,277)
Net cash used in investing activities	(1,159)	(11,265)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of hire-purchase	(1,225)	(5,351)
Repayment of term loans	(1,305)	(4,874)
Term loan raised	-	7,785
Increase/(Decrease) in other bank borrowings	1,929	(1,840)
Interest paid	(670)	(2,510)
Net cash used in financing activities	(1,271)	(6,790)

**APPENDIX V- UNAUDITED CONSOLIDATED QUARTERLY RESULTS OF OUR GROUP FOR THE
THREE (3)-MONTH FPE 31 MARCH 2013 (CONT'D)**

DUFU TECHNOLOGY CORP. BERHAD (COMPANY NO.: 581612 A)
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**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE CUMULATIVE QUARTER ENDED 31 MARCH 2013 (CONTINUED)**

	Current Year To-date 30.03.2013 RM'000	Preceding Year Corresponding Period 31.12.2012 RM'000
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(4,616)	454
Effects of foreign exchange rate changes	1,975	(734)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD/YEAR	<u>2,255</u>	<u>2,535</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD/YEAR	<u>(386)</u>	<u>2,255</u>
CASH AND CASH EQUIVALENTS COMPRISE:		
CASH AND BANK BALANCES	1,540	6,449
BANK OVERDRAFT	<u>(1,926)</u>	<u>(4,194)</u>
	<u>(386)</u>	<u>2,255</u>

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2012 and the accompanying notes to the Interim Financial Statements

**APPENDIX V- UNAUDITED CONSOLIDATED QUARTERLY RESULTS OF OUR GROUP FOR THE
THREE (3)-MONTH FPE 31 MARCH 2013 (CONT'D)**

DUFU TECHNOLOGY CORP. BERHAD (COMPANY NO.: 581612 A)
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A. Explanatory Notes Pursuant to Malaysian Financial Reporting Standard (“MFRS”) No. 134

A1. BASIS OF PREPARATION

The interim financial report is unaudited and has been prepared in accordance with the requirements of Chapter 9, Continuing Disclosure, Paragraph 9.22 of the Main Market Listing Requirements (“LR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and in compliance with Malaysian Financial Reporting Standards (“MFRSs”) 134, Interim Financial Reporting issued by Malaysian Accounting Standards Board (MASB), and should be read in conjunction with the Group’s annual audited financial statements for the year ended 31 December 2012.

The significant accounting policies, methods of computation and basis of consolidation adopted by the Group for the preparation of the interim financial report are consistent with those adopted in the annual audited financial statements for the year ended 31 December 2012 except for the newly MFRS and IC Interpretations (“IC Int.”) to be applied by all Entities Other Than Private Entities for the financial period beginning on 1 January 2013:-

MFRS 3	Business Combination
MFRS 10	Consolidated Financial Statement
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interest in Other Entities
MFRS 13	Fair Value Measurement
MFRS 119	Employee Benefits (Revised)
MFRS 127	Consolidated and Separate Financial Statements
MFRS 128	Investment in Associates
Amendment to MFRS 1	First-time Adoption of MFRS – Government Loans
Amendments to MFRS 7	Financial Instruments : Disclosure – Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 10	Consolidated Financial Statements : Transition Guidance
Amendments to MFRS 11	Joint Arrangement : Transition Guidance
Amendments to MFRS 12	Disclosure of Interest in Other Entities : Transition Guidance
Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income
IC Int. 20	Stripping Costs in the Production Phase of a Surface Mine
Annual Improvement to IC Interpretations and MFRSs 2009 -2011 Cycle	

The adoption of the above pronouncements did not have any impact to the Group,

The Group has not adopted the following MFRSs, Amendments to MFRSs and IC Interpretations, which were issued but not yet effective:-

Effective date : 1 January 2014

Amendments to MFRS 10	Consolidated Financial Statements : Investment Entities
Amendments to MFRS 12	Disclosure of Interest in Other Entities : Investment Entities
Amendments to MFRS 127	Consolidated and Separate Financial Statements : Investment Entities
Amendments to MFRS 132	Financial Instruments : Presentation – Offsetting Financial Assets and Financial Liabilities

Effective date : 1 January 2015

MFRS 9	Financial Instruments
Amendments to MFRS 9	Mandatory Effective Date of MFRS 9 and Transition Disclosures

**APPENDIX V- UNAUDITED CONSOLIDATED QUARTERLY RESULTS OF OUR GROUP FOR THE
THREE (3)-MONTH FPE 31 MARCH 2013 (CONT'D)**

DUFU TECHNOLOGY CORP. BERHAD (COMPANY NO.: 581612 A)
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A1. BASIS OF PREPARATION (Continued)

