DUFU TECHNOLOGY CORP. BERHAD
(581612-A)

CONTENTS

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Sixth Annual General Meeting of the Company will be held at Room 6, Level 1, Vistana Hotel, 213 Jalan Bukit Gambir, Bukit Jambul, 11950 Penang on Friday, 27 June 2008, at 9.00 a.m. for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements for the year ended 31 December 2007 together with the reports of the Directors and Auditors thereon. *(Please refer Note A)*

2. To approve the payment of Directors' Fee of Amount up to RM216,000 for the financial year ending 31 December 2008. (Resolution 1)

3. To declare a Final Dividend of 1.5 Sen per share exempt from Income Tax for the year ended 31 December 2007. (Resolution 2)

4 To re-elect the following Directors retiring under Article 97(1) of the Articles of Association of the Company, and who, being eligible offer themselves for re-election:-

   a. Khoo Lay Tatt (Resolution 3)
   b. Baqir Hussain Bin Hatim Ali (Resolution 4)

5. To re-appoint Messrs. Deloitte KassimChan as Auditors of the Company for the ensuing year and to authorize the Board of Directors to fix their remuneration. (Resolution 5)

AS SPECIAL BUSINESS:

6. To consider and, if thought fit, to pass with or without modifications, the following resolution:-

   Authority to Issue Shares

   "THAT pursuant to Section 132D of the Companies Act, 1965 and approvals from the Bursa Malaysia Securities Berhad and other relevant governmental/regulatory authorities where such authority shall be necessary, the Board of Directors be and is hereby authorised to issue and allot shares in the Company from time to time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Board of Directors may, in its absolute discretion, deem fit provided that the aggregate number of shares to be issued shall not exceed ten per centum (10%) of the issued share capital of the Company for the time being, and that the Board of Directors be and is also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad." (Resolution 6)

7. To transact any other business of which due notice shall have been given in accordance with the Companies Act, 1965.

By Order of the Board
HOW WEE LING (MAICSA 7033850)
OOI EAN HOON (MAICSA 7057078)
Secretaries
Penang
Date : 5 June 2008

NOTES:

A. This Agenda item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 and the Company's Articles of Association do not require a formal approval of the shareholders and hence, is not put forward for voting.

Notice of Annual General Meeting (continued)

Proxy:

A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.

To be valid, the duly completed proxy form must be deposited at the registered office of the Company at 57-1 Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang not less than forty-eight (48) hours before the time for holding the meeting.

A member shall be entitled to appoint up to two (2) proxies to attend and vote at the same meeting. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

If the appointor is a corporation, the proxy form must be executed under its Common Seal or under the hand of its attorney.

EXPLANATORY NOTE ON SPECIAL BUSINESS:

1. **Resolution pursuant to the Authority to Issue Shares**

   The proposed Resolution No. 6 [Item 6], if passed, will empower the Directors of the Company to issue and allot shares up to an amount not exceeding in total ten per centum (10%) of the issued share capital of the Company from time to time and for such purposes as the Directors consider would be in the interest of the Company. In order to avoid any delay and costs involved in convening a general meeting, it is thus appropriate to seek shareholders' approval. This authority unless revoked or varied by the Company in general meeting will expire at the next Annual General Meeting of the Company.

Statement Accompanying Notice of Annual General Meeting

RETIREMENT OF DIRECTORS

Pursuant to Paragraph 8.28(2) of the Bursa Securities Listing Requirements, the details of the two (2) directors seeking re-election are set out in their respective profiles which appear in the Board of Directors' Profile on pages 7 to 9 of the Annual Report 2007. The details of their respective interests in the securities of the Company are set out in the Analysis of Shareholdings which appear on page 73 of the Annual Report 2007.

Notice of Dividend Entitlement and Payment

NOTICE IS HEREBY GIVEN that the Final Dividend of 1.5 Sen per share exempt from Income Tax for the year ended 31 December 2007, if approved, will be paid on 29 July 2008 to depositors registered in the Records of Depositors on 30 June 2008.

A Depositor shall qualify for entitlement to the Dividend in respect of: -

a) shares transferred into the Depositor's Securities Account before 4.00 p.m. on 30 June 2008 in respect of transfers;

b) shares bought on the Bursa Malaysia Securities Berhad ("Bursa Securities") on a cum entitlement basis according to the rules of Bursa Securities.

By Order of the Board,

HOW WEE LING (MAICSA 7033850)
OOI EAN HOON (MAICSA 7057078)

Secretaries

Penang
Date: 5 June 2008

Corporate Information

BOARD OF DIRECTORS

Hsu, Chin-Shui
Executive Chairman

Lee, Hui-Ta a.k.a Li Hui Ta
Executive Director/Chief Financial Officer

Yong Poh Yow
Executive Director/Chief Executive Officer

Lee Kah Kheng
Independent Director

Baqir Hussain Bin Hatim Ali
Independent Director

Khoo Lay Tatt
Non-Independent Non-Executive Director

AUDIT COMMITTEE

Baqir Hussain Bin Hatim Ali
Chairman - Independent Director

Lee Kah Kheng
Member - Independent Director

Khoo Lay Tatt
Member - Non Independent Non-Executive Director
(Appointed w.e.f. November 9, 2007)

Lee, Hui-Ta a.k.a Li Hui Ta
Member - Executive Director/
Chief Financial Officer
(Resigned w.e.f. November 9, 2007)

NOMINATION COMMITTEE

Lee Kah Kheng
Chairman - Independent Director

Baqir Hussain Bin Hatim Ali
Member - Independent Director

Khoo Lay Tatt
Member - Non-Independent Non-Executive Director

REMUNERATION COMMITTEE

Lee Kah Kheng
Chairman - Independent Director

Baqir Hussain Bin Hatim Ali
Member - Independent Director

Hsu, Chin-Shui
Member - Executive Director

EXECUTIVE COMMITTEE

Hsu, Chin-Shui
Member - Executive Chairman

Lee, Hui-Ta a.k.a Li Hui Ta
Member - Executive Director/Chief Financial Officer

Yong Poh Yow
Member - Executive Director/Chief Executive Officer

Corporate Information (continued)

COMPANY SECRETARIES

How Wee Ling (MAICSA 7033850)
Ooi Ean Hoon (MAICSA 7057078)

AUDITORS

Deloitte KassimChan
Chartered Accountants
4th Floor Wisma Wang
251-A Jalan Burma, 10350 Penang
Tel : 604-2288255
Fax : 604-2288355

REGISTERED OFFICE

57-1 Persiaran Bayan Indah
Bayan Bay, Sungai Nibong
11900 Penang
Tel : 604-6429887
Fax : 604-6456698

HEAD OFFICE

19, Hilir Sungai Keluang 2
Taman Perindustrian Bayan Lepas
Fasa IV, 11900 Penang, Malaysia
Tel : 604-6161300
Fax : 604-6161302

REGISTRAR

Epsilon Registration Services Sdn. Bhd.
(Company No. 629261-T)
G-01, Ground Floor, Plaza Permata
Jalan Kampar, Off Jalan Tun Razak
50400 Kuala Lumpur
Tel : 603-40473999
Fax : 603-40426352

PRINCIPAL BANKERS

Public Bank Berhad
Bandar Bayan Baru Branch
5,7,9 &11, Lorong Kampung Jawa
Bandar Bayan Baru
11900 Bayan Lepas, Penang

STOCK EXCHANGE LISTING

Second Board of Bursa Malaysia Securities Berhad
Sector : Industrial Products
Stock Name : DUFU
Stock Code : 7233

Board of Directors' Profile

HSU, CHIN-SHUI
Executive Chairman
Taiwanese

Hsu, Chin-Shui, aged 52, was appointed to the Board on 1 September 2006. He is the Executive Chairman of Dufu and one of the co-founders of Dufu. He graduated from Zhen Xiu University in Taiwan in 1977 with a Diploma in Mechanical Engineering. He began his career as a sales representative with Chun Hu Corp. Ltd. In 1977 and was promoted to Sales Manager in 1982. He was overall responsible for the marketing and servicing of the company's products. In 1984, he left the company to co-set up Lee Bai Corp. Ltd. in Taiwan to manufacture quick die change systems for stamping tooling. Together with Lee, Hui-Ta a.k.a Li Hui Ta, he started DISB in 1990 to manufacture precision tooling, precision machining parts for computer-related components. He has more than twenty (20) years of experience in the precision tooling industry and in the Computer Numerical Control ("CNC") precision machining industry. He also sits on the board of several other private limited companies. His primary responsibilities include overseeing the entire Group's corporate exercise and business direction and strategic plans as well as developing new business opportunities.

He is also a member of the Remuneration Committee and Executive Committee of the Company.

He has no family relationship with any other Directors and/or major shareholders of the Company. He also not entered into any transaction, whether directly or indirectly, which has a conflict of interest with the Company. Neither has he been convicted of any offences in the past 10 years.

LEE, HUI-TA a.k.a LI HUT TA
Executive Director/Chief Financial Officer
Taiwanese

Lee, Hui-Ta a.k.a Li Hui Ta, aged 49, was appointed to the Board on 1 September 2006. He is the Executive Director and Chief Financial Officer of Dufu. He is one of the co-founders of Dufu. He graduated from Chong Shin University in Taiwan with a Diploma in Mechanical Engineering in 1979 and a Degree in Business Administration in 1988. He commenced his career as an engineering supervisor with He Li Ying Precision Industry, Taiwan in 1981 dealing with precision components and was promoted to Managing Director in 1983 where he was responsible for the daily operations of the company's production. In 1984, he co-set up Lee Bai Corp. Ltd. in Taiwan to manufacture precision quick die change systems for stamping tooling. Together with Hsu, Chin-Shui, he started DISB in 1990 to manufacture precision tooling, precision machining parts for computer-related components. He has more than twenty (20) years of experience in the precision tooling industry and in the CNC precision machining industry. He also sits on the board of several other private limited companies. He is primarily responsible for the financial management of the Group.

He is also a member of Executive Committee of the Company.

He has no family relationship with any other Directors and/or major shareholders of the Company. He has not entered into any transaction, whether directly or indirectly, which has a conflict of interest with the Company. Neither has he been convicted of any offences in the past 10 years.

Board of Directors' Profile (continued)

YONG POH YOW
Executive Director/Chief Executive Officer
Singaporean

Yong Poh Yow, aged 47, was appointed to the Board on 1 September 2006. He is the Executive Director and Chief Executive Officer of Dufu. He graduated with a Diploma in Mechanical Engineering from Ngee Ann Polytechnic, Singapore in 1983. He started his career with GE Television as Engineering Assistant in 1983. He left GE Television in 1985 to join Seagate Technology International as Supplier Quality Engineer where he liaised with suppliers on quality improvement. In 1990, he joined DISB as Quality Assurance ("QA") Manager where he was responsible for communicating with the suppliers regarding their quality and also for developing and improving the suppliers' quality. By the same token, he is also in charge of internal quality control at DISB. He was promoted to Operations Director of DISB in 1993 and became a Director and Chief Executive Officer of DISB in 2004. He has hand-on experience in most aspects of precision machining manufacturing.

His primarily responsibilities include overseeing the daily operations, marketing and corporate exercises of Dufu. He is also a member of the Executive Committee of the Company.

He has no family relationship with any other Directors and/or major shareholders of the Company. He has not entered into any transaction, whether directly or indirectly, which has a conflict of interest with the Company. Neither has he been convicted of any offences in the last 10 years.

KHOO LAY TATT
Non-Independent Non-Executive Director
Malaysian

Khoo Lat Tatt, aged 35, was appointed to the Board on 2 October 2006, He is the Non-Independent Non-Executive Director of Dufu. He graduated from Tunku Abdul Rahman College with an ICSA professional degree and a Diploma in Commerce – Business Management in 1996. Upon graduation, he started his career in May 1996 as Company Secretarial Officer in the Corporate & Legal Division of Ban Hin Lee Bank Berhad ("BHL Bank"). He left BHL Bank as an Executive cum Company Secretary of subsidiary companies of BHL Bank in year 2000. He joined a Secretarial Services firm in Penang as the Assistant Manager and was promoted as the Manager to head the Penang Branch after a month with the said firm. He left the said firm in year 2005 as a Senior Manager. During his tenure, he was involved in numerous Initial Public Offerings ("IPOs") and corporate exercises undertaken by listed companies. Currently, he is a Director of TMF Corporate Services Malaysia Sdn. Bhd. (Formerly known as Hicks-Woode Corporate Services (Penang) Sdn. Bhd.) He is a Chartered Secretary by profession and also a Certified Financial Planner (CFP) and a Certified Member of Financial Planning Association of Malaysia (FPAM). He is also an Associate of the Institute of Chartered Secretaries and Administrators (ICSA/MAICSA).

He is the Company Secretary for a few public listed companies quoted on the Main Board, Second Board and MESDAQ Market of the Bursa Securities. He is an Independent Director of ETI Tech Corporation Berhad, a Company listed on the MESDAQ Market of the Bursa Securities.

He is also a member of the Nomination Committee and Audit Committee of the Company.

He has no family relationship with any other Directors and/or major shareholders of the Company. He has not entered into any transaction, whether directly or indirectly, which has a conflict of interest with the Company. Neither has he been convicted of any offences in the last 10 years.

Board of Directors' Profile (continued)

LEE KAH KHENG
Independent Director
Malaysian

Lee Kah Kheng, aged 44, a Malaysian, was appointed to the Board on 2 October 2006. He is the Independent Director of Dufu. He graduated from Tunku Abdul Rahman College, Kuala Lumpur in 1988 with a professional accountancy qualification accredited by the Malaysian Institute of Certified Public Accountants ("MICPA") and became a member of MICPA in 1993. He was attached to an accounting firm, Hanafiah, Raslan & Mohamad, from 1988 to 1992 as Senior Auditor before moving on to a multinational corporation, Northern Telecom Industry Sdn. Bhd. (whose principal activity is manufacturing and assembly of telecommunication products) in 1992 as a Cost Accountant. He left in 1994 to join a local corporation, Suiwah Corporation Bhd, which is currently listed on the Second Board of the Bursa Securities and is principally involved in the retail industry, as its Group Financial Controller. He then left in 1997 to join Qdos Flexicircuits Sdn. Bhd., a flexible printed circuit board manufacturing company, as Executive Director. In 1999, he was promoted to Group Executive Director of Qdos Holdings Sdn. Bhd. In 2000, he left and became a consultant for several companies involved in information and communication technology. He then set up ETI Tech Corporation Berhad in 2002, a Company listed on the MESDAQ Market of the Bursa Securities and was appointed as its Managing Director in the same year.

He is also the Chairman of the Nomination and Remuneration Committee of the Company and a member of the Audit Committee of the Company.

He has no family relationship with any other Directors and/or major shareholders of the Company. He has no entered into any transaction, whether directly or indirectly, which has a conflict of interest with the Company. Neither has he been convicted of any offences in the last 10 years.

