DUFU TECHNOLOGY CORP. BERHAD

(581612-A)

Annual Report 2008

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Seventh Annual General Meeting of the Company will be held at Room 4, Level 1, Vistana Hotel, 213 Jalan Bukit Gambir, Bukit Jambul, 11950 Penang on Monday, 29 June 2009 at 9.00 a.m. for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements for the year ended 31 December 2008 together with the reports of the Directors and Auditors thereon. (Please refer Note A)

2. To approve the payment of Directors' Fee of up to RM216,000 for the financial year ending 31 December 2009. (Resolution 1)

3. To declare a First and Final Dividend of 1 Sen per share exempt from Income Tax for the year ended 31 December 2008. (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 offered themselves for re-election:-

   a. Hsu, Chin-Shui; (Resolution 3)
   b. Lee Kah Kheng (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 the Company's Articles of Association and approvals from the Bursa Malaysia Securities Berhad ("Bursa Securities") and other relevant governmental/regulatory authorities where such authority shall be necessary, the Board of Directors be and is hereby authorized 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 Securities." (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
1 June 2009

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.

Proxy:

An individual member shall be entitled to appoint only one (1) proxy and a corporate member is entitled to appoint up to two (2) proxies to attend and vote at the same meeting. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.

Where a corporate member appoints more than one (1) proxy, the appointment shall be invalid unless it specifies the proportions of its 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.

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.

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 10% (ten per centum) 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 page 7 to 9 of this Annual Report 2008. The details of their respective interests in the securities of the Company are set out in the Analysis of Shareholdings which appear on page 70 of this Annual Report 2008.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN that the First and Final Dividend of 1 Sen per share exempt from Income Tax for the year ended 31 December 2008, if approved, will be paid on 29 July 2009 to depositors registered in the Records of Depositors on 30 June 2009.

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 2009 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
1 June 2009

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 Non-Executive Director
Baqir Hussain Bin Hatim Ali	Independent Non-Executive Director
Khoo Lay Tatt	Independent Non-Executive Director (Redesignated w.e.f. 25 May 2009)

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

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

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	Plot 19, Hilir Sungai Keluang 2 Taman Perindustrian Bayan Lepas Phase IV, 11900 Penang, Malaysia Tel : 604-6161300 Fax : 604-6161388
REGISTRAR	Securities Services (Holdings) Sdn. Bhd. (Company No. 36869-T) Level 7, Menara Milenium Jalan Damanlela, Pusat Bandar Damansara Damansara Heights 50490 Kuala Lumpur Tel : 603-20849000 Fax : 603-20949940
PRINCIPAL BANKERS	Public Bank Berhad Bandar Bayan Baru Branch 5,7,9 &11, Lorong Kampung Jawa Bandar Bayan Baru 11900 Bayan Lepas, Penang United Overseas Bank (Malaysia) Bhd 1st floor, 64E – H, Lebuh Bishop 10200 Penang, Malaysia Citibank Berhad 1819-B Jalan Perusahaan 13600 Seberang Prai (Auto-city) Penang, Malaysia Bangkok Bank Berhad 105, Jalan Tun H.S.Lee 50000 Kuala Lumpur, Malaysia
STOCK EXCHANGE LISTING	Main 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 53, was appointed to the Board on 1 September 2006. He is an 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 HUI TA
Executive Director/Chief Financial Officer
Taiwanese

Lee, Hui-Ta a.k.a Li Hui Ta, aged 50, was appointed to the Board on 1 September 2006. He is an Executive Director and the 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.

YONG POH YOW
Executive Director/Chief Executive Officer
Singaporean

Yong Poh Yow, aged 48, was appointed to the Board on 1 September 2006. He is an Executive Director and the 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 past 10 years.

KHOO LAY TATT
Independent Non-Executive Director
Malaysian

Khoo Lat Tatt, aged 36, was appointed to the Board on 2 October 2006 as a Non-Independent Non-Executive Director and was re-designated as Independent Non-Executive Director of Dufu on 25 May 2009. 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. 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 also a member of the Nomination Committee and Audit Committee of the Company.

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

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.