Effective date : 1 January 2013

MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interest on Other Entities
MFRS 13	Fair Value Measurement
MFRS 119	Employee Benefits
MFRS 127	Separate Financial Statements
MFRS 128	Investments in Associates and Joint Ventures
Amendments to MFRS 1	Government Loans
Amendments to MFRS 7	Disclosure - Offsetting Financial Assets and Financial Liabilities
IC Int. 20	Stripping Costs in the Production Phase of a Surface Mine

Effective date : 1 January 2014

Amendments to MFRS 132 Offsetting Financial Assets and Financial Liabilities

Effective date : 1 January 2015

MFRS 9 Financial Instruments

A2. CHANGES IN ACCOUNTING POLICIES

There is no material changes in Statement in Financial Position, Statement of Comprehensive Income and Statement of Cash Flows presented under MFRS framework and the Statement of Comprehensive Income and Statement of Cash Flows presented under FRS framework.

A3. QUALIFICATION OF ANNUAL FINANCIAL STATEMENTS

There were no audit qualifications on the financial statements of the Company and its subsidiaries for the year ended 31 December 2012.

A4. SEASONAL AND CYCLICAL FACTORS

The Group's business operations were not materially affected by any major seasonal or cyclical factors.

A5. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter under review and financial year-to-date.

A6. SIGNIFICANT ESTIMATES AND CHANGES IN ESTIMATES

There were no changes in estimates that have a material effect in the current quarter under review and financial year-to-date result.

A7. ISSUANCES AND REPAYMENT OF DEBT AND EQUITY SECURITIES

There were no issuance, cancellations, repurchases, resale and repayment of debt and equity securities for the current quarter under review.

**APPENDIX V- UNAUDITED CONSOLIDATED QUARTERLY RESULTS OF OUR GROUP FOR THE
THREE (3)-MONTH FPE 31 MARCH 2013 (CONT'D)**

DUFU TECHNOLOGY CORP. BERHAD (COMPANY NO.: 581612 A)
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A8. DIVIDEND PAID

No dividend was paid during the current quarter ended 31 March 2013.

A9. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

There was no valuation of property, plant and equipment in the current quarter under review and financial year-to-date.

A10. CHANGES IN COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the current quarter under review.

APPENDIX V- UNAUDITED CONSOLIDATED QUARTERLY RESULTS OF OUR GROUP FOR THE THREE (3)-MONTH FPE 31 MARCH 2013 (CONT'D)

DUFU TECHNOLOGY CORP. BERHAD (COMPANY NO.: 581612 A)
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A11. SEGMENTAL INFORMATION

The segmental information of the group are presented by geographical and by products segments.

A) The geographical segments are based on the location of the assets and these are:

- (i) Malaysia
- (ii) Singapore
- (iii) Hong Kong and China

Year to Date – 31 March 2013

	Malaysia RM'000	Singapore RM'000	Hong Kong and China RM'000	Eliminations RM'000	Total RM'000
Segment revenue	6,577	19,613	1,779	-	27,969
Sales to external customers	13,093	-	3,126	(16,219)	-
Inter-segment sales	19,670	19,613	4,905	(16,219)	27,969
Total	19,670	19,613	4,905	(16,219)	27,969
Segment revenue – current quarter					

As at 31 March 2013

Total assets	203,855	23,533	39,536	(110,114)	156,810
Total liabilities	96,059	19,453	4,990	(48,498)	72,004

Year to Date – 31 March 2012

	Malaysia RM'000	Singapore RM'000	Hong Kong and China RM'000	Eliminations RM'000	Total RM'000
Segment revenue	4,325	22,929	1,258	-	28,512
Sales to external customers	18,544	1,489	5,726	(25,759)	-
Inter-segment sales	22,869	24,418	6,984	(25,759)	28,512
Total	22,869	24,418	6,984	(25,759)	28,512
Segment revenue – current quarter					

As at 31 March 2012

Total assets	195,128	30,977	44,876	(108,505)	162,476
Total liabilities	87,074	27,120	9,011	(81,302)	74,903

APPENDIX V- UNAUDITED CONSOLIDATED QUARTERLY RESULTS OF OUR GROUP FOR THE THREE (3)-MONTH FPE 31 MARCH 2013 (CONT'D)