BAQIR HUSSAIN BIN HATIM ALI
Independent Director
Malaysian

Baqir Hussain Bin Hatim Ali, aged 45, a Malaysian, was appointed to the Board on 2 October 2006. He is the Independent Director of Dufu. He graduated from Tunku Omar Polytechnic in 1986 with a Diploma in Accountancy and began his career in the same year with Hanafiah, Raslan & Mohamad as an audit assistant. He left the firm as a Senior Manager in the Assurance and Business Advisory Division in 2002. He has amassed more than 18 years of experience in the field of accountancy including external and internal auditing, merger and acquisition, receiverships and liquidations, initial public offerings and tax consultancy. He is a member of the Malaysia Institute of Accountants and Malaysian Institute of Certified Public Accountants. He is also an Approved Company Auditor and is the founder and Managing Partner of Baqir Hussain & Co., a firm of chartered accountants.

He is an Independent Director of ETI Tech Corporation Berhad, a Company listed on the MESDAQ Market of the Bursa Securities.

He is also the Chairman of the Audit Committee of the Company and a member of the Nomination and Remuneration Committee.

He has no family relationship with any other Directors and/or major shareholders of the Company. He has not entered into any transaction, whether directly and indirectly, which has a conflict of interest with the Company. Neither has he been convicted of any offences in the last 10 years.

Group Structure

DUFU TECHNOLOGY CORP BERHAD AND SUBSIDIARIES
("DUFU GROUP" or the "GROUP") as at 31 December 2007

DUFU TECHNOLOGY CORP. BERHAD (581612-A)
("Dufu")

100%

DUFU INDUSTRIES SDN. BHD.
("DISB") (165467-T)
(A Wholly-Owned Subsidiary Company of Dufu)

100%

DUFU INDUSTRIES SERVICES PTE. LTD.
("DISPL") (200204589D)
(A Wholly-Owned Subsidiary Company of DISB)

100%

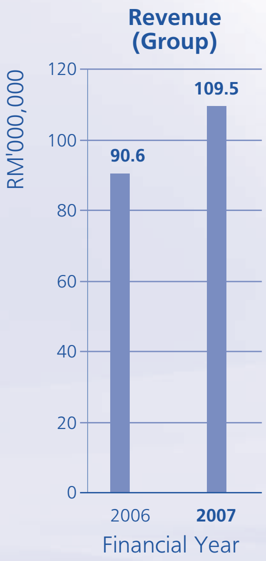
IPG METAL INDUSTRY (M) SDN. BHD.
("IPG") (186860-U)
(A Wholly-Owned Subsidiary Company of Dufu)

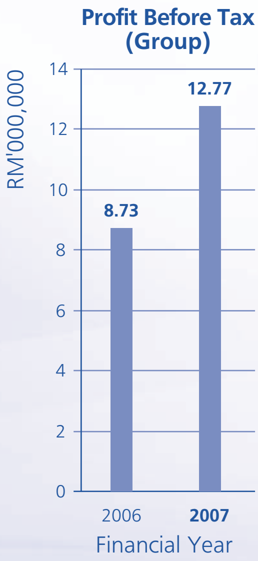
Management Discussion

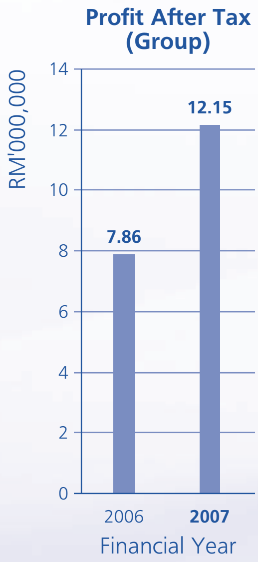
On behalf of the Board of Directors of DUFU TECHNOLOGY CORP. BERHAD, I take great pride and delight to present the Annual Report and Audited Financial Statements of the Group for the financial year ended 31 December 2007. Despite the constant increase in raw material pricing and appreciation of Ringgit Malaysia, the Group managed to achieve a net profit of RM12.153 million by implementing continuous in-house cost reduction programme which managed to reduce its overhead costs and increase its profit for this financial year.

Financial Results

It is my pleasure to report that the Dufu Group turned in another record-breaking year. For the financial year under review, the Group revenue grew by 20.86% from RM90.6 million to RM109.5 million and Profit after taxation of RM7.862 million to RM12.153 million or an increase of 54.58%. With this, the Group basic earning per share is at 14.14 sen. The Group continues to maintain a set of healthy and financially sound balance sheet with net assets of RM68.274 million and surplus cash of RM3.879 million for future expansion and diversification. Overall, the Group's improvement of revenue and profitability reflects our prudent corporate strategic to remain focus on our core competencies, with continuous effort put in broadening our product mix and revenue base.







Operation Review

In order to stay competitive with the uncertainty and challenging business environment and pursue a strategy of achieving sustainable growth over the long term, the Board of Director together with its management constantly reviews the entire Group's operations and continues upgrading the engineering capabilities, manufacturing facilities and technical know-how, strategically moving to high-end value added new products and identified new business opportunities.

The core businesses, namely manufacturing and assembling of precision machining of vice, computer peripherals and parts for hard disk drive and manufacturing of precision steel moulds and parts still is the major contributor of the Group's revenue during the financial year under review. As such, the Group will continue to concentrate on strengthening its market share in the global Hard Disk Drive "HDD" industry and at the same time continue to diversify itself to other sector such as the Industrial Sensor Industry. The Group will continue to build its existing investment and resources to further improve its efficiency and secure more business contracts from new and existing customers in the following financial year with its efforts in continuous integration of new capabilities in manufacturing, engineering and distribution and continuing efforts to solicit new business partners in diversified industries.

Management Discussion (continued)

Future Prospects of The Group

Prospect for the HDD market remains very promising with the demand for global shipment had reached the 500 million pieces in 2007 and is expecting to rise significantly for the coming year. The Group will continue to enjoy robust demand as the benefit from the continuing consumer electronics boom. Despite that, demographics are shifting in favour of component suppliers with the trend toward industry consolidation of HDD players, outsourcing and reducing the number of components vendor.

Nevertheless, the Group remains cautions and guarded with the volatility of the industry it involved and uncertainties fueled by factors such as hiking raw materials price and effects of strengthening Ringgit towards the export proceeds. As such, in order to strengthen its position in this competitive business environment, the Group continue its efforts to mitigate the currency fluctuation by hedging the US Dollar, Marketing efforts will be stepped up to grow the customer base and penetrate new markets that will increase the revenue and earning.

Further to this, the Board of Directors together with its management remain committed to continuously pursue excellence and strive to increase shareholders' value by continue to build on its existing investment and resources to further improve our efficiency. Barring unforeseen circumstances, the Group expects better performance both in revenue and profitability in the coming year.

Acknowledgement

On behalf of the Board of Directors, I would like to express our sincere appreciation to the management and the staff of the Group for their continued efforts, commitment and contribution in instituting the strict strategic and operational measures needed to stand resilient during these challenging times. I would also like to take this opportunity to thank all our valued customers, suppliers, business associates, investors, the regulatory authorities, bankers for their continuous support and confidence in the Group.

Finally, I wish to thank my fellow Directors for their invaluable guidance, advice and support.

HSU, CHIN-SHUI
Chairman

Audit Committee Report

The Board of Directors is pleased to present the Audit Committee Report for the financial year ended 31 December 2007.

The Committee comprised of the following: -

Chairman
Baqir Hussain Bin Hatim Ali [Independent Director]

Member
Lee Kah Kheng [Independent Director]

Khoo Lay Tatt [Non Independent Non-Executive Director]
(Appointed w.e.f. 9 November 2007)

Lee, Hui-Ta a.k.a Li Hui Ta [Excecutive Director / Chief Financial Officer]
(Resigned w.e.f. 9 November 2007)

TERM OF REFERENCE OF AUDIT COMITTEE

1. Objectives

The Principal objective of the Audit Committee is to assist the Board of Directors in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the Group. In addition, the Committee shall:-

- Evaluate the quality of the audit conducted by the internal and external auditors;
- Provide assurance that the financial information presented by management is relevant, reliable and timely;
- Oversee compliance with laws and regulations and observance of a proper code of conduct; and
- Determine the adequacy of the Group's control environment.

2. Composition:-

a) The Audit Committee shall be appointed by the Board of Directors from amongst their members and comprising not less than three (3) members, exclusively Non-Executive Directors of whom majority shall be the Independent Directors.

b) At least one of the members of the Audit Committee must be a member of the Malaysian Institute of Accountants, or if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years of working experience or either must have passed the examinations specified in Part I of the schedule of Accountant Act, 1967, or must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountant Act, 1967 or fulfills such other requirements as prescribed or approved by the Bursa Securities.

c) The members of the Audit Committee shall elect a chairman among their member who shall be an Independent Director. No alternate director shall be appointed as a member of the Audit Committee.

d) If a member of the Audit Committee, for whatsoever reason ceases to be a member with a result that the number of members is reduced below three (3), the Board of Directors shall, within three (3) months of the events, appoints such number of new members as may be required to make the minimum number of three (3) members.

3. Authority:-

a) The Audit Committee is authorized by the Board of Directors shall have the authority to investigate any matter within its terms of reference and shall have unlimited access to both the internal and external auditors, as well as the employees of the Group. All employees are directed to co-operate with any request made by the Committee.

b) The Committee shall have unlimited access to all information and documents relevant to its activities, to the internal and external auditors, and to senior management of the Group.

c) The Committee shall have the authority to obtain independent legal or other professional advice as it considers necessary.

3. Authority:- (continued)

d) The Committee shall be able to convene meetings with the external/Internal auditors, excluding the attendance of the executive members of the Committee, whenever deemed necessary.

e) The Audit Committee shall have the power to establish Sub-Audit Committee(s) to carry out certain investigation on behalf of the Committee in such manner, as the Committee deem fit and necessary.

4. Meetings

The Committee is at liberty to determine the frequency of the meetings at least four times annually. The quorum shall consist of two (2) members, where the majority of members present must be independent directors.

Attendance of the Meetings

a) the external auditors may be invited to attend the meetings. The Committee may invite any person to be in attendance to assist in its deliberations. The other directors and employees attend any particular audit committee meeting only at the audit committee's invitation, specific to the relevant meeting.

b) the Company Secretary shall be the Secretary of the Committee and shall be responsible for drawing up the agenda with concurrence of the chairperson and circulating it, supporting by explanatory documentation to committee members prior to each meeting.

5. Duties

The duties of the Audit Committee include the followings:-

a) to consider the appointment or re-appointment of external auditors, the audit fee and matter relating to the resignation or dismissal of auditors, if any;

b) to review with the external auditors the audit plan, their evaluation of the system of internal accounting controls, their letter to management and the management's response;

c) to review the quarterly and annual financial statements before submission to the Board of Directors for approval., focusing particularly on:-
- Changes in accounting policies and practices;
- Significant and unusual events;
- Significant adjustments resulting from the audit;
- The going concern assumption;
- Compliance with accounting standard and other legal requirements

d) to discuss problems and reservations arising from the interim and final audits, and any matter the external/internal auditors may wish to discuss (in the absence of management where necessary);

e) to do the followings where an internal audit function exists;
- Review the adequacy of the scope, function, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;
- Review the internal audit programme and results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function;
- Review any appraisal or assessment of the performance of members of the internal audit function;
- Approve any appointment or termination of senior staff members of the internal audit function;
- Review the resignation of internal audit staff members and provide the staff member the opportunity to submit his reasons for resigning; and
- To consider major findings of internal investigations and management's response.

f) to consider any related party transaction and conflict of interest situation that may arise within the Company or the group including any transaction, procedure or course of conduct that arises questions of management integrity; and

g) to consider other topics as defined by the Board.

6. Reporting

The Audit Committee is authorized to regulate its own procedures and in particular the calling of meetings, the notice to be given of such meetings, the voting and proceeding thereat, the keeping of minutes and the custody, production and inspection of such meetings.

7. Attendance at Meetings

The information on the attendance of each member of the Committee held since 28 February 2007 (the date of listing of Dufu on the Second Board of Bursa Securities) to 31 December 2007 was as follows:-

Member	No. of Meeting Held	Attendance
Baqir Hussain Bin Hatim Ali	3	3
Lee Lah Kheng	3	3
Khoo Lay Tatt (Appointed w.e.f. 9 November 2007)	0	0
Lee Hui-Ta a.k.a Li Hui Ta (Resigned w.e.f. 9 November 2007)	3	3

ACTIVITIES OF THE AUDIT COMMITTEE

The activities were carried out by the Committee during the financial year ended 31 December 2007 in the discharge of its duties and responsibilities were as follows:-

- Reviewed the draft quarterly results and Audited Financial Statements of the Group and the recommendation of the same to the Board for approval.
- Reviewed the compliance on the Bursa Securities Listing Requirements, Malaysian Code on Corporate Governance and other statutory requirements.
- Discussed with the external auditors before the audit commences, the nature and scope of the audit.
- Reviewed the external auditors management letter and management's response.
- Reviewed the internal programme and results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of the internal auditors.
- Reviewed any related party transactions and conflict of interest situation that may arise within the Company or Group and to monitor any inter-company transaction or any transaction between the Company and any related parties outside the Group.

INTERNAL AUDIT FUNCTION

During the financial year ended 31 December 2007, the Company has engaged an independent firm of professionals to conduct internal audits. The functions of internal auditors are to ensure that adequate system of internal controls exist to assist the management to arrest operational, regulatory and financial risks.

Information pertaining to the Company's internal controls is shown in the statement on Internal Controls set out on page 22 of this Annual Report.

This statement was made in accordance with a resolution of the Board dated 7 May 2008.

Statement on Corporate Governance

Board's Commitments

The Board of Directors of Dufu is committed to comply with the Malaysian Code of Corporate Governance ("the Code") and hence ensuring high standards of corporate governance is in place and is practiced throughout the Dufu Group.

The Board has assessed the level of corporate governance practiced in the Group and confirms that unless otherwise stated in this statement, the Group has complied with all the principles and recommended best practices throughout the financial year ended 31 December 2007 except that the Board has not appointed a Senior Independent Director to whom shareholders may address their grievances and concerns. However, the Board will collectively be responsible to address all grievances and concerns brought up by the shareholders.

A) The Board

The Board recognized its stewardship responsibility to lead the Group towards the highest level of corporate governance, strategic decisions and standard of conducts.

i) Board Balance

The present Board of Directors, headed by the chairman is comprised of:
- 3 Executive Directors;
- 1 Non-Independent; Non-Executive Director; and
- 2 Independent Directors.

The composition of the Board is in compliance with the Bursa Securities Listing Requirements and the Code. It also balance to reflect the interests of the major shareholders, management and minority shareholders. Collectively, the Directors bring a wide range of business and financial experience relevant to the direction of the Group.