LEE KAH KHENG
Independent Non-Executive Director
Malaysian

Lee Kah Kheng, aged 45, was appointed to the Board on 2 October 2006. He is an Independent Non-Executive Director of Dufu. He graduated from Tunku Abdul Rahman College, Kuala Lumpur in 1988 with a professional accountancy qualification accredited by the Malaysian Institute of Certified Public Accountants ("MICPA") and became a member of MICPA in 1993. He was attached to an accounting firm, Hanafiah, Raslan & Mohamad, from 1988 to 1992 as Senior Auditor before moving on to a multinational corporation, Northern Telecom Industry Sdn. Bhd. (whose principal activity is manufacturing and assembly of telecommunication products) in 1992 as a Cost Accountant. He left in 1994 to join a local corporation, Suiwah Corporation Bhd, which is currently listed on the Main 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 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.

BAQIR HUSSAIN BIN HATIM ALI
Independent Non-Executive Director
Malaysian

Baqir Hussain Bin Hatim Ali, aged 46, was appointed to the Board on 2 October 2006. He is an Independent Non-Executive 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 Non-Executive 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 past 10 years.

GROUP STRUCTURE

DUFU TECHNOLOGY CORP. BERHAD
("Dufu" or the "Company") and Subsidiaries ("Dufu Group" or the "Group")
As at 30 April 2009

DUFU TECHNOLOGY CORP. BERHAD
("Dufu")

100%

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

100%

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

100%

FUTRON TECHNOLOGY LIMITED ("FUTRON")
(A Wholly-Owned Subsidiary Company of Dufu)

100%

FUTRON TECHNOLOGY CO., LTD ("FUTRON LTD")
(A Wholly-Owned Subsidiary Company of FUTRON)

100%

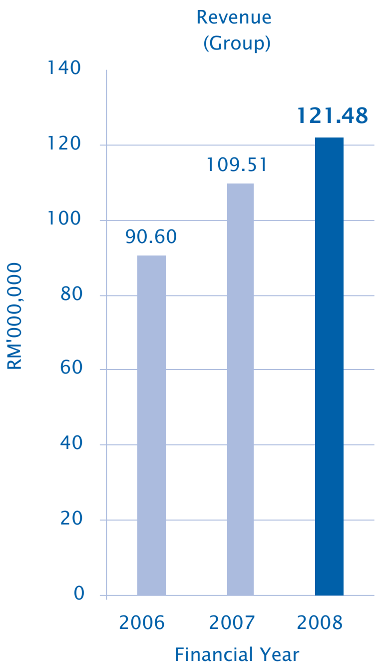
IPG METAL INDUSTRY (M) SDN. BHD. ("IPG")
(A Wholly-Owned Subsidiary Company of Dufu)

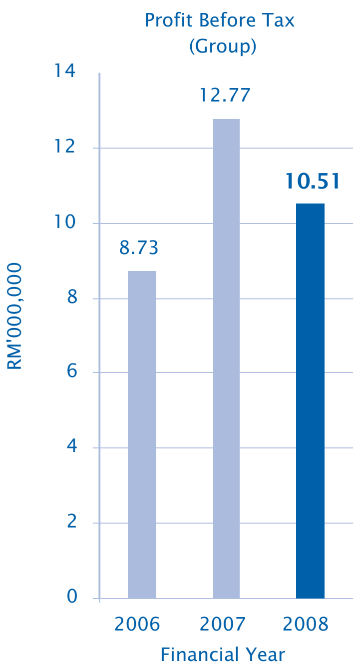
MANAGEMENT DISCUSSION

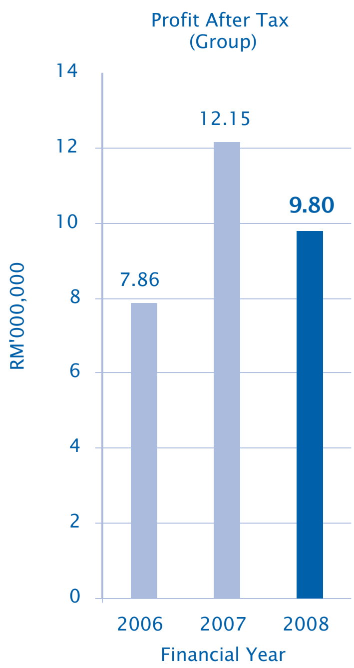
On Behalf of the Board of Directors of DUFU TECHNOLOGY CORP. BERHAD (“Dufu”), I am pleased to present the Annual Report and Audited Financial Statements of the Group for the financial year ended 31 December 2008. The year 2008 was a challenging year for Dufu. The slow down in the world economy which has caused major concerns globally has also affected the performance of the Group.