DUFU TECHNOLOGY CORP. BERHAD (COMPANY NO.: 581612 A)
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A11. SEGMENTAL INFORMATION (CONTINUED)

B) The products segments based on HDD and Non-HDD products are as follows :

	Current Year Quarter 31.03.2013		Preceding Year Corresponding Quarter 31.03.2012	
	RM'000	#Percentage	RM'000	Percentage
HDD	17,163	61%	21,257	75%
*Non-HDD	10,806	39%	7,255	25%
Total revenue	<u>27,969</u>	<u>100%</u>	<u>28,512</u>	<u>100%</u>

* included in the Non-HDD products are Sensor and Control, Medical Devices and Others.

the HDD segment in the current quarter has underperformed, thus resulting in the relatively higher Non-HDD percentage ratio. Kindly refer to B3 for Commentary on Prospects for further information.

A12. CONTINGENT LIABILITIES

As at 31 March 2013, the Group has no material contingent liabilities save for a corporate guarantee of RM124 million issued by the Company in respect of banking facilities granted to the subsidiary companies.

A13. CAPITAL COMMITMENT

The group has no capital commitment as at 31 March 2013.

A14. SUBSEQUENT EVENTS

Except as disclosed in note B6, there were no other material events subsequent to the end of the current quarter under review.

APPENDIX V- UNAUDITED CONSOLIDATED QUARTERLY RESULTS OF OUR GROUP FOR THE THREE (3)-MONTH FPE 31 MARCH 2013 (CONT'D)

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

B. Explanatory Notes Pursuant to Appendix 9B, Part A of the Bursa Securities Main Market Listing Requirements

B1. PERFORMANCE REVIEW

Current Quarter – 31 March 2013

	Malaysia RM'000	Singapore RM'000	Hong Kong and China RM'000	Eliminations RM'000	Total RM'000
Revenue	19,670	19,613	4,905	(16,219)	27,969
EBDITA *	3,558	268	865	206	4,897
Depreciation	(2,927)	(10)	(632)	-	(3,569)
Profit from operation	631	258	233	206	1,328
Finance costs	(526)	(5)	(139)	-	(670)
PBT ***	105	253	94	206	658

Preceding Year Quarter – 31 March 2012

	Malaysia RM'000	Singapore RM'000	Hong Kong and China RM'000	Eliminations RM'000	Total RM'000
Revenue	22,869	24,418	6,984	(25,759)	28,512
EBDITA *	2,523	1,254	960	250	4,987
Depreciation	(2,543)	(9)	(632)	-	(3,184)
Loss from operation	(20)	1,245	328	250	1,803
Finance costs	(567)	(5)	(75)	-	(647)
(L)PBT **	(587)	1,240	253	250	1,156

* EBDITA - Earning Before Depreciation, Interest expenses, Tax and Amortisation

** (L)PBT – (Loss)/Profit Before Tax

*** PBT – Profit Before Tax

The Group recorded profit before taxation (“PBT”) of RM0.65 million in the quarter under review (“Q1 2013”) as compared to PBT of RM1.16 million in the preceding year corresponding quarter (“Q1 2012”).

The following are the reasons contributing to decrease in result for Q1 2013 vs Q1 2012 :

1. Increase in depreciation of property, plant and equipment of RM0.39 mil ; and
2. Increase in the wages due to the imposition of minimum wages by the Government of Malaysia.

B2. COMPARISON WITH PRECEDING QUARTER’S RESULTS

The Group recorded revenue of RM27.97 million in the current quarter (“Q1 2013”) as compared to RM22.60 million in the previous quarter (“Q4 2012”), an increase of RM5.37 million or 23.76%. The Group also recorded a profit before taxation (“PBT”) of RM0.65 million for the quarter under review, as compared to previous quarter LBT of RM2.50 million.

The main reason for increase in performance in current quarter is due to increase in Non-HDD sector.

APPENDIX V- UNAUDITED CONSOLIDATED QUARTERLY RESULTS OF OUR GROUP FOR THE THREE (3)-MONTH FPE 31 MARCH 2013 (CONT'D)

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

B3. COMMENTARY ON PROSPECTS

Barring any unforeseen circumstances, the Group expects the demand of HDD sector to recover in the coming quarters and anticipates continuous growth from Non-HDD sector mainly from the Sensor and Control and Medical Devices.

B4. VARIANCES FROM PROFIT FORECAST AND PROFIT GUARANTEE

No profit forecast and profit guarantee was issued or announced for period ended 31 March 2013.