There is a clear division of responsibilities between the Chairman and the Chief Executive Officer ("CEO") to ensure that there is a balance of power and authority. The Chairman is responsible for running the Board and ensuring that all Directors receive sufficient and relevant information on financial and non-financial matters to enable them to participate actively in Board decisions whilst the CEO has overall responsibilities over the operating units, organization effectiveness and implementation of Board's policies and decisions.

The Board is well balanced with the presence of Independent Directors who are of caliber and collectively provide independent assessments and judgments in the decision making process of the Board.

ii) Board Meetings

The Board governs the operations of the Group. The Board will meet regularly, at least once in a quarter, with additional meetings held as necessary to formulate and adopt strategic business plan for the Group, to evaluate the impact of risks affecting the operations of the Group and to formulate appropriate risk managing system.

Agenda and documents relevant to the Board meetings are circulated in advance to the Directors for their review before the meetings to ensure the effectiveness of the Board meetings. Any additional information requested by the Directors will be provided in timely manners.

The attendance record for each Director at Directors' meeting for the period from 28 February 2007 (the date of listing of Dufu on the Second Board of Bursa Securities) to 31 December 2007 was as follows:

Director	No. of meetings held	No.of meetings attended
Hsu, Chin-Shui	3	3
Lee, Hui-Ta a.k.a Li Hui Ta	3	3
Yong Poh Yow	3	3
Lee Kah Kheng	3	3
Baqir Hussain Bin Hatim Ali	3	3
Khoo Lay Tatt	3	3

A) The Board (continued)

iii) Supply of information

The Chairman ensures that all Directors have full and timely access to information with an agenda on matters requiring Board's consideration issued with appropriate notice and in advance of each meeting to enable Directors to obtain further explanations during the meeting, where necessary.

The Directors meet to review and approve all corporate announcements, including the announcement of the quarterly interim financial reports, before releasing them to the Bursa Securities.

All Directors have direct access to the advice and services of the Company Secretaries. The Company Secretaries, whose appointment and removal is the responsibility of the Board collectively, are qualified professionals with the necessary experience to advise the Board.

When necessary, the Directors could request for the service of independent professional advisors at the cost of the Company.

In leading and controlling the operations of the Group, the Board is assisted by the Board of Directors of each individual subsidiary that is primarily responsible to carry out decisions made by the Board. The Executive Directors of the Company also participate in management meeting of certain subsidiaries to ensure that decisions made by the Board are disseminated and delegated effectively to the management of the subsidiaries.

iv) Directors' Training

All the Directors have attended and successfully completed the Mandatory Accreditation Programme (MAP) conducted by Bursatra Sdn. Bhd. to enhance their skills in the area of corporate governance.

Messrs. Lee Kah Kheng and Khoo Lay Tatt had attended the Horwath 2008 Budget & Tax Planning Seminar held at Gurney Hotel, Penang on 28 September 2007.

The Board of Directors will assume the onus of determining or overseeing the training needs for Directors. In this respect, the Directors are encouraged to attend various external professional programmes deemed necessary in order to keep abreast with the latest developments in the market place, advances in corporate governance and to further enhance their skill and knowledge to enable them to discharge their duties as Directors in an effective manner.

v) Appointment and Re-election of Director

a) Appointment of Directors

The Code requires a formal and transparent procedure to be established for appointment of new Directors to the Board. The Code also endorses the establishment of a Nomination Committee, comprised exclusively of Non-Executive Directors, a majority of whom are Independent to propose new nominees to the Board and to assess Directors on an ongoing basis.

The Committee comprised of the following:-
Chairman: Lee Kah Kheng – Independent Director
Members: Baqir Hussain Bin Hatim Ali – Independent Director
Khoo Lay Tatt – Non-Independent Non-Executive Director

The Nomination Committee is empowered by the Board and its terms of reference to, inter-alia, to review the structure, size and composition of the Board and make recommendation to the Board with regard to any adjustments that are deemed necessary; to recommend to the Board, the minimum requirements for the Board, ie. required mix of skills, experience, qualification and other core competencies required of a Director inclusive of CEO; to review the adequacy of committee structures of the Board committee, assess and recommend to the Board the terms of reference of Board Committee.

A) The Board (continued)

v) Appointment and Re-election of Director (continued)

a) Appointment of Directors (continued)

The Board, through the Nomination Committee, appraises the composition of the Board and believes that the current composition brings the required mix of skills and core competencies for the Board to discharge its duties effectively. New appointees will be considered and evaluated by the Nomination Committee. The Nomination Committee will then recommend the candidates to be approved and appointed by the Board. The Company Secretary will ensure that all appointments are properly made, and that legal and regulatory obligations are met.

b) Re-election of Directors

In accordance with the Company's Articles of Association, one-third or nearest to one-third (1/3) of the Board is subject to retirement by rotation at each Annual General Meeting provided always that all Directors including the Managing Director shall retire from office at least once in every three (3) years. The Directors to retire at the Annual General Meeting are Directors who have been longest in office since their appointment or re-election.

A retiring Director is eligible for re-election. The election of each Director is voted on separate resolution.

Any person appointed by the Board either to fill a casual vacancy or as an addition to the existing Directors, shall hold office only until the next Annual General Meeting and shall then be eligible for re-election.

The Nomination Committee will also review the effectiveness of the Board as a whole and further assess the contribution of each individual director who is seeking for re-election by rotation at each AGM.

The profile of all Directors including their personal profile, meeting attendance and the shareholdings in Dufu has been furnished in this Annual Report.

vi) Directors' Remuneration

It is vital for the Group to attract and retain Directors of the necessary caliber to run the Group successfully. In line with requirements of the Code, the Group has established a remuneration policy for the Directors.

The Committee comprised of the following:-

Chairman: Lee Kah Kheng – Independent Director
Members: Baqir Hussain Bin Hatim Ali – Independent Director
Hsu, Chin-Shui – Executive Chairman

The Remuneration Committee consists mainly of Non-Executive Directors, the majority of whom are independent.

The Remuneration Committee is responsible for, inter-alia, recommending the Board the remuneration policy for, including the establishment of a formal and transparent methodology in determining the remuneration of Executive Directors, Non-Executive Directors and Senior Management and to review changes to the policy and methodology as necessary; review the existing level of remuneration of Executive Directors and to recommend their remuneration to the Board based on the Company's and their individual performance to ensure they commensurate with the scope of responsibilities held.

The policy practiced on Directors' remuneration by the Remuneration Committee is to provide the remuneration packages necessary to attract, retain and motivate Directors of the quality required to manage the business of the Group and to align the interest of the Directors with those of the shareholders.

A) The Board (continued)

Details of Directors' remuneration for the financial year ended 31 December 2007 were as follows:

1. Aggregate remuneration of the Directors categorized into appropriate components:

Category	Fee (RM)	Salaries (RM)	Bonus (RM)	Allowances (RM)	Total (RM)
Executive					
- Company	108,000	0	0	13,500	121,500
- Subsidiaries*	0	589,990	83,686	72,000	745,676
Non-Executive Directors					
- Company	108,000	0	0	15,500	123,500
- Subsidiaries*	0	0	0	0	0
Total	216,000	589,990	83,686	101,000	990,676

* Subject to shareholders' approval at the forthcoming Annual General Meeting.

2. The number of Directors whose total remuneration fall within the following bands:

Range of Remuneration	Number of Directors	
	Executive	Non-Executive
Below RM50,000	0	4
RM200,001 to RM250,000	0	0
RM350,001 to RM400,000	1	0
RM400,001 to RM450,000	1	0

Executive Committee

The Executive Committee ("Exco") comprises of the Executive Directors as follows:

Members : Hsu, Chin-Shui
Lee, Hui-Ta a.k.a Li Hui Ta
Yong Poh Yow

The Exco's functions are to assist the CEO to manage the Group's day-to-day operations. The Exco was set up to formulate operations plans and oversee the executive of these plans. The Exco meets regularly to discuss operation issues.

B) Accountability and Audit

Audit Committee

The composition, terms of reference, and the function of audit committee is discussed on page 13 to 15 of the Annual Report 2007.

i) Financial Reporting

In presenting the annual financial statements and quarterly announcement of interim financial results to the shareholders, the Board aims to provide and present a balanced and understandable assessment of the Group's financial performance and prospects. The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes and the quality of its financial reporting. At the same time, the Audit Committee is assisting the Board in ensuring the accuracy, adequacy and completeness of the financial information that to be disclosed. The financial reports will be reviewed and approved by the Audit Committee prior to tabling them to the Board for approval. A statement by the Board of its responsibilities for preparing the financial statements is set out on page 21 of the Annual Report 2007.

B) Accountability and Audit (continued)

Audit Committee (continued)

ii) Internal Control

The Board is fully aware of its responsibility to safeguard and enhance the value of shareholders in the Group. Since the listing of the Company, the Board has continuously placed emphasis on the need for maintaining a sound system of internal control.

Information pertaining to the Company's internal control is presented in the Statement on Internal Control laid out on page 22 of the Annual Report 2007.

iii) Relationship with the Auditors

The Board maintains a transparent relationship with external auditors. It is intended that Independent members of the Audit Committee will meet the external auditors at least twice a year to discuss the conduct and concerns arising from their audit without the presence of the Executive Director and management.

C) Relationship with Shareholders and Investors

In line with the recommendation by the Bursa Securities Listing Requirements and the Code, material information is disseminated to shareholders and investors on a timely basis. These information, which could be assessed through Bursa Securities website at www.bursamalaysia.com, include:

1. Quarterly announcements
2. Annual reports
3. Circular to shareholders
4. Other important announcements

The Group also maintains a website at www.dufu.com.my which provides information, qualitative and quantitative, on the Group's operations and corporate developments.

In addition to the above, time will be allocated for during Annual General Meeting for dialogue with shareholders to address issues concerning the Group.

This statement was made in accordance with a resolution of the Board dated 7 May 2008.

Statement on Directors'

Responsibilities in respect of the Audited Financial Statements

The Board has the overall responsibility to prepare the financial statements for each financial year as required by the Companies Act, 1965. The financial statements should be prepared in accordance with the applicable Malaysian Accounting Standard Board ("MASB") approved accounting standards in Malaysia, the provisions of the Companies Act, 1965 and the relevant provisions of the Bursa Securities Listing Requirements so as to present a true and fair view of the state of affairs of the Group and of the Company as at end of the financial year and of their results and cash flows for the year then ended.

In this regard, the Directors will, with the assistance of the Audit Committee:

- Ensured that suitable accounting policies are used and applied consistently
- Ensured that new and revised Financial Reporting Standards and Issued Committee Interpretations issued by MASB that are relevant to the Group's operations and effective for accounting periods beginning on 1 January 2007 are fully adopted
- Ensured proper accounting records are kept
- Ensured adequate system of internal control exist to safeguard the assets of the Group to prevent and detect fraud and other irregularities
- Ensured that the financial statements presents a balanced and understandable assessment of the financial position and prospect of the Group and of the Company
- Made appropriate enquires to the senior management of the Group to ensure that the Group have adequate resources to continue in operational existence in the foreseeable future
- Ensure that the accounting estimates included in the financial statements are reasonable and prudent

The financial statements for the year ended 31 December 2007 had been approved by the Board on 19 March 2008.

This statement was made in accordance with a resolution of the Board dated 7 May 2008.

Statement on Internal Control

Introduction

This Statement on Internal Control has been prepared in accordance with the "Statement on Internal Control – Guidance for Directors of Public Listed Companies".

Board Responsibilities

The Board recognizes the importance of a sound system of internal control to cover the financial, compliance and operational controls and effective risk management practices in the Group.

The Board affirms its overall responsibility and reviews the adequacy and integrity of the system of internal control to safeguard shareholders' investment and the Group's assets. However, due to the inherent limitations of any system of internal control, this system is designed to manage, rather than eliminate the risk of failure to achieve the Group's objectives. Accordingly, the system can only provide reasonable but not absolute assurance against material misstatement or loss.

Risk Management Framework

During the financial year, the Board has appointed Finfield Corporate Services Sdn. Bhd., an independent firm of professionals for the internal audit function. The internal auditors are to ensure that adequate system of internal controls exist to assist the management to address operational, financial and compliance risks.

The Board and the Management continuously identify, evaluate and manage significant business risks that affect day-to-day operations of the Group.

The Audit Committee reviews internal control issues identified by the internal auditors and management and evaluates the adequacy and effectiveness of the Group's risk management and internal control system.

During the financial year, the Executive Directors and the Management participated in a risk management exercise together with its internal auditors. During the exercise, principal risks affecting the Group were identified, quantified and prioritized. The relevant controls and strategies for managing the risks were identified and documented. The participants also suggested areas where the Group could further improve on in order to manage the principal risks more effectively. The risk management report was presented to the Audit Committee in one of the audit committee meetings.

Internal Control

The Group has put in place the following key elements of internal control:

- An organization structure with clearly defined lines of responsibility, authority and accountability;
- Clearly documented internal policies, manuals, procedures and work instructions;
- Key management personnel including Executive Directors meet regularly to address key business risks and operational issues;
- Operational procedures are governed by standard operating manuals which are reviewed and updated regularly;
- Effective financial reporting system is in place to ensure timely generation of financial information for management's review.

The Board is satisfied that the system of internal control is adequate for Company and the Directors and management will continue to review and update the internal control system in line with changes in the operating environment of the Group.

Conclusion

During the year under review, the internal auditors have not reported any significant weaknesses in the system of internal controls of the Group that had a material impact on the operations of the Group for the financial year ended 31 December 2007. The Board remains committed to a sound system of internal controls and to progressively enhance the system to support the Group's operations.

This statement was made in accordance with a resolution of the Board dated 7 May 2008.

Disclosure Requirements

Pursuant to the Listing Requirements of the Bursa Malaysia Securities Berhad

Utilisation of Proceeds

As at March 31, 2008, the Company had fully utilized the total proceed raised in the Initial Public Offering for the intended purposes as disclosed in the Company's prospectus.

Share Buybacks

During the financial year, there were no share buyback by the Company.

Options, Warrants or Convertible Securities

No option, warrants or convertibles securities were issued by the Company during the financial year.

American Depository Receipt (ADR) or Global Depository Receipt (GDR) Programme

During the financial year, the Company did not sponsor any such programme.

Imposition of Sanctions and/or Penalties

There were no material sanction and/or penalties imposed on the Company and its subsidiary companies, Directors or management by the regulatory bodies.

Non-Audit Fees

The amount of non-audit fees incurred for services rendered to Dufu Group for the financial year by the Company's auditors, or a firm or company affiliated to the auditors' firm is RM5,811.

Profit Forecast and Unaudited Results Deviation

There audited profit after tax of RM12.153 million is higher than the forecasted profit after tax of RM10.993 million in the Prospectus issued on 31 January 2007.

The audited consolidated results during the financial year of the Group did not deviate by more than 10% of the unaudited consolidated results of the Group as announced via the BURSALINK, www.bursamalaysia.com on 25 February 2008.