Financial Results

For the financial year under review, the Group’s revenue grew by 10.9% from RM109.51 million to RM121.48 million. The increase in revenue was mainly due to the effort of the Group to move to high-end value added products and identify new business opportunities bear results. However, the profit after tax ("PAT") decreased from RM12.15 million to RM9.80 million or 19.3%. This drop of PAT by 19.3% was mainly due to increased in raw material pricing and appreciation of Ringgit Malaysia on the first half of the financial year under review. The Group continues to maintain a set of healthy and financially sound balance sheet with net assets of RM76.57 million and surplus cash of RM6.78 million for future expansion and diversification. Overall, the Group’s prudent corporate strategy remains focus on our core competencies, with continuous effort in broadening our product mix and revenue base.







Operation Review

The uncertainties of the world economy and credit crunch continue to weigh down on Asia and the rest of the world. In view of this, the Group will take more caution strategy to stay competitive and lean in achieving sustainable growth over the long term. The Board of Directors together with its management will constantly review 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 to be more aggressive in its marketing efforts.

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. The Group will continue to concentrate on strengthening its share market in the global Hard Disk Drive “HDD” industry and at the same time continue to diversify itself into other sectors such as the Industrial Sensor Industry and telecommunication. The Group also expanded its production capacity outside Malaysia like China and continue to build and leverage on our existing investment and resources to further improve our efficiencies and secure more business contracts from new and existing customers.

Future Prospects of The Group

The Group foresees great challenge moving ahead in 2009, nevertheless, we believe that we will be able to sail through this financial storm. We will adopt more caution and focused approach in our business management and strategy. In view of our proactive measure taken and 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. The Group hopes to continue to be profitable for coming financial years.

The Group will also remain cautions and guarded with the volatility of the industry we 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 continued its effort to mitigate the currency fluctuation by hedging the US Dollar, marketing efforts will also be stepped up to grow the customer base and penetrate new markets that will increase the revenue and earning.

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 2008.

The Committee comprised of the following: -

Chairman En. Baqir Hussain Bin Hatim Ali
Independent Non-Executive Director

Member Lee Kah Kheng
Independent Non-Executive Director

Khoo Lay Tatt
Independent Non-Executive Director

TERM OF REFERENCE OF AUDIT COMMITTEE

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 from Non-Executive Directors of whom a 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 members.

c) The members of the Audit Committee shall elect a chairman amongst their number who shall be an Independent Non-Executive 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 event, 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 to investigate any matter within its terms of reference and shall have unlimited access to all information and document relevant to its activities as well as to the internal and external auditors and employees of the Group. All employees are directed to co-operate with any request made by the Committee.

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

3. Authority:- (cont'd)

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

d) 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 as least four times annually. The quorum of two (2) independent members shall connsitute a valid meeting.

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 and Responsibilities

The duties and responsibility 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 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 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;
- Approved 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 perform such other duties if any as may be agreed to by the committee and 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.

The minutes of the meetings shall be concluded by the Secretary of the Committee to the Committee members and all the other Board members.

7. Attendance at Meetings

The information on the attendance of each member at the Committee held during the financial year ended 31 December 2008 is as follows:-

Member	No. of Meeting Held	Attendance
Baqir Hussain Bin Hatim Ali	4	4
Lee Lah Kheng	4	4
Khoo Lay Tatt	4	4

ACTIVITIES OF THE AUDIT COMMITTEE

The activities were carried out by the Committee during the financial year ended 31 December 2008 in the discharge of its duties and responsibilities are as follows:-

- Reviewed the draft quarterly results 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.
- Reviewed the quarterly and year-end financial statements of the Company and the Group and thereafter submit them to the Board.