B5. TAXATION

	Current Quarter 31.03.2013 RM'000	Current Year To date 31.03.2013 RM'000
Corporate tax expense		
Malaysia	90	90
Foreign	41	41
	<u>131</u>	<u>131</u>
Deferred tax income		
Malaysia	(26)	(26)
	<u>105</u>	<u>105</u>

B6. CORPORATE PROPOSAL

The corporate proposal announced is the renounceable two-call right issue up to 60,000,000 new ordinary shares of RM0.50 each on the basis of One (1) rights share for every Two (2) existing ordinary shares of RM0.50 each held in Dufu on an entitlement date to be determined later.

Bursa Malaysia Securities Berhad ("**Bursa Securities**") had, vide its letter dated 3 May 2013 (which was received on 6 May 2013), approved the listing of and quotation for up to 60,000,000 Rights Shares to be issued pursuant to the Proposed Two-Call Rights Issue subject to the following conditions:-

- i) Dufu and Bank Islam must fully comply with the relevant provisions under the Main Market Listing Requirements ("**LR**") pertaining to the implementation of the Proposed Two-Call Rights Issue;
- ii) Dufu and Bank Islam to inform Bursa Securities upon the completion of the Proposed Two-Call Rights Issue;
- iii) Dufu to furnish Bursa Securities with a certified true copy of the resolution passed by the shareholders approving the Proposed Two-Call Rights Issue prior to the quotation of the Rights Shares;
- iv) Dufu to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Two-Call Rights Issue is completed; and
- v) To incorporate Bursa Securities' comments in respect of the draft circular to the shareholders

APPENDIX V- UNAUDITED CONSOLIDATED QUARTERLY RESULTS OF OUR GROUP FOR THE THREE (3)-MONTH FPE 31 MARCH 2013 (CONT'D)

DUFU TECHNOLOGY CORP. BERHAD (COMPANY NO.: 581612 A)
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B7. BORROWINGS

The Group's borrowings as at the end of the reporting quarter are as follows:

	Short-term (Secured) RM'000	Long-term (Secured) RM'000
Hire purchase	3,690	3,795
Term Loans	5,002	26,360
Bankers' facilities	15,405	-
Bank overdraft	1,926	-
Total	26,023	30,155

The Group borrowings are dominated in the following currencies:

	RM'000
Ringgit Malaysia	41,277
US Dollar	13,304
Hong Kong Dollar	1,597
Total borrowings	56,178

B8. MATERIAL LITIGATION

As at the date of this announcement, there is no material litigation against the Group or vice-versa.

B9. DIVIDEND

No dividend has been declared for the current quarter ended 31 March 2013.

B10. EARNINGS PER SHARE

Basic

The basic earning per share is calculated by dividing the net profit by the weighted average number of ordinary shares in issue:

	Individual Quarter		Cumulative Quarter	
	Current Quarter 31.03.2013	Preceding Corresponding Quarter 31.03.2012	Current Year To Date 31.03.2013	Preceding Corresponding Quarter 31.03.2012
Net profit attributable to ordinary shareholders (RM '000)	553	1,051	553	1,051
Weighted average number of ordinary shares of RM0.50 each in issue ('000)	120,000	120,000	120,000	120,000
Basic earning per share (sen)	0.46	0.88	0.46	0.88

Diluted

The Group does not have any convertible shares or financial instruments for the current financial quarter and financial year to-date.

APPENDIX V- UNAUDITED CONSOLIDATED QUARTERLY RESULTS OF OUR GROUP FOR THE THREE (3)-MONTH FPE 31 MARCH 2013 (CONT'D)

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

B11. PROFIT BEFORE TAX

The following items have been included in arriving at profit before tax:

	Current Year Quarter Individual Quarter 31.03.2013 RM'000	Preceding Year Corresponding Quarter 31.03.2012 RM'000	Current Year To date Cumulative Quarter 31.03.2013 RM'000	Preceding Year Corresponding Period 31.03.2012 RM'000
After charging:-				
Interest expense	670	645	670	645
Depreciation	3,569	3,184	3,569	3,184
Loss on foreign exchange - realised	-	75	-	75
After crediting:-				
Gain on foreign exchange -realised	6	221	6	221
Interest income	8	9	8	9

Save as disclosed above, the other items as required under appendix 9B, Part A(16) of the Bursa Securities Main Market Listing Requirements are not applicable.