Profit Guarantee

There was no profit guarantee issued by the Group during the financial year.

Revaluation Policy

The policy on revaluation of properties is as disclosed in the financial statements.

Material contract

There were no material contracts entered into by the Company and its subsidiaries involving Directors' and substantial shareholders' interests either still subsisting as at 31 December 2007 or entered into since the end of the previous financial year.

Corporate Social Responsibility (CSR) Statement

The Group is driven by the belief that in pursuit of any business objective, we need to strike a balance between profitability and contributions to the social and environmental responsibilities. With such belief, the Group is committed and uses its best endeavour, on ongoing basis, to integrate CSR practices into its day-to-day business operations i.e. constantly reviewing the staff benefits to enhance the quality of life of its employees and adopting eco-friendly practices such as minimizing the use of hazardous compound in its manufacturing process to protect the environment.

Disclosure Requirements (continued)

Pursuant to the Listing Requirements of the Bursa Malaysia Securities Berhad

Recurrent Related Party Transactions

The details of Recurrent Related Party Transactions and their actual amount entered into during the financial year ended 31 December 2007 are as below:-

No.	Related Parties		Nature of Transactions	Actual Amount (RM)	Interested Related Party
	Buyer	Seller			
1.	SESB	IPG	SESB is a sub-contractor of IPG	101,933	**Interested Director & Shareholder** Hsu, Chin-Shui, a common Director of SESB and IPG is also major shareholder of SESB.
2.	IPG	GCLPT	Purchase of tools from GCLPT	326,249	**Interested Director & Shareholder** Hsu, Chin-Shui, a common Director of IPG and GCLPT is also the sole shareholder of GCLPT.
3.	ETI	IPG	Sales of moulds to ETI	278,518	**Interested Director** Lee Kah Kheng is a Director of ETI and major shareholder of ETI (by virtue of Section 6A of the Act via ETICB)

SESB - Seraimas Electronics Sdn. Bhd.
IPG - I.P.G. Metal Industry (M) Sdn. Bhd.
GCLPT - Guangzhou Ching Lian Precision Technology Pte Ltd (China)
ETI - ETI Tech (M) Sdn. Bhd.

Financial Statements

Directors' Report

DIRECTORS' REPORT

The directors of DUFU TECHNOLOGY CORP. BERHAD have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended December 31, 2007.

PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding and providing management services. The principal activities of the subsidiary companies are as stated in Note 13 to the financial statements. There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year.

RESULTS OF OPERATIONS

	The Group RM	The Company RM
Profit for the year	12,152,951	14,700,657

In the opinion of the directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature except for the early adoption of FRS 112 Income Taxes which increased the Group's profit for the year by RM1,143,000.

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year. The directors also do not recommend any dividend payment in respect of the current financial year.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and paid-up ordinary share capital of the Company was increased from RM32,900,000 divided into 65,800,000 ordinary shares of RM0.50 each to RM45,000,000 divided into 90,000,000 ordinary shares of RM0.50 each by way of public issue of 24,200,000 new ordinary shares of RM0.50 each at an issue price of RM0.70 each.

On February 28, 2007, the Company's entire issued and paid-up share capital of 90,000,000 ordinary shares of RM0.50 each were listed on the Second Board of Bursa Malaysia Securities Berhad.

The Company has not issued any debentures during the financial year.

SHARE OPTIONS

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As of the end of the financial year, there were no unissued shares of the Company under options.

OTHER FINANCIAL INFORMATION

Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and have satisfied themselves that there are no known bad debts to be written off and that no allowance for doubtful debts is required; and

(b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values.

At the date of this report, the directors are not aware of any circumstances:

(a) which would require the writing off of bad debts or the setting up of allowance for doubtful debts in the financial statements of the Group and of the Company; or

(b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

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

(a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year and secures the liability of any other person; or

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent 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 and of the Company to meet their obligations as and when they fall due.

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company for the succeeding financial year.

DIRECTORS

The following directors served on the Board of the Company since the date of the last report:

Lee, Hui-Ta also known as Li Hui Ta
Hsu, Chin-Shui
Yong Poh Yow
Lee Kah Kheng
Baqir Hussain Bin Hatim Ali
Khoo Lay Tatt

Directors' Report (continued)

DIRECTORS' INTEREST

The shareholdings in the Company of those who were directors at the end of the financial year, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, are as follows:

	No. of ordinary shares of RM0.50 each			
	Balance as of date of appointment	**Bought**	**Sold**	**Balance as of 31.12.2007**
Lee, Hui-Ta also known as Li Hui Ta	25,525,000	-	(9,833,968)	15,691,032
Hsu, Chin-Shui	25,525,000	-	(9,833,968)	15,691,032
Yong Poh Yow	5,364,000	-	(2,037,999)	3,326,001

By virtue of their interests in the shares of the Company, Mr. Lee, Hui-Ta also known as Li Hui Ta and Mr. Hsu, Chin-Shui are also deemed to have an interest in the shares of all the subsidiary companies to the extent that the Company has an interest.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive any benefit (other than those disclosed as directors' remuneration 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 he is a member, or with a company in which he has a substantial financial interest.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

AUDITORS

The auditors, Messrs. Deloitte KassimChan, have indicated their willingness to continue in office.

Signed on behalf of the Board
in accordance with a resolution of the Directors,

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

HSU, CHIN-SHUI

Penang,

March 19, 2008

Report of the Auditors
To the members of Dufu Technology Corp. Berhad (Incorporated in Malaysia)

We have audited the accompanying balance sheets as of December 31, 2007 and the related statements of income, changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

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

In our opinion:

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

   (i) the state of affairs of the Group and of the Company as of December 31, 2007 and of their results and cash flows for the year ended on that date; and

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

(b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

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

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

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment made under Sub-section (3) of Section 174 of the Act.

DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants

TAN BOON HOE
1836/07/09(J)
Partner

Penang,

March 19, 2008

Income Statements

For The Year Ended December 31, 2007

	Note	The Group		The Company	
		2007	2006	2007	2006
		RM	RM	RM	RM
Revenue	5	109,509,353	90,600,688	17,473,102	-
Investment revenue		58,836	143,863	-	-
Negative goodwill written-off	13	-	345,703	-	-
Other income		1,996,881	2,104,117	-	-
Other gains and losses		(1,206,032)	(609,670)	-	-
Changes in inventories of finished goods and work-in-progress		485,893	3,890,575	-	-
Raw materials used		(24,544,635)	(18,080,605)	-	-
Purchase of trading and semi-finished goods		(27,404,309)	(37,992,119)	-	-
Directors' remunerations		(1,063,499)	(621,531)	(245,000)	-
Employee benefits expense	6	(15,271,522)	(10,860,034)	-	-
Depreciation of property, plant and equipment		(6,795,240)	(5,016,202)	-	-
Amortisation of prepaid lease payments		(84,210)	(84,210)	-	-
Finance costs		(1,747,825)	(1,278,379)	-	-
Other expenses		(21,160,734)	(13,808,495)	(152,925)	(19,021)
Profit/ (loss) before tax	7	12,772,957	8,733,701	17,075,177	(19,021)
Income tax expense	8	(620,006)	(871,945)	(2,374,520)	-
Profit/ (loss) for the year		12,152,951	7,861,756	14,700,657	(19,021)
Basic earnings per share	9	14.14 sen	12.94 sen		

The accompanying notes form an integral part of the financial statements.

Balance Sheets
As Of December 31, 2007

	Note	The Group 2007 RM	The Group 2006 RM	The Company 2007 RM	The Company 2006 RM
ASSETS					
Non-current assets					
Property, plant and equipment	10	54,604,354	45,008,560	-	-
Prepaid lease payments	11	3,936,844	4,021,054	-	-
Goodwill	12	25,252	25,252	-	-
Investment in subsidiary companies	13	-	-	32,899,998	32,899,998
Other investments	14	433,879	61,000	372,879	-
Total non-current assets		59,000,329	49,115,866	33,272,877	32,899,998
Current assets					
Inventories	15	17,463,310	17,251,582	-	-
Trade and other receivables	16	30,599,956	23,006,503	28,564,037	-
Other assets	17	722,732	1,588,256	-	699,754
Current tax assets		30,254	-	-	-
Fixed deposits with a licensed bank	18	546,729	500,000	-	-
Cash and bank balances	18	4,125,359	3,077,575	1,108,458	4,679
Total current assets		53,488,340	45,423,916	29,672,495	704,433
Total assets		112,488,669	94,539,782	62,945,372	33,604,431

(FORWARD)

Balance Sheets (continued)
As Of December 31, 2007

	Note	The Group 2007 RM	The Group 2006 RM	The Company 2007 RM	The Company 2006 RM
EQUITY AND LIABILITIES					
Capital and reserves attributable to equity holders of the Company					
Share capital	19	45,000,000	32,900,000	45,000,000	32,900,000
Retained earnings/ (accumulated losses)	20	41,789,324	29,537,823	14,658,898	(41,759)
Other reserves	21	(18,515,291)	(21,662,508)	3,253,474	-
Total equity		68,274,033	40,775,315	62,912,372	32,858,241
Non-current liabilities					
Long-term loans	22	11,944,212	10,466,566	-	-
Hire-purchase payables	23	4,599,072	9,076,595	-	-
Deferred tax liabilities	24	2,010,760	2,100,715	-	-
Total non-current liabilities		18,554,044	21,643,876	-	-
Current liabilities					
Trade and other payables	25	19,069,194	19,310,452	33,000	746,190
Current tax liabilities		-	141,270	-	-
Bank borrowings	26	1,087,361	5,736,173	-	-
Long-term loans	22	1,482,312	1,056,966	-	-
Hire-purchase payables	23	4,021,725	5,875,730	-	-
Total current liabilities		25,660,592	32,120,591	33,000	746,190
Total liabilities		44,214,636	53,764,467	33,000	746,190
Total equity and liabilities		112,488,669	94,539,782	62,945,372	33,604,431

The accompanying notes form an integral part of the financial statements.

Statements of Changes In Equity

For The Year Ended December 31, 2007

The Group

	Note	Share capital RM	Retained earnings RM	Reverse acquisition reserve RM	Revaluation reserve RM	Foreign currency translation reserve RM	Total RM
Balance as of January 1, 2006		5,000,000	21,577,517	-	2,552,579	(8,841)	29,121,255
Net income recognised directly in equity:							
Transfer of revaluation surplus		-	98,550	-	(98,550)	-	-
Exchange gain on translation of net investment in a foreign subsidiary company		-	-	-	-	2,306	2,306
Profit for the year		-	7,861,756	-	-	-	7,861,756
Total recognised income and expense		-	7,960,306	-	(98,550)	2,306	7,864,062
Adjustment arising from reverse acquisition	19	24,110,002	-	(24,110,002)	-	-	-
Issue of shares	19	3,789,998	-	-	-	-	3,789,998
Balance as of December 31, 2006		32,900,000	29,537,823	(24,110,002)	2,454,029	(6,535)	40,775,315

(FORWARD)

Statements of Changes In Equity (continued)

For The Year Ended December 31, 2007

The Group

	Note	Share capital RM	Retained earnings RM	Reverse acquisition reserve RM	Revaluation reserve RM	Foreign currency translation reserve RM	Share premium RM	Total RM
Balance as of January 1, 2007		32,900,000	29,537,823	(24,110,002)	2,454,029	(6,535)	-	40,775,315
Public issue of 24,200,000 new ordinary share of RM0.50 each at RM0.70 per ordinary share	19	12,100,000	-	-	-	-	4,840,000	16,940,000
Share issue expenses written-off		-	-	-	-	-	(1,586,526)	(1,586,526)
Net income recognised directly in equity:								
Transfer of revaluation surplus		-	98,550	-	(98,550)	-	-	-
Exchange gain on translation of net investment in a foreign subsidiary company		-	-	-	-	(7,707)	-	(7,707)
Profit for the year		-	12,152,951	-	-	-	-	12,152,951
Total recognised income and expense		-	12,251,501	-	(98,550)	(7,707)	-	12,145,244
Balance as of December 31, 2007		45,000,000	41,789,324	(24,110,002)	2,355,479	(14,242)	3,253,474	68,274,033

The accompanying notes form an integral part of the financial statements.

Statements of Changes In Equity (continued)
For The Year Ended December 31, 2007

The Company

	Note	Share capital RM	Retained earnings/ (Accumulated losses) RM	Share premium RM	Total RM
Balance as of January 1, 2006		2	(22,738)	-	(22,736)
Issue of shares	19	32,899,998	-	-	32,899,998
Loss for the year, representing total recognised expense		-	(19,021)	-	(19,021)
Balance as of December 31, 2006		32,900,000	(41,759)	-	32,858,241
Balance as of January 1, 2007		32,900,000	(41,759)	-	32,858,241
Public issue of 24,200,000 new ordinary share of RM0.50 each at RM0.70 per ordinary share	19	12,100,000	-	4,840,000	16,940,000
Share issue expenses written-off		-	-	(1,586,526)	(1,586,526)
Profit for the year, representing total recognised income		-	14,700,657	-	14,700,657
Balance as of December 31, 2007		45,000,000	14,658,898	3,253,474	62,912,372

The accompanying notes form an integral part of the financial statements.