INTERNAL AUDIT FUNCTION

The Board has engaged an independent firm of professionals to conduct internal audits. The internal Auditors report directly to the Committee. The primary functions of internal auditors are to assist the Committee on an ongoing basis to :

- review the risk management framework;
- provide independent, systematic and objective evaluation on the state of internal control within the Group; and
- perform such other function as requested by the Committee.

The costs incurred for the internal audit function for financial year ended 31 Decemebr 2008 was RM20,770. During the financial year, the internal auditors have assisted the Audit Committee to :

- plan and conduct the internal audit for financial year ended 2008;
- review and document the risk management framework of the Group; and
- review the state of internal control of various operating cycle within the Group.

Information pertaining to the Company's internal control is shown in the Statement on Internal Control set out on page 22 of this Annual Report.

Board's Commitments

The Board of Director 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 practised throughout the 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 2008 except that the Board has not appointed a Senior Independent, Non-Executive 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) Board of Directors

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 Non-Independent Executive Directors
- 3 Independent Non-Executive 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's 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 Non-Executive 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 on timely basis.

The attendance record for each Director at Directors' meeting for the financial year ended 31 December 2008 is as follows:

Director	No. of meetings held	No. of meetings attended
Hsu, Chin-Shui	4	4
Lee, Hui-Ta a.k.a Li Hui Ta	4	4
Yong Poh Yow	4	4
Lee Kah Kheng	4	4
Baqir Hussain Bin Hatim Ali	4	4
Khoo Lay Tatt	4	4

A) Board of Directors (cont'd)

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 proceedings of all board meetings are duly compiled in minutes. The minutes are kept at the registered office of Dufu.

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.

Directors had attended training and seminar as stated below :-

Director	Venue	Date	Description
Khoo Lay Tatt	Gurney Hotel Penang	9 September 2008	Horwath 2009 Budget & Tax Planning Seminar
Lee Kah Kheng	Gurney Hotel Penang	9 September 2008	Horwath 2009 Budget & Tax Planning Seminar
Hsu, Chin-Shui	Dufu Training Room	5 July 2008	Finance for Non-Finance Directors
Yong Poh Yow	Dufu Training Room	5 July 2008	Finance for Non-Finance Directors
Lee, Hui-Ta a.k.a Li Hui Ta	Dufu Training Room	5 July 2008	Finance for Non-Finance Directors
Baqir Hussain Bin Hatim Ali	KL Convention Centre	19 & 20 August 2008	National Tax Conference 2008

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.

A) Board of Directors (cont'd)

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 Non-Executive Director
Members : Baqir Hussain Bin Hatim Ali - Independent Non-Executive Director
Khoo Lay Tatt - Independent Non-Executive Director

The Nomination Committee consists exclusively of Non-Executive Directors, majority of whom are independent.

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 if committee structures of the Board committee, assess and recommend to the Board the terms of reference of Board Committee.

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 candidates 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 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 the office at least once in every three (3) years. The Directors to retire at the Annual General Meeting ("AGM") 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.

The current terms of all Directors are less than three years. This is in compliance with the provision of the requirement of the Code that all Directors are required to submit themselves for re-election at regular intervals and at least every three years.

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.

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.

A) **Board of Directors** (cont'd)

vi) **Directors' Remuneration** (cont'd)

The Committee comprised of the following:-

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

The Remuneration Committee consists mainly of Non-Executive Director, the majority of whom is 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.

Detailed of Directors' remuneration for the financial year ended 31 December 2008 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	31,500	139,500
- Subsidiaries*	0	614,905	58,500	72,000	745,405
Non-Executive Directors					
- Company	108,000	0	0	38,500	146,500
- Subsidiaries*	0	0	0	0	0
Total	216,000	614,905	58,500	142,000	1,031,405

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

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

	Number of Directors	
Range of Remuneration	**Executive**	**Non-Executive**
Below RM50,000	1	2
RM50,001 to RM100,000	0	1
RM400,000 to RM450,000	2	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 this Annual Report 2008.

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 this Annual Report 2008.

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 this Annual Report 2008.

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 once 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 18 May 2009.

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 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 2008 had been approved by the Board on