B12. REALISED OR UNREALISED EARNINGS OR LOSSES DISCLOSURE

The retained earnings as at 31 March 2013 and 31 December 2012 respectively are analysed as follows:

	31.03.2013 RM'000	31.12.2012 RM'000
Total retained earnings of the Company and its subsidiaries		
- Realised	56,330	52,077
- Unrealised	(960)	2,971
	<hr/> 55,370	<hr/> 55,048
Less: Consolidation adjustments	(5,635)	(5,866)
	<hr/> 49,735	<hr/> 49,182



DUFU TECHNOLOGY CORP. BHD. (581612A)

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Website: www.dufutechnology.com.

Registered Office:
57-G, Persiaran Bayan Indah
Bayan Bay, Sungai Nibong
11900 Penang

11 JUN 2013

The Shareholders of

DUFU TECHNOLOGY CORP. BERHAD ("DUFU" OR THE "COMPANY")

Dear Sir / Madam,

On behalf of the Board of Directors ("**Board**") of Dufu, I wish to report that, after making due enquiries in relation to the Company and its subsidiaries ("**Group**") during the period between 31 December 2012 (being the date on which the last audited consolidated financial statements have been made up), up to the date hereof (being a date not earlier than fourteen (14) days before the date of this Abridged Prospectus), that:-

- (a) In the opinion of the Board of Dufu, the business of the Group has been satisfactorily maintained;
- (b) In the opinion of the Board of Dufu, no circumstances have arisen since the last audited consolidated financial statements of the Group which have adversely affected the trading or the value of the assets of the Group;
- (c) The current assets of the Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) Save as disclosed in this Abridged Prospectus, there are no contingent liabilities which have arisen by reason of any guarantees or indemnities given by the Group;
- (e) There have not been, since the last audited consolidated financial statements of the Group, any default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings; and
- (f) Save for the unaudited consolidated results for the Group for the three (3)-month financial period ended 31 March 2013 and the effects of the Two-Call Rights Issue (as defined in the Abridge Prospectus) as disclosed in Section 9 this Abridged Prospectus, there have been no material changes in the published reserves or any unusual factors affecting the profits of the Group since the last audited financial statements of the Group.

Yours faithfully

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

Lee, Hui-Ta also known as Li Hui Ta
Executive Director/Chief Financial Officer

APPENDIX VII- ADDITIONAL INFORMATION

1. SHARE CAPITAL

- (i) Save for the Rights Shares, no securities shall be allotted or issued on the basis of this AP later than twelve (12) months after the date of the issuance of this AP.
- (ii) As at the date of this AP, there is no founder, management, deferred shares or preference shares in the share capital of our Company. There is only one (1) class of shares in our Company, namely ordinary shares of RM0.50 each, all of which rank *pari passu* with one another.
- (iii) All the Rights Shares to be issued will, upon allotment and issue, rank *pari passu* in all respects with the existing Dufu Shares, save and except that the Rights Shares will not be entitled to any dividends, rights, allotments and/or other forms of distributions that may be declared, made or paid, the entitlement date of which precedes the date of allotment and issuance of the Rights Shares.
- (iv) Save for the Two-Call Rights Issue, no person has been or is entitled to be given an option to subscribe for any shares, stocks or debentures of our Company or our subsidiaries as of the date of this AP.
- (v) Save as for the Two-Call Rights Issue and as disclosed in Section 3 of Appendix II, no securities of our Company have been issued or proposed to be issued, as fully or partly paid-up in cash, or otherwise in cash within two (2) years immediately preceding the date of this AP.

2. DIRECTORS' REMUNERATION

The provisions in our Company's Articles of Association in relation to the remuneration of our Directors are as follows:-

Article 105

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

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

Article 106

- (1) The Directors shall be entitled to be reimbursed for all travelling or such reasonable expenses as may be incurred in attending and returning from meetings of the Directors or of any committee of the Directors or general meetings or otherwise howsoever in or about the business of the Company in the course of the performance of their duties as Directors.

APPENDIX VII- ADDITIONAL INFORMATION (CONT'D)

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

3. MATERIAL CONTRACTS

As at the LPD, there are no other material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by our Group within the past two (2) years immediately preceding the date of this AP, save for the following:-

Sale and Purchase Agreement dated 18 October 2011 ("**SPA**") between Zoomic Technology (M) Sdn Bhd (In Receivership) ("**Zoomic**") and Dufusion Sdn Bhd ("**DFSB**") in respect of the sale by Zoomic and the purchase by DFSB of the following properties for a cash consideration of RM9,000,000.00, subject to the terms and conditions contained in the SPA:-