Cash Flow Statements

For The Year Ended December 31, 2007

	The Group		The Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Cash flows from operating activities				
Profit/ (loss) for the year	12,152,951	7,861,756	14,700,657	(19,021)
Adjustments for:				
Depreciation of property, plant and equipment	6,795,240	5,016,202	-	-
Interest expenses	1,747,825	1,278,379	-	-
Tax expense recognised in profit or loss	620,006	871,945	2,374,520	-
Allowance for slow moving inventories	563,870	-	-	-
Amortisation of prepaid lease payments	84,210	84,210	-	-
Interest income	(207,738)	(1,673)	(153,102)	-
Allowance for slow moving inventories no longer required	(198,108)	(283,736)	-	-
Gain on disposal of property, plant and equipment	(20,591)	(56,468)	-	-
Unrealised loss on foreign exchange	-	51,846	-	-
Bad debts written off	-	2	-	-
Negative goodwill written-off	-	(345,703)	-	-
	21,537,665	14,476,760	16,922,075	(19,021)
Movement in working capital:				
(Increase)/ decrease in:				
Inventories	(577,490)	(4,755,202)	-	-
Trade and other receivables	(7,593,453)	(3,949,715)	-	-
Other assets	165,770	139,149	-	(658,204)
(Decrease)/ increase in trade and other payables	(241,727)	4,469,644	17,000	(53,090)
Cash generated from/ (used in) operations	13,290,765	10,380,636	16,939,075	(730,315)
Tax paid	(881,605)	(874,835)	(2,374,520)	-
Tax refunded	120	-	-	-
Net cash generated from/ (used in) operating activities	12,409,280	9,505,801	14,564,555	(730,315)

(FORWARD)

Cash Flow Statements (continued)

For The Year Ended December 31, 2007

	Note	The Group 2007 RM	The Group 2006 RM	The Company 2007 RM	The Company 2006 RM
Cash flows from investing activities					
Interest received		207,738	1,673	153,102	-
Proceeds from disposal of property, plant and equipment		41,200	288,522	-	-
Purchase of property, plant and equipment	10	(13,381,615)	(8,366,083)	-	-
Purchase of other investments		(372,879)	-	(372,879)	-
Acquisition of subsidiary companies	13	-	(107,585)	-	-
Increase in amount owing by subsidiary companies		-	-	(28,564,037)	-
Net cash used in investing activities		(13,505,556)	(8,183,473)	(28,783,814)	-
Cash flows from financing activities					
Issue of shares		16,940,000	-	16,940,000	-
Proceeds from long-term loans		3,085,045	5,953,644	-	-
Repayment of hire-purchase payables		(9,361,556)	(4,527,093)	-	-
(Decrease)/ increase in bank borrowings		(2,223,000)	2,174,000	-	-
Interest paid		(1,747,356)	(1,268,838)	-	-
Repayment of long-term loans		(1,182,053)	(1,280,524)	-	-
Share issued expenses		(886,772)	-	(886,772)	-
Fixed deposits held as security value		(46,729)	(500,000)	-	-
Proceeds from hire-purchase payables	10	-	300,640	-	-
(Repayment to)/ advances from a subsidiary company		-	-	(730,190)	730,190
Net cash generated from financing activities		4,577,579	851,829	15,323,038	730,190
Net increase/ (decrease) in cash and cash equivalents		3,481,303	2,174,157	1,103,779	(125)
Effects of foreign exchange rate changes		(7,707)	2,306	-	-
Cash and cash equivalents at beginning of year		(141,598)	(2,318,061)	4,679	4,804
Cash and cash equivalents at end of year	18	3,331,998	(141,598)	1,108,458	4,679

The accompanying notes form an integral part of the financial statements.

Notes to the Financial Statements

December 31, 2007

1. GENERAL INFORMATION

The Company is principally involved in investment holding and the provision of management services. The principal activities of the subsidiary companies are as stated in Note 13. There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Second Board of Bursa Malaysia Securities Berhad.

The Company's registered office and principal place of business are at 57-1, Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang, Malaysia and 19, Hilir Sungai Keluang 2, Taman Perindustrian Bayan Lepas, Fasa IV, 11900 Bayan Lepas, Penang, Malaysia respectively.

The financial statements of the Group and of the Company were authorised for issue by the Board of Directors in accordance with a resolution of the directors on March 19, 2008.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

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

During the financial year, the Group has adopted all the new and revised Financial Reporting Standards ("FRSs") and Issues Committee ("IC") Interpretations issued by MASB that are relevant to its operations and effective for accounting periods beginning on January 1, 2007. In addition, the Group has early adopted the revised FRS 112 Income Taxes, which is effective for accounting periods beginning on or after July 1, 2007, for the financial period beginning January 1, 2007.

The adoption of these new and revised FRSs and IC Interpretations has no material effect on the financial statements except for those disclosed in Note 32.

Standards and IC Interpretations that are not yet effective and have not been early adopted are as follows:

(a) FRS 107 Cash Flow Statements (Effective for annual periods beginning on or after July 1, 2007). The Group will apply this standard from financial periods beginning on January 1, 2008.

(b) FRS 118 Revenue (Effective for annual periods beginning on or after July 1, 2007). The Group will apply this standard from financial periods beginning on January 1, 2008.

(c) Amendments to FRS 121 The Effects of Changes in Foreign Exchange Rates – Net investment in a Foreign Operation (Effective for annual periods beginning on or after July 1, 2007). The Group will apply this standard from financial periods beginning on January 1, 2008.

(d) FRS 134 Interim Financial Reporting (Effective for annual periods beginning on or after July 1, 2007). The Group will apply this standard from financial periods beginning on January 1, 2008.

(e) FRS 137 Provisions, Contingent Liabilities and Contingent Assets (Effective for annual periods beginning on or after July 1, 2007). The Group will apply this standard from financial periods beginning on January 1, 2008.

(f) FRS 139 Financial Instruments: Recognition and Measurement (Effective date yet to be determined by MASB). The Group will apply this standard when effective.

(g) IC Interpretation 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities (Effective for annual periods beginning on or after July 1, 2007). The Group will apply this interpretation from financial periods beginning on January 1, 2008.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting (continued)

The impact of the adoption of FRS 139 on the effective date, on the financial statements of the Group is not disclosed by virtue of the exemption given by this FRS. FRS 107, FRS 118, Amendments to FRS 121, FRS 134, FRS 137 and IC Interpretation 1 are expected to have no significant impact on the financial statements of the Group upon their initial application.

Standards and IC Interpretations that are not yet effective (effective only for annual periods beginning on or after July 1, 2007) and not relevant to the Group's operations are as follows:

(a) FRS 111 Construction Contracts.

(b) FRS 120 Accounting for Government Grants and Disclosure of Government Assistance.

(c) IC Interpretation 2 Members' Shares in Co-operative Entities and Similar Instruments.

(d) IC Interpretation 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds.

(e) IC Interpretation 6 Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment.

(f) IC Interpretation 7 Applying the Restatement Approach under FRS 1292004 Financial Reporting in Hyperinflationary Economies.

(g) IC Interpretation 8 Scope of FRS 2.

Business combination and basis of consolidation

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

The result of subsidiary companies acquired or disposed of during the year are included in the consolidated income statements from the effective date of acquisition or up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiary companies to bring their accounting policies into line with those used by other members of the Group.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and revenue recognition

Revenue of the Group represents gross invoiced values of sales less return and discounts.

Revenue from the sale of goods shall be recognised when all the following conditions have been satisfied:

(i) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
(ii) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
(iii) the amount of revenue can be measured reliably;
(iv) it is probable that the economic benefits associated with the transaction will flow to the Group; and
(v) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

Rental income is accrued on a time basis, by reference to the agreements entered.

Interest income is recognised on a time proportion basis that takes into account the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrued to the Group.

Other operating income are recognised on an accrual basis.

Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statements because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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

Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that all future taxable profit will be available against which the deferred tax assets can be utilised. Deferred tax assets and liabilities are not recognised on temporary differences arising from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit.

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 tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in the income statements, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

Foreign currency conversion

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency conversion (continued)

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

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

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

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

Employee benefits

i. Short-term benefits

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

ii. Defined contribution plans

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

Borrowing costs

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

Property, plant and equipment

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

The annual depreciation rates are as follows:

Buildings	6.67%
Plant and machinery	10%
Computers	12% & 33.33%
Tools and implements	10% & 20%
Electrical installation	10%
Air conditioners	12%
Office equipment	12% & 20%
Furniture and fittings	8% - 20%
Renovation	10%
Motor vehicles	10% - 20%

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

The Group carried certain of its buildings at revalued amounts and placed reliance on the transitional provisions of International Accounting Standards 16 (Revised) as adopted by Malaysian Accounting Standards Board which provides exemption from the need to make regular revaluations for such assets. Effective from September 23, 1997, no further revaluations were carried out. The aggregate carrying amount of such assets as of December 31, 2007 amounted to RM1,055,158 and this amount will be depreciated over the remaining useful lives of the relevant assets.

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

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

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

At each balance date, the residual values, useful lives and depreciation method of the property, plant and equipment are reviewed, and the effect of any changes are recognised prospectively.

Goodwill

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

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

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

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

Investments in subsidiary companies

Subsidiary companies are those companies in which the Group has power to exercise control over their financial and operating policies so as to obtain benefits from their activities.

Investments in subsidiary companies, which are eliminated on consolidation, are stated in the Company's financial statements at cost.

When there is an indication of impairment in the value of the investment, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Other investments

Other investments in unit trusts and golf club memberships are stated at cost less allowance for diminution in value of investments to recognise any decline, other than a temporary decline, in the value of the investments.

Inventories

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

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

Receivables

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

Borrowings

Borrowings are stated at their nominal value and recorded at the proceeds received net of direct issue costs.

Payables

Payables are stated at the nominal value.

Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases.

(i) Finance leases

Assets acquired by way of hire-purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it practicable to determine; otherwise, the Group's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and fair value of the assets acquired, are recognised in the profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased asset is in accordance with that for depreciable property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

(ii) Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

Equity instruments

An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Cash and cash equivalents

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

Financial instruments

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

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

Contingent liabilities

A contingent liability is disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote except for cases where the amount involved is material, and the directors are of the opinion that disclosure is appropriate.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

There are no key assumptions concerning the future, and other sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5. REVENUE

	The Group		The Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Sales of goods	109,356,251	90,600,688	-	-
Interest income	153,102	-	153,102	-
Gross dividend income from subsidiary companies	-	-	17,200,000	-
Management fee	-	-	120,000	-
	109,509,353	90,600,688	17,473,102	-

6. EMPLOYEE BENEFITS EXPENSE

	The Group	
	2007	2006
	RM	RM
Contributions to employees' provident fund and central provident fund	943,027	653,010
Other employee benefits	14,328,495	10,207,024
	15,271,522	10,860,034

Employee benefits expense includes salaries, bonuses, contributions to employees' provident fund and central provident fund and all other staff related expenses.

The details of remunerations of executive directors who are the key management personnels of the Group and the Company are as follows:

	The Group		The Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Fees	121,500	-	121,500	-
Contributions to employees' provident fund and central provident fund	72,823	45,625	-	-
Other emoluments	745,676	575,906	-	-
	939,999	621,531	121,500	-

7. PROFIT/ (LOSS) BEFORE TAX

Profit/ (loss) before tax is arrived at:

	The Group		The Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
After charging:				
Interest on:				
Hire-purchase	808,380	525,803	-	-
Long-term loans	734,959	493,480	-	-
Bank overdraft	125,697	154,103	-	-
Bank borrowings	78,789	104,993	-	-
Directors' remuneration:				
Directors of the Company:				
Fees	245,000	-	245,000	-
Contributions to employees' provident fund and central provident fund	72,823	-	-	-
Other emoluments	745,676	-	-	-
Directors of subsidiary companies:				
Fees	-	-	-	-
Contributions to employees' provident fund	-	45,625	-	-
Other emoluments	-	575,906	-	-
Realised loss on foreign exchange	859,532	845,510	-	-
Allowance for slow moving inventories	563,870	-	-	-
Rental of hostel	169,837	112,596	-	-
Audit fee:				
Current year:				
Statutory	89,466	69,250	15,000	15,000
Special	-	31,000	-	2,000
Under/ (over)provision in prior years	7,548	(7,900)	(3,000)	200
Rental of premises	72,788	80,135	-	-
Unrealised loss on foreign exchange	-	51,846	-	-
Bad debts written off	-	2	-	-
And crediting:				
Interest income	207,738	1,673	153,102	-
Allowance for slow moving inventories no longer required	198,108	283,736	-	-
Gain on disposal of property, plant and equipment	20,591	56,468	-	-
Rental income	4,200	142,190	-	-

8. INCOME TAX EXPENSE

	The Group		The Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Current year:				
Current tax expense:				
Malaysian	592,447	811,089	2,374,520	-
Foreign	60,130	70,448	-	-
	652,577	881,537	2,374,520	-
Deferred tax:				
Relating to the origination and reversal of temporary differences in current year	26,045	(19,324)	-	-
Reduction in opening deferred tax resulting from the change in tax rates	(34,000)	(36,000)	-	-
	(7,955)	(55,324)	-	-
	644,622	826,213	2,374,520	-
Under/ (over)provision in prior years:				
Current tax expense	57,384	23,732	-	-
Deferred tax	(82,000)	22,000	-	-
	(24,616)	45,732	-	-
Income tax expense	620,006	871,945	2,374,520	-

The Group is operating in the jurisdictions of Malaysia and Singapore. The applicable domestic statutory income tax rates are 20% and 27% (2006: 20% and 28%) for Malaysia and 18% (2006: 20%) for Singapore. The current corporate income tax rate for the year ended December 31, 2007 for Malaysia is 27%. Small and medium scale companies with paid-up capital of RM2.5 million and below are subject to income tax at the rate of 20% on chargeable income of up to RM500,000. For chargeable income in excess of RM500,000, the corporate income tax rate is at 27%. In September 2007, the Malaysian government announced in the yearly budget a reduction in the corporate income tax rate from 27% for the year of assessment 2007 to 26% for the year of assessment 2008 and 25% for the year of assessment 2009.

8. INCOME TAX EXPENSE (continued)

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

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Accounting profit/(loss)	12,772,957	8,733,701	17,075,177	(19,021)
Statutory income tax rate	27%	28%	27%	28%
Tax amount at the statutory income tax rate	3,449,000	2,445,436	4,610,000	(5,300)
Tax effect on:				
Non-deductible expenses	200,949	152,716	37,520	5,300
Non-taxable income	(69,136)	(24,174)	(2,273,000)	-
Tax saving from claim on reinvestment allowances	(2,802,000)	(1,652,000)	-	-
Tax saving from double deduction on handicapped employees	(17,000)	(18,000)	-	-
Effect of different tax rate in subsidiary companies	(83,191)	(41,765)	-	-
Reduction in opening deferred tax resulting from the change in tax rates	(34,000)	(36,000)	-	-
	644,622	826,213	2,374,520	-
Under/ (over)provision in prior years:				
Current tax expense	57,384	23,732	-	-
Deferred tax	(82,000)	22,000	-	-
Income tax expense	620,006	871,945	2,374,520	-

The applicable tax rate of 27% (2006: 28%) used in the above numerical reconciliations of tax of the Group is determined based on the statutory income tax rate prevailing for the Company for the year ended December 31, 2007.