- (i) The piece of land (leasehold for 60 years ending 22 May 2050) held under Pajakan Negeri 5986, Lot No. 8478, Mukim 12, District of Barat Daya, State of Pulau Pinang bearing postal address of Plot No. 160, Jalan Sungai Keluang, Bayan Lepas Free Industrial Zone, Phase 1, 11900 Bayan Lepas, Penang; and
- (ii) The piece of land (leasehold for 60 years ending 10 December 2050) held under Pajakan Negeri 3016, Lot No. 9232, Mukim 12, District of Barat Daya, State of Pulau Pinang bearing postal address of Plot No. 163, Jalan Sungai Keluang, Bayan Lepas Free Industrial Zone, Phase 1, 11900 Bayan Lepas, Penang.

4. MATERIAL LITIGATION

As at the LPD, neither our Company nor any of our subsidiaries are engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and there are no proceedings pending or threatened against our Company or any of our subsidiaries or any facts likely to give rise to any proceedings which may materially affect the business or financial position of our Company or any of our subsidiaries.

5. CONSENTS

- (a) The written consents of the Principal Adviser, Company Secretary, Solicitors, Share Registrar, Principal Bankers and Bloomberg Finance L.P. for the inclusion in this AP of their names and all references thereto in the form and context in which such names appear have been given before the issue of this AP and have not subsequently been withdrawn.
- (b) The written consent of the Auditors and Reporting Accountants for the inclusion in this AP of their name, the proforma consolidated statements of financial position of our Group as at 31 December 2012 together with the Reporting Accountants' letter thereon, the audited consolidated financial statements of our Group for the FYE 31 December 2012 together with the Auditors' report thereon and all references thereto in the form and context in which they appear have been given before the issue of this AP and have not subsequently been withdrawn.

APPENDIX VII- ADDITIONAL INFORMATION (CONT'D)

6. GENERAL

- (i) There is no existing or proposed service contract entered or to be entered into by our Company with any Director or proposed Director, other than those which are expiring or determinable by the employing company without payment of compensation (other than statutory compensation) within one (1) year from the date of this AP.
- (ii) The estimated expenses for the Two-Call Rights Issue is RM600,000, all of which will be borne by our Company.
- (iii) Save as disclosed in this AP, there are no material information including trade factors or risks which are unlikely to be known or anticipated by the general public and which could materially affect the profits of our Group.
- (iv) Save as disclosed in this AP, the financial conditions and operations of our Group are not affected by any of the following:-
 - (a) Known trends or known demands, commitments, events or uncertainties that will result in or are reasonably likely to result in our Group's liquidity increasing or decreasing in any material way;
 - (b) Material commitments for capital expenditure;
 - (c) Unusual or infrequent events or transactions or significant economic changes that will materially affect the amount of reported income from operations;
 - (d) Known trends or uncertainties that have had or that our Group reasonably expects to have a material favourable or unfavourable impact on our Group's revenue or operating income; and
 - (e) Substantial increase in revenue.

7. DOCUMENTS FOR INSPECTION

Copies of the following documents are made available for inspection at the registered office of our Company at 57-G, Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang, during normal business hours from Monday to Friday (except public holidays) for a period of twelve (12) months from the date of this AP:-

- (i) The Memorandum and Articles of Association of our Company;
- (ii) The proforma consolidated statements of financial position of our Group as at 31 December 2012 together with the Reporting Accountants' letter thereon as set out in Appendix III of this AP;
- (iii) The audited consolidated financial statements of our Group for the past two (2) financial years, i.e. FYE 31 December 2011 and FYE 31 December 2012;
- (iv) The unaudited consolidated financial statements of our Group for the three (3)-month FPE 31 March 2013 as set out in Appendix V of this AP;
- (v) The Directors' Report as set out in Appendix VI of this AP;
- (vi) The Entitlement Undertakings, the Additional Undertakings and KLT Undertaking as referred to in Section 3 of this AP;
- (vii) The material contract referred to in Section 3 of this Appendix VII; and
- (viii) The consent letters referred to in Section 5 of this Appendix VII.

8. RESPONSIBILITY STATEMENT

This AP together with its accompanying documents have been seen and approved by our Board and they collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after having made all reasonable inquiries, and to the best of their knowledge and belief, there are no false or misleading statements or other facts the omission of which would make any statement herein false or misleading.

Bank Islam, being the Principal Adviser for the Two-Call Rights Issue, acknowledges that, based on all available information and to the best of its knowledge and belief, this AP constitutes a full and true disclosure of all material facts concerning the Two-Call Rights Issue.

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