As of December 31, 2007, the approximate amount of unutilised reinvestment allowances and unabsorbed capital allowances which are subject to agreement by the tax authorities are as follows:

	The Group	
	2007 RM	2006 RM
Unutilised reinvestment allowances	4,970,000	-
Unabsorbed capital allowances	776,000	794,000

9. BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	The Group	
	2007	2006
Profit attributable to ordinary equity holders of the Company (RM)	12,152,951	7,861,756
Weighted average number of ordinary shares in issue (units)	85,966,667	60,746,666
Basic earnings per share (sen)	14.14	12.94

10. PROPERTY, PLANT AND EQUIPMENT

The Group

Cost or valuation	Beginning of year RM	Additions RM	Disposals RM	Transfer RM	End of year RM
2007:					
At 1997 valuation:					
Building	3,200,000	-	-	-	3,200,000
At cost:					
Buildings	4,189,878	38,850	-	9,096,665	13,325,393
Plant and machinery	45,616,513	10,710,779	(68,427)	-	56,258,865
Computers	772,763	54,118	-	-	826,881
Tools and implements	2,718,212	828,654	-	-	3,546,866
Electrical installation	1,618,018	145,530	-	-	1,763,548
Air conditioners	446,181	-	-	-	446,181
Office equipment	236,483	16,100	-	-	252,583
Furniture and fittings	679,828	427,200	-	-	1,107,028
Renovation	460,902	8,524	-	-	469,426
Motor vehicles	2,229,495	193,000	(134,035)	-	2,288,460
Construction in progress	6,376,698	3,988,888	-	(9,096,665)	1,268,921
	68,544,971	16,411,643	(202,462)	-	84,754,152

Notes to the Financial Statements (continued)

December 31, 2007

10. PROPERTY, PLANT AND EQUIPMENT (continued)

Cost or valuation	Beginning of year RM	Arising from acquisition of subsidiary company RM	Additions RM	Disposals RM	Transfer RM	End of year RM
2006:						
At 1997 valuation:						
Building	3,200,000	-	-	-	-	3,200,000
At cost:						
Buildings	4,189,878	-	-	-	-	4,189,878
Plant and machinery	30,891,835	6,004,866	8,989,262	(719,450)	450,000	45,616,513
Computers	737,991	-	34,772	-	-	772,763
Tools and implements	2,461,131	-	257,081	-	-	2,718,212
Electrical installation	1,618,018	-	-	-	-	1,618,018
Air conditioners	384,646	-	61,535	-	-	446,181
Office equipment	188,781	-	47,702	-	-	236,483
Furniture and fittings	252,321	392,793	34,714	-	-	679,828
Renovation	402,732	36,600	21,570	-	-	460,902
Motor vehicles	1,056,208	271,870	901,417	-	-	2,229,495
Construction in progress	-	-	6,376,698	-	-	6,376,698
Assets under installation	450,000	-	-	-	(450,000)	-
	45,833,541	6,706,129	16,724,751	(719,450)	-	68,544,971

The Group

Accumulated depreciation	Beginning of year RM	Charge for the year RM	Disposals RM	End of year RM
2007:				
At 1997 valuation:				
Building	1,931,510	213,332	-	2,144,842
At cost:				
Buildings	758,864	684,486	-	1,443,350
Plant and machinery	16,844,791	4,848,138	(50,904)	21,642,025
Computers	549,960	68,124	-	618,084
Tools and implements	1,291,751	275,780	-	1,567,531
Electrical installation	721,821	149,680	-	871,501
Air conditioners	280,406	29,715	-	310,121
Office equipment	129,024	24,467	-	153,491
Furniture and fittings	148,993	99,797	-	248,790
Renovation	260,253	47,873	-	308,126
Motor vehicles	619,038	353,848	(130,949)	841,937
	23,536,411	6,795,240	(181,853)	30,149,798

10. PROPERTY, PLANT AND EQUIPMENT (continued)

Accumulated depreciation	Beginning of year RM	Charge for the year RM	Disposals RM	End of year RM
2006:				
At 1997 valuation:				
Building	1,718,178	213,332	-	1,931,510
At cost:				
Buildings	479,538	279,326	-	758,864
Plant and machinery	13,691,276	3,640,911	(487,396)	16,844,791
Computers	455,750	94,210	-	549,960
Tools and implements	1,037,864	253,887	-	1,291,751
Electrical installation	581,668	140,153	-	721,821
Air conditioners	248,333	32,073	-	280,406
Office equipment	107,736	21,288	-	129,024
Furniture and fittings	111,093	37,900	-	148,993
Renovation	218,668	41,585	-	260,253
Motor vehicles	357,501	261,537	-	619,038
	19,007,605	5,016,202	(487,396)	23,536,411

	The Group	
	2007 RM	2006 RM
Net book value		
At 1997 valuation:		
Building	1,055,158	1,268,490
At cost:		
Buildings	11,882,043	3,431,014
Plant and machinery	34,616,840	28,771,722
Computers	208,797	222,803
Tools and implements	1,979,335	1,426,461
Electrical installation	892,047	896,197
Air conditioners	136,060	165,775
Office equipment	99,092	107,459
Furniture and fittings	858,238	530,835
Renovation	161,300	200,649
Motor vehicles	1,446,523	1,610,457
Construction in progress	1,268,921	6,376,698
	54,604,354	45,008,560

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

10. PROPERTY, PLANT AND EQUIPMENT (continued)

Had the building been carried at historical cost, the carrying amount of the revalued building will be as follows:

	The Group	
	2007 RM	2006 RM
At cost	2,367,295	2,367,295
Accumulated depreciation	(1,997,380)	(1,828,287)
Carrying amount	369,915	539,008

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM16,411,643 (2006: RM16,724,751) of which RM3,030,028 (2006: 8,358,668) was acquired by means of hire-purchase while the balance of RM13,381,615 (2006: RM8,366,083) was paid by cash.

In 2006, certain plant and machinery of the Group which was acquired in 2005 with an aggregate cost of RM314,000 was used to obtain hire-purchase finance of RM300,640.

As of December 31, 2007, the net carrying amount of property, plant and equipment of the Group acquired under hire-purchase arrangements of which instalments are still outstanding are as follows:

	The Group	
	2007 RM	2006 RM
Plant and machinery	12,438,590	19,083,419
Motor vehicles	1,304,548	1,543,943
	13,743,138	20,627,362

As of December 31, 2007, certain property, plant and equipment of the Group with a total carrying value of RM35,881,813 (2006: RM22,565,904) are charged to a local licenced bank as securities for banking facilities granted to the Group as mentioned in Note 26.

11. PREPAID LEASE PAYMENTS

	The Group	
	2007 RM	2006 RM
Short leasehold land:		
At beginning of year	4,021,054	4,105,264
Amortisation for the year	(84,210)	(84,210)
At end of year	3,936,844	4,021,054

The short leasehold land is charged to a local licensed bank as securities for banking facilities granted to the Group as mentioned in Note 26.

The short leasehold land was revalued on September 23, 1997 based on the reports by independent firms of professional valuers using open market values on existing use. As allowed by transitional provisions, the Group retained the unamortised revalued amount as surrogate carrying amount of prepaid lease payments. Such prepaid lease payments shall be amortised over the remaining lease term. As of December 31, 2007, the unexpired lease period of the short leasehold land is 44 years.

12. GOODWILL

	The Group 2007 RM	The Group 2006 RM
At beginning of year	25,252	-
Goodwill arising from reverse acquisition of the Company by Dufu Industries Sdn. Bhd.	-	25,252
At end of year	25,252	25,252

13. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company 2007 RM	The Company 2006 RM
Unquoted shares, at cost	32,899,998	32,899,998

The subsidiary companies are as follows:

	Country of incorporation	Principal activity	Percentage of ownership 2007	Percentage of ownership 2006
Direct holdings				
Dufu Industries Sdn. Bhd.	Malaysia	Design, develop, manufacture, assemble and trade of die components and precision machining of vice, computer peripherals and parts, for hard disk drive.	100%	100%
I.P.G. Metal Industry (M) Sdn. Bhd.	Malaysia	Manufacture of precision steel moulds and parts and components for electronic equipment.	100%	100%
Indirect holdings				
Dufu Industries Services Pte. Ltd.*#	Singapore	Processing and trading of high quality computer disk-drive related components.	100%	100%

* This company is wholly owned by Dufu Industries Sdn. Bhd.
\# The financial statements of this subsidiary company were audited by auditors other than the auditors of the Company.

In 2006, the Company acquired 100% of the issued and fully paid-up capital of Dufu Industries Sdn. Bhd. and I.P.G. Metal Industry (M) Sdn. Bhd. for a purchase consideration of RM29,110,000 and RM3,789,998 respectively satisfied by the issuance of 58,220,000 and 7,579,996 new ordinary shares of RM0.50 each in the Company at par respectively. The purchase considerations for the acquisitions were determined based on Dufu Industries Sdn. Bhd. and I.P.G. Metal Industry (M) Sdn. Bhd.'s net tangible assets as of December 31, 2005.

Upon the completion of the acquisition of Dufu Industries Sdn. Bhd., the Company became the legal parent company of Dufu Industries Sdn. Bhd. in 2006. Due to the relative values of the companies, the former Dufu Industries Sdn. Bhd.'s shareholders became the majority shareholders through the issue of 58,220,000 new ordinary shares of RM0.50 each in the Company, controlling about 100% of the share capital of the Company at this time. Further, the Company's continuing operations and executive management were those of Dufu Industries Sdn. Bhd.. Accordingly, the substance of the business combination was that Dufu Industries Sdn. Bhd. acquired the Company in a reverse acquisition.

13. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

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

The fair value of the Company amounted to a net liability of RM25,252 as of August 30, 2006. As the shareholders of Dufu Industries Sdn. Bhd. got an interest in the combined entity of about 100%, Dufu Industries Sdn. Bhd. would not have to issue any share to the shareholders of the Company. Thus, the cost of business combination is nil.

The assets and liabilities arising from the reverse acquisition in 2006 were as follows:

	Unaudited August 30, 2006 RM
Net assets acquired:	
Other assets	459,080
Cash and bank balances	4,704
Trade and other payables	(489,036)
Share of net assets acquired	(25,252)
Add: Goodwill on consolidation	25,252
Total purchase consideration	-

The assets and liabilities arising from the acquisition of I.P.G. Metal Industry (M) Sdn. Bhd. in 2006 were as follows:

	Unaudited August 30, 2006 RM
Net assets acquired:	
Property, plant and equipment	6,706,129
Inventories	1,916,863
Trade and other receivables	2,403,074
Other assets	177,536
Fixed deposit with a licenced bank	500,000
Cash and bank balances	182,649
Trade and other payables	(2,366,769)
Hire-purchase payables	(4,119,458)
Bank borrowings	(1,137,938)
Current tax liabilities	(385)
Deferred tax liabilities	(126,000)
Shares of net assets acquired	4,135,701
Less: Negative goodwill on consolidation	(345,703)
Total purchase consideration	3,789,998
Net cash outflow arising on acquisitions:	
Total cash considerations	-
Add: Cash and cash equivalents acquired	107,585
Acquisition of subsidiary companies, net of cash and cash equivalents acquired	107,585

13. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

The effect of these acquisitions on the financial results of the Group in 2006 was as follows:

	The Group 2006 RM
Post-acquisition results of subsidiary companies acquired:	
Revenue	3,841,086
Other gains and losses	325,450
Changes in inventories of finished goods and work-in-progress	(517,970)
Raw materials consumed	(871,577)
Purchased of trading and semi-finished goods	(89,553)
Employee benefits expense	(982,860)
Depreciation of property, plant and equipment	(330,387)
Other expenses	(1,014,664)
Finance costs	(85,210)
Profit before tax	274,315
Income tax expense	(34,500)
Increase in Group's profit attributable to shareholders	239,815

14. OTHER INVESTMENTS

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
At cost:				
Investments in:				
Unit trusts	372,879	-	372,879	-
Club memberships	61,000	61,000	-	-
	433,879	61,000	372,879	-
Market value of:				
Unit trusts	372,879	-	372,879	-

15. INVENTORIES

	The Group	
	2007 RM	2006 RM
Raw materials	5,700,655	4,672,738
Work-in-progress	2,041,362	1,015,525
Finished goods	8,680,472	10,569,261
Tools and instruments	1,040,821	994,058
	17,463,310	17,251,582

15. INVENTORIES (continued)

The cost of inventories recognised as an expense during the year was RM86,465,803 (2006: RM75,331,222).

The Group reversed RM198,108 (2006: RM283,736) in respect of an inventory write-down made in prior years that was subsequently not required as the Group has used and scrapped of these inventories respectively. The cost of inventories recognised as an expense in respect of write-down of inventories to net realisable value during the year was RM563,870 (2006: Nil).

As of December 31, 2007, certain inventories of the Group with a total carrying value of RM9,372,160 (2006: RM8,244,789) are pledged to a local licenced bank as securities for banking facilities granted to the Group as mentioned in Note 26.

16. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Trade receivables	29,354,332	22,541,216	-	-
Other receivables	1,245,624	465,287	-	-
Amount owing by subsidiary companies	-	-	28,564,037	-
	30,599,956	23,006,503	28,564,037	-

Analysis of trade and other receivables by currencies:

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
United States Dollar	23,979,202	17,103,848	-	-
Ringgit Malaysia	6,445,563	5,146,211	28,564,037	-
Singapore Dollar	173,537	756,444	-	-
Euro	1,654	-	-	-
	30,599,956	23,006,503	28,564,037	-

Trade receivables comprise amounts receivable for the sale of goods. The credit periods granted on sales of goods range from 30 to 90 days (2006: 30 to 90 days).

The amount owing by subsidiary companies arose mainly from advances which are unsecured, interest free and have no fixed term of repayment.

The amount owing by subsidiary companies are as follows:

	The Company	
	2007 RM	2006 RM
Dufu Industries Sdn. Bhd.	23,905,550	-
I.P.G. Metal Industry (M) Sdn. Bhd.	4,658,487	-
	28,564,037	-

16. TRADE AND OTHER RECEIVABLES (continued)

Included in the following accounts of the Group are amounts owing by the following related parties:

	The Group	
	2007	2006
	RM	RM
Trade receivables:		
Crest Focus Sdn. Bhd. *	8,991	-
Seraimas Electronics Sdn. Bhd. *	4,098	165,501
Flexi Power Sdn. Bhd. *	2,500	-
Other receivables:		
Seraimas Electronics Sdn. Bhd. *	30,000	66,693

* A director of the Company, Mr. Hsu, Chin-Shui is also a director of these companies.

The financial statements of the Group and of the Company reflect the following significant related party transactions which are based on terms negotiated between the Group and the Company and its related parties :

	The Group		The Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
With related parties				
Seraimas Electronics Sdn. Bhd.				
Sales of tools	101,933	-	-	-
Purchase of finished goods	14,049	399,362	-	-
Flexi Power Sdn. Bhd.				
Sales of tools	15,850	-	-	-
Crest Focus Sdn. Bhd.				
Sales of finished goods	15,640	-	-	-
I.P.G. Metal Industry (M) Sdn. Bhd.#				
Purchase of raw materials and semi-finished goods	-	3,137,666	-	-
Rental of premises	-	96,000	-	-
Sales of finished goods	-	17,484	-	-

A director of the Company, Mr. Lee, Hui-Ta also known as Li Hui Ta is also a director of this company. On August 30, 2006, this company became a subsidiary company upon the Company's acquisition of this company.

17. OTHER ASSETS

	The Group		The Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Prepaid expenses	577,946	1,481,747	-	699,754
Deposits	144,786	106,509	-	-
	722,732	1,588,256	-	699,754

18. CASH AND CASH EQUIVALENTS

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

	The Group		The Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Fixed deposits with a licenced bank	546,729	500,000	-	-
Cash and bank balances	4,125,359	3,077,575	1,108,458	4,679
Bank overdraft (Note 26)	(793,361)	(3,219,173)	-	-
	3,878,727	358,402	1,108,458	4,679
Less: Fixed deposits held as security value	(546,729)	(500,000)	-	-
	3,331,998	(141,598)	1,108,458	4,679

The fixed deposits held as security value are pledged to a local bank for banking facilities granted to the Group as mentioned in Note 26.

The fixed deposits with a licenced bank bear interest at a rate of 3.7% (2006: 3.7%) per annum and are maturing in August 2008.

Analysis of cash and cash equivalents by currencies:

	The Group		The Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
United States Dollar	1,803,273	2,719,328	-	-
Singapore Dollar	411,532	275,628	-	-
Ringgit Malaysia	1,117,193	(3,136,554)	1,108,458	4,679
	3,331,998	(141,598)	1,108,458	4,679

19. SHARE CAPITAL

	The Group and the Company			
	2007		2006	
Authorised	No. of shares of RM0.50 each	RM	No. of shares of RM1 each before sub-division and RM0.50 each after sub-division	RM
Shares:				
At beginning of year	200,000,000	100,000,000	*100,000	100,000
Sub-division	-	-	**100,000	-
Created during the year	-	-	**199,800,000	99,900,000
At end of year	200,000,000	100,000,000	**200,000,000	100,000,000

(FORWARD)

19. SHARE CAPITAL (continued)

	The Group and the Company			
	2007		2006	
	No. of shares of RM0.50 each	RM	No. of shares of RM1 each before sub-division and RM0.50 each after sub-division	RM
Issued and fully paid				
At beginning of year				
Ordinary shares of RM0.50 (2006: RM1 each)	65,800,000	32,900,000	5,000,000	5,000,000
New ordinary shares of RM0.50 each issued pursuant to the				
Public issue	24,200,000	12,100,000	-	-
Acquisition of I.P.G. Metal Industry (M) Sdn. Bhd.	-	-	7,579,996	3,789,998
	24,200,000	12,100,000	7,579,996	3,789,998
Adjustment arising from the reverse acquisition#:				
Issued equity instruments of the Company prior to the acquisition	-	-	4	2
New ordinary shares of RM0.50 each issued by the Company pursuant to the acquisition of Dufu Industries Sdn. Bhd.	-	-	58,220,000	29,110,000
Reversal of Dufu Industries Sdn. Bhd.'s shares pursuant to reverse acquisition	-	-	(5,000,000)	(5,000,000)
Adjustment taken to other reserves (Note 21)	-	-	53,220,004	24,110,002
At end of year	90,000,000	45,000,000	#65,800,000	32,900,000
Issued and fully paid				
At beginning of year	65,800,000	32,900,000	*2	2
Sub-division	-	-	**2	-
	65,800,000	32,900,000	**4	2
Issued during the year				
Public issue	24,200,000	12,100,000	-	-
Allotment in exchange of shares in subsidiary companies	-	-	**65,799,996	32,899,998
At end of year	90,000,000	45,000,000	**65,800,000	32,900,000

* shares of RM1 each
** shares of RM0.50 each

19. SHARE CAPITAL (continued)

In 2006, upon the completion of the acquisition of Dufu Industries Sdn. Bhd., the Company became the legal parent company of Dufu Industries Sdn. Bhd.. Due to the relative values of the companies, the former Dufu Industries Sdn. Bhd.'s shareholders became the majority shareholders through the issue of 58,220,000 new ordinary shares of RM0.50 each, controlling about 100% of the share capital of the Company at this time. Further, the Company's continuing operations and executive management are those of Dufu Industries Sdn. Bhd.. Accordingly, the substance of the business combination is that Dufu Industries Sdn. Bhd. acquired the Company in a reverse acquisition.

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

During the financial year, the issued and paid-up ordinary share capital of the Company was increased from RM32,900,000 divided into 65,800,000 ordinary shares of RM0.50 each to RM45,000,000 divided into 90,000,000 ordinary shares of RM0.50 each by way of public issue of 24,200,000 new ordinary shares of RM0.50 each at an issue price of RM0.70 each.

In 2006, the issued and paid-up ordinary share capital of the Company was increased from RM2 divided into 4 ordinary shares of RM0.50 each to RM32,900,000 divided into 65,800,000 ordinary shares of RM0.50 each by way of:

a) an issue of 58,220,000 new ordinary shares of RM0.50 each at par pursuant to the acquisition of Dufu Industries Sdn. Bhd.; and

b) an issue of 7,579,996 new ordinary shares of RM0.50 each at par pursuant to the acquisition of I.P.G. Metal Industry (M) Sdn. Bhd..

The new ordinary shares issued rank pari passu with the then existing ordinary shares of the Company.

20. RETAINED EARNINGS

Retained earnings is distributable reserve that is available for distribution by way of dividends. The entire retained earnings of the Company as of December 31, 2007 is available for distribution by way of cash dividends without additional tax liabilities being incurred.

21. OTHER RESERVES

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Reverse acquisition reserve (Note 19)	(24,110,002)	(24,110,002)	-	-
Revaluation reserve	2,355,479	2,454,029	-	-
Foreign currency translation reserve	(14,242)	(6,535)	-	-
Share premium	3,253,474	-	3,253,474	-
	(18,515,291)	(21,662,508)	3,253,474	-

21. OTHER RESERVES (continued)

The revaluation reserve is used to record increase and decrease in revaluation of non-current assets, as described in the accounting policies. This amount arose from the revaluation of the Group's leasehold land and building as disclosed in Notes 10 and 11, net of the related deferred tax liabilities.

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

Share premium of the Group and of the Company arose from allotments of ordinary shares at premium net of share issue expenses.

22. LONG-TERM LOANS

	The Group	
	2007	**2006**
	RM	**RM**
Secured:		
Amount outstanding	13,426,524	11,523,532
Less: Portion due within one year	(1,482,312)	(1,056,966)
Portion due after one year	11,944,212	10,466,566

The portion due after one year is repayable as follows:

	The Group	
	2007	**2006**
	RM	**RM**
Later than 1 year and not later than 2 years	1,085,127	1,042,553
Later than 2 years and not later than 5 years	2,493,567	2,914,957
Later than 5 years	8,365,518	6,509,056
	11,944,212	10,466,566

The long-term loans obtained from a local licenced bank bear interest at rate of 1.00% per annum below the lending bank's base lending rate and are secured by charges as mentioned in Note 26.

The effective interest rate for the long-term is 5.75% (2006: 5.75% to 7.75%).

23. HIRE-PURCHASE PAYABLES

	The Group	
	2007	2006
	RM	RM
Total amount outstanding	9,903,135	16,843,301
Less: Interest-in-suspense outstanding	(1,282,338)	(1,890,976)
Principal outstanding	8,620,797	14,952,325
Less: Portion due within one year	(4,021,725)	(5,875,730)
Portion due after one year	4,599,072	9,076,595

Portion due after one year is repayable as follows:

	The Group	
	2007	2006
	RM	RM
Later than 1 year and not later than 2 years	2,645,672	4,964,023
Later than 2 years and not later than 5 years	1,925,759	4,058,708
Later than 5 years	27,641	53,864
	4,599,072	9,076,595

It is the Group's policy to acquire certain of their property, plant and equipment under hire-purchase arrangement. The terms of hire-purchase range from 3 to 8.5 years. The effective borrowing rates range from 4.55% to 9.77% (2006: 4.55% to 9.77%) per annum. Interest rate is fixed at the inception of the hire-purchase arrangements.

The Group's hire-purchase payables are secured by the financial institutions' charges over the assets under hire-purchase. Certain of the hire-purchase payables are also guaranteed by the Company.

24. DEFERRED TAX LIABILITIES

	The Group	
	2007	2006
	RM	RM
At beginning of year	2,100,715	2,008,039
Arising from acquisition of subsidiary company	-	126,000
Transfer to income statements	(89,955)	(33,324)
At end of year	2,010,760	2,100,715

A deferred tax income of RM38,324 (2006: RM38,324) was recognised by the Group by a transfer from the deferred tax liabilities of the Group to the income statements. This relates to the difference between the actual depreciation on the revalued properties and equivalent depreciation based on the cost of the properties of the Group. In addition, an amount of RM98,550 (2006: RM98,550) was transferred from revaluation reserve of the Group to retained earnings.

24. DEFERRED TAX LIABILITIES (continued)

The deferred tax liabilities are in respect of the following:

	Deferred tax (liabilities)/ assets The Group	
	2007 RM	2006 RM
Tax effect of revaluation surplus	(916,033)	(954,357)
Tax effect of temporary differences in respect of:		
Property, plant and equipment	(2,614,246)	(1,553,358)
Others	177,519	192,000
Tax effect in respect of:		
Unutilised reinvestment allowances	1,143,000	-
Unabsorbed capital allowances	199,000	215,000
	(2,010,760)	(2,100,715)

25. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Trade payables	12,057,094	13,206,122	-	-
Amount owing to a subsidiary company	-	-	-	730,190
Other payables	5,038,984	4,324,402	-	-
Accrued expenses	1,925,931	1,733,212	33,000	16,000
Deposits received	25,200	25,200	-	-
Interest payable	21,985	21,516	-	-
	19,069,194	19,310,452	33,000	746,190

Analysis of trade and other payables by currencies:

	The Group		The Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Ringgit Malaysia	7,630,057	6,550,321	33,000	746,190
United States Dollar	6,970,363	6,293,241	-	-
Singapore Dollar	4,233,150	5,915,280	-	-
Japanese Yen	230,338	551,610	-	-
Others	5,286	-	-	-
	19,069,194	19,310,452	33,000	746,190

Trade payables comprise amounts outstanding for trade purchases. The credit periods granted to the Group for trade purchases range from 30 to 120 days (2006: 30 to 120 days).

Amount owing to a subsidiary company in 2006 arose mainly from advances which are unsecured, interest free and have no fixed term of repayment.

Other payables and accrued expenses comprise amounts outstanding for ongoing costs.

25. TRADE AND OTHER PAYABLES (continued)

Included in the trade payables of the Group is amount owing to the following related party:

	The Group	
	2007	2006
	RM	RM
Seraimas Electronics Sdn. Bhd. *	-	53,986

* A director of the Company, Mr. Hsu, Chin-Hui is also a director of this company.

26. BANK BORROWINGS

	The Group	
	2007	2006
	RM	RM
Secured:		
Bank overdraft	793,361	3,219,173
Bankers' acceptances	294,000	2,517,000
	1,087,361	5,736,173

The Group's banking facilities bear interest at rates ranging from 1.25% to 1.75% per annum above the lending banks' base lending rates and acceptance commission of 1.25%.

These banking facilities including the long-term loans as mentioned in Note 22 are secured as follows:

i) legal charge over the Group's short leasehold land and building;
ii) debenture comprising fixed and floating charges over certain of the present and future assets of the Group;
iii) pledge against fixed deposits of the Group;
iv) corporate guarantee from the Company.

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

	The Group	
	2007	2006
	%	%
Bank overdraft	8.25	7.75 to 8.25
Bankers' acceptances	3.75 to 3.85	3.95 to 6.00

The bankers' acceptances are maturing within February to March 2008.

27. LEASE COMMITMENTS

As of December 31, 2007, non-cancellable long-term lease commitments in respect of rental of premises are as follows:

	The Group	
	2007	2006
	RM	RM
Not later than 1 year	166,752	116,569
Later than 1 year and not later than 5 years	319,919	4,134
	486,671	120,703

28. CAPITAL COMMITMENTS

	The Group	
	2007	2006
	RM	RM
Approved and contracted for:		
Construction of new factory building	3,569,929	2,853,000

29. CONTINGENT LIABILITIES – Unsecured

As of December 31, 2007, the Company is contingently liable for an amount of RM15,188,000 (2006: Nil) in respect of corporate guarantees given to a leasing company and a bank on credit facilities granted to and utilised by a subsidiary company.

30. SEGMENT REPORTING

Business Segments

For management purposes, the Group is organised into the following business segments:

- investment holdings
- manufacturing of industrial products (includes die components and precision machining of vice, computer peripherals and parts, for hard disk drive and precision steel moulds and parts and components for electronic equipment)
- trading of high quality computer disk-drive related components

Inter-segment revenue are charged on an arms length basis under terms, conditions and prices not materially different from transactions with unrelated parties.

	Investment holdings	Manufacturing	Trading	Elimination	Total
	RM	RM	RM	RM	RM
2007					
Revenue					
External sales	153,102	42,087,250	67,269,001	-	109,509,353
Inter-segment revenue	17,320,000	59,008,363	2,428,039	(78,756,402)	-
Total revenue	17,473,102	101,095,613	69,697,040	(78,756,402)	109,509,353
Results					
Segment results	17,075,177	14,399,471	547,759	(17,560,461)	14,461,946
Investment revenue					58,836
Finance costs					(1,747,825)
Profit before tax					12,772,957
Income tax expense					(620,006)
Profit for the year					12,152,951
Assets					
Segment assets	1,133,710	82,954,588	27,480,763	-	111,569,061
Income producing assets	372,879	546,729	-	-	919,608
Total assets	1,506,589	83,501,317	27,480,763	-	112,488,669

30. SEGMENT REPORTING (continued)

	Investment holdings RM	Manufacturing RM	Trading RM	Elimination RM	Total RM
Liabilities					
Segment liabilities	33,000	14,463,384	4,572,810	-	19,069,194
Borrowings	-	22,978,908	155,774	-	23,134,682
Income tax liabilities	-	1,996,033	14,727	-	2,010,760
Total liabilities	33,000	39,438,325	4,743,311	-	44,214,636
Other information					
Capital additions	-	16,386,325	25,318	-	16,411,643
Depreciation and amortisation	-	6,839,678	39,772	-	6,879,450
Non-cash expenses other than depreciation and amortisation	-	547,340	16,530	-	563,870
2006					
Revenue					
External sales	-	20,658,036	69,942,652	-	90,600,688
Inter-segment revenue	-	54,000,267	3,323,980	(57,324,247)	-
Total revenue	-	74,658,303	73,266,632	(57,324,247)	90,600,688
Results					
Segment results	(16,505)	10,002,904	293,250	(757,135)	9,522,514
Investment revenue					143,863
Finance costs					(1,278,379)
Negative goodwill					345,703
Profit before tax					8,733,701
Income tax expense					(871,945)
Profit for the year					7,861,756
Assets					
Segment assets	729,685	69,703,540	23,606,557	-	94,039,782
Income producing assets	-	500,000	-	-	500,000
Total assets	729,685	70,203,540	23,606,557	-	94,539,782

30. SEGMENT REPORTING (continued)

	Investment holdings RM	Manufacturing RM	Trading RM	Elimination RM	Total RM
Liabilities					
Segment liabilities	16,000	11,599,601	7,694,851	-	19,310,452
Borrowings	-	32,028,615	183,415	-	32,212,030
Income tax liabilities	-	2,160,179	81,806	-	2,241,985
Total liabilities	16,000	45,788,395	7,960,072	-	53,764,467
Other information					
Capital additions	-	16,661,822	62,929	-	16,724,751
Depreciation and amortisation	-	5,032,972	67,440	-	5,100,412
Non-cash expenses other than depreciation and amortisation	-	2	51,846	-	51,848

Geographical segments

The Group's operations are located in Malaysia, and Singapore. The Group's manufacturing of industrial products is located in Malaysia, whereas the trading of high quality computer disk drive related components is located in Singapore.

The following is an analysis of the Group's revenue by geographical market, irrespective of the origin of the goods/ services:

	Sales revenue by geographical market	
	2007 RM	2006 RM
People's Republic of China	31,086,730	25,084,743
Thailand	25,871,031	23,291,815
Malaysia	24,883,543	15,485,006
Singapore	11,653,580	21,295,228
Others	16,014,469	5,443,896
	109,509,353	90,600,688

The following is an analysis of the carrying amount of segment assets and capital additions by the geographical area in which the assets are located:

	2007		2006	
	Carrying amount of segment assets RM	Capital additions RM	Carrying amount of segment assets RM	Capital additions RM
Malaysia	84,088,298	16,386,325	70,433,225	16,661,822
Singapore	27,480,763	25,318	23,606,557	62,929
	111,569,061	16,411,643	94,039,782	16,724,751

31. FINANCIAL INSTRUMENTS

a. Financial Risk Management Objectives and Policies

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

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

i. Foreign currency risk

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

ii. Interest rate risk

The Group's exposure to changes in interest rate risk relates primarily to the Group's fixed deposits with licensed banks and financing through bank borrowings, term loans and hire-purchases. To manage this risk, the Group maintains a prudent mix of fixed and floating rate borrowings. The Group ensures that it obtains borrowings at most competitive rates. The fixed deposits are placed with reputable banks. The Group does not use derivative financial instruments to hedge its risk.

iii. Market risk

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

iv. Credit risk

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

v. Liquidity risk

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

vi. Cash flow risk

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

b. Credit risk

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

31. FINANCIAL INSTRUMENTS (continued)

c. Fair values

The carrying amounts and the estimated fair values of the Group and of the Company's financial instruments as of December 31, 2007 are as follows:

	2007		2006	
	Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
The Group				
Financial Assets:				
Unit trusts	372,879	372,879	-	-
Investment in club memberships	61,000	61,000	61,000	61,000
Financial Liabilities:				
Long-term loans	13,426,524	13,426,524	11,523,532	11,523,532
Hire-purchase payables	8,620,797	8,620,797	14,952,325	14,952,325
The Company				
Financial Assets:				
Unit trusts	372,879	372,879	-	-

The fair values of investment in club memberships are estimated using current membership entrance fees. The fair value of unit trusts is based on quoted market prices at balance sheet date.

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

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

The fair value of contingent liabilities is nil as the possibility of outflow of resources is remote.

32. CHANGES IN ACCOUNTING POLICIES

The adoption of new and revised FRSs and IC Interpretations as set out in Note 3 has no material impact on the financial statements of the Group except for the adoption of the following FRSs:

a. FRS 112 Income Taxes

With the removal of the relevant provisions in FRS112$_{2004}$ which explicitly prohibit the recognition of deferred tax on reinvestment allowances or other allowances in excess of capital allowances, entities can now account for these items as deferred tax assets.

The Group has early adopted the revised standard and now accounts for reinvestment allowances received upon acquisition of qualifying assets as deferred tax assets.

This change constitutes a change in accounting policy which has been applied in accordance with FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors, i.e. retrospectively by recording a prior year adjustment. This change has no impact on the Group's financial statements for the years ended December 31, 2006 and 2005. The effect of the change in accounting policy as mentioned above for the financial year ended December 31, 2007 is to increase profit for the year by RM1,143,000 and a corresponding decrease in income tax expense and deferred tax liabilities by RM1,143,000.

32. CHANGES IN ACCOUNTING POLICIES (continued)

b. FRS 117 Leases

Prior to January 1, 2007, leasehold land was classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment losses. The adoption of the revised FRS 117 has resulted in a change in the accounting policy relating to the classification of leases of land and buildings. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. Leasehold land is now classified as operating lease and where necessary, the minimum lease payments or the up-front payments made are allocated between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid land lease payments and are amortised on a straight-line basis over the lease term.

The Group has applied the change in accounting policy in respect of leasehold land in accordance with the transitional provisions of FRS 117. At January 1, 2007, the unamortised amount of leasehold land is retained as the surrogate carrying amount of prepaid land lease payments as allowed by the transitional provisions. The reclassification of leasehold land as prepaid land lease payments has been accounted for retrospectively and the comparatives as of December 31, 2006 have been restated.

	As previously reported RM	Effect of adoption of FRS 117 RM	As restated RM
Balance sheets as of January 1, 2006			
Property, plant and equipment	30,931,200	(4,105,264)	26,825,936
Prepaid lease payments	-	4,105,264	4,105,264
Income statements for the year ended December 31, 2006			
Depreciation of property, plant and equipment	5,100,412	(84,210)	5,016,202
Amortisation of prepaid lease payments	-	84,210	84,210
Balance sheets as of December 31, 2006			
Property, plant and equipment	49,029,614	(4,021,054)	45,008,560
Prepaid lease payments	-	4,021,054	4,021,054

The relevant comparative figures have been reclassified on the face of the Group's income statements and balance sheets so as to conform with the effects of adoption of this FRS.

Statements by Directors

The directors of **DUFU TECHNOLOGY CORP. BERHAD** state that, in their opinion, the accompanying balance sheets and the related statements of income, changes in equity and cash flows, are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable MASB approved accounting standards in Malaysia, so as to give a true and fair view of the state of affairs of the Group and of the Company as of December 31, 2007 and of their results and cash flows for the year ended on that date.

Signed in accordance with
a resolution of the Directors,

LEE, HUI-TA ALSO KNOWN AS LI HUI TA

HSU, CHIN-SHUI

Penang,

March 19, 2008

Declaration by the Director Primarily Responsible for the Financial Management of the Company

I, **LEE, HUI-TA ALSO KNOWN AS LI HUI TA**, the director primarily responsible for the financial management of **DUFU TECHNOLOGY CORP. BERHAD**, do solemnly and sincerely declare that the accompanying balance sheets and the related statements of income, changes in equity and cash flows, are, in my opinion, 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 the abovenamed **LEE, HUI-TA ALSO KNOWN AS LI HUI TA** at **GEORGETOWN**
in the State of **PENANG** on March 19, 2008

Before me,

KARUPAYEE KAMALAM A/P R.MOTTAI
COMMISSIONER FOR OATHS

Analysis of Shareholdings

SHARE CAPITAL AS AT APRIL 30, 2008

Authorized	:	RM100,000,000.00
Issued and Fully paid-up	:	RM45,000,000.00
Class of Share	:	Ordinary Shares of RM0.50 each with equal voting rights
Number of Shareholders	:	2,253

DISTRIBUTION OF SHAREHOLDERS AS AT APRIL 30, 2008

Holdings	No. of Holders	Total Holdings	%
1 - 99	2	100	0.00
100 - 1,000	251	241,700	0.27
1,001 - 10,000	1,447	7,602,900	8.45
10,001 – 100,000	491	15,952,600	17.72
100,001 – 4,499,999	58	18,682,701	20.76
4,500,000 and above	4	47,519,999	52.80
Total	2,253	90,000,000	100.00

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT APRIL 30, 2008

	Name	Shareholdings	%
1	Lee, Hui-Ta @ Li Hui Ta	15,691,000	17.43
2	Hsu, Chin-Shui	15,691,000	17.43
3.	Lembaga Tabung Haji	9,000,000	10.00
4.	Wong Ser Yian	7,137,935	7.93
5.	Yong Poh Yow	3,326,001	3.70
6.	Ahmad Shafruddin Bin Arshad	950,000	1.06
7.	Yen, Chien-Chang	915,000	1.02
8.	Mohamed Al Amin Bin Abdul Majid	876,500	0.97
9.	Yu, Tsung-Te	795,500	0.88
10.	HSBC Nominees (Asing) Sdn. Bhd. Qualifier: Exempt An for Morgan Stanley & Co. International PLC	730,000	0.81
11.	Pang Chau Lai	601,900	0.67
12.	Lim Toh Heok	510,000	0.57
13.	Chen, Ming-Lung	500,000	0.56
14.	Mayban Nominees (Tempatan) Sdn. Bhd. Qualifier: Pledged securities account for Yeoh Kee Leng	410,100	0.46
15.	Citigroup Nominees (Tempatan) Sdn. Bhd. Qualifier: Pledged securities account for Sow Suu Tang (472629)	400,000	0.44
16.	Public Nominees (Tempatan) Sdn. Bhd. Qualifier: Pledged securities account for Teh Eng Huat (E-TAI)	390,000	0.43
17.	AllianceGroup Nominees (Tempatan) Sdn. Bhd. Qualifier: Pledged securities account for Ng Wai Peng (8038463)	361,000	0.40
18.	Tan Ah Wah	360,000	0.40
19.	Mayban Nominees (Tempatan) Sdn. Bhd. Qualifier: Pledged securities account for Gan Bee Ean	313,000	0.35
20.	Yang Li Hsin	300,000	0.33
21.	Leow Kok Hooi	300,000	0.33
22.	Lim Bocy Hoey	263,500	0.29
23.	Eg Kaa Chee	260,800	0.29
24.	HLB Nominees (Tempatan) Sdn. Bhd. Qualifier: Pledged securities account for Hwang Then Foo @ Ng Thiam Hock	250,000	0.28

Analysis of Shareholdings (continued)

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT APRIL 30, 2008 (continued)

Name	Shareholdings	%
25. Ho Chu Chai	232,300	0.26
26. Ng May Choo	230,000	0.26
27. Yong Say Kow @ Yong Tong Long	225,400	0.25
28. Gan Kian Sin	216,000	0.24
29. Lai Mooi Far	212,800	0.24
30. Public Nominees (Tempatan) Sdn. Bhd. Qualifier: Pledged securities account for Felix Wong Khung Chui (E-PDG)	208,400	0.23

SUBSTANTIAL SHAREHOLDERS AS AT APRIL 30, 2008

	Direct		Indirect	
Name	No. of shares held	%	No. of shares held	%
1. Lee, Hui-Ta @ Li Hui Ta	15,691,032	17.43	-	-
2. Hsu, Chin-Shui	15,691,032	17.43	-	-
3. Lembaga Tabung Haji	9,000,000	10.00	-	-
4. Wong Ser Yian	7,137,935	7.93	-	-

DIRECTORS' SHAREHOLDINGS AS AT APRIL 30, 2008

	Direct		Indirect	
Name	No. of shares held	%	No. of shares held	%
1. Lee, Hui-Ta @ Li Hui Ta	15,691,032	17.43	-	-
2. Hsu, Chin-Shui	15,691,032	17.43	-	-
3. Yong Poh Yow	3,326,001	3.70	-	-
4. Lee Kah Kheng	-	-	-	-
5. Baqir Hussain Bin Hatim Ali	-	-	-	-
6. Khoo Lay Tatt	-	-	-	-

List of Properties

OWNER-OCCUPIED PROPERTIES

Title/ Location	Tenure/Date of expiry of lease	Description/ Existing use (approximate age of building)	Land area/ Built-up area	Net book value as at 31.12.2007 (RM)	Date of last revaluation	Date of acquisition
Registered Owner:	60 years leasehold expiring 26.12.2051	* Industrial complex	177,691 sq. feet	3,936,844	1997	-
Land P.T. No. 1886 (Resurveyed Lot 12354) held under Title No. H.S. (D) 11985, Mukim 12, Daerah Barat Daya, Penang		- 2 Single-Storey office-cum-production building (17 & 10 years)				
		- 1 double-storey office-cum-production building (3 years)	67,996 sq. feet	4,206,846		
Building Plot 19 Free Industrial Zone, Phase IV, Bayan Lepas 11900 Penang		- 1 three-storey production building (1 year)	63,550 sq. feet	8,730,355		
			TOTAL	**16,874,045**		

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

Proxy Form

No of ordinary shares held

I/We ____

(*NRIC No./Company No ______________________) of ______________________

____

being a *Member/Members of DUFU TECHNOLOGY CORP. BERHAD hereby appoint ______________________

(*NRIC No./Passport No. ______________________) of ______________________

or failing him ____

(*NRIC No./Passport No. ______________________) of ______________________

as my/our proxy to vote for me/us and on my/our behalf at the Sixth Annual General Meeting * of the Company to be held at Room 6, Level 1, Vistana Hotel, 213 Jalan Bukit Gambir, Bukit Jambul, 11950 Penang on the Friday, 27 June 2008 at 9.00 a.m. and, at every adjournment thereof to vote as indicated below:-

(Please indicate with an "X" in the space provided above on how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his discretion)

RESOLUTIONS	FOR	AGAINST
1. To approve the payment of Directors' Fee of Amount up to RM216,000 for the financial year ending 31 December 2008.		
2. To declare a Final Dividend of 1.5 Sen per share exempt from Income Tax for the year ended 31 December 2007.		
To re-elect the following Directors retiring under the Article 97(1) of the Articles of Association of the Company, and who, being eligible offer themselves for re-election:- 3. Khoo Lay Tatt 4. Baqir Hussain Bin Hatim Ali		
5. To re-appoint Messrs. Deloitte KassimChan as Auditors of the Company for the ensuing year and to authorize the Board of Directors to fix their remuneration.		
6. To pass the following resolution as Special Business :- **Ordinary Resolution** Authority to Issue Shares pursuant to Section 132D of the Companies Act, 1965.		

The Proportions of my holdings to be represented by my *proxy/proxies are as follows:-

First named Proxy - __________%

Second named Proxy - __________%

100.00 %

In case of a vote taken by a show of hands, the First Proxy shall vote on *my/our behalf.

*** Strike out whichever is not desired.**

Signature of Shareholder(s) ______________________

Signed this __________ day of ______________ , 2008.

Notes:

A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.

To be valid, the duly completed proxy form must be deposited at the registered office of the Company at 57-1 Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang not less than forty-eight (48) hours before the time for holding the meeting.

A member shall be entitled to appoint up to two (2) proxies to attend and vote at the same meeting. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

If the appointor is a corporation, the proxy form must be executed under its Common Seal or under the hand of its attorney.

FOLD ALONG THIS LINE

STAMP

THE COMPANY SECRETARIES

DUFU TECHNOLOGY CORP. BERHAD
57-1 Persiaran Bayan Indah,
Bayan Bay, Sungai Nibong,
11900 Penang.

FOLD ALONG THIS LINE

DUFU TECHNOLOGY CORP. BERHAD (581612-A)

19, Hilir Sungai Keluang 2,
Taman Perindustrian Bayan Lepas,
Fasa IV, 11900 Penang,
Malaysia.
Tel : 04-6161 300
Fax: 04-6161 302
Website : www.dufu.com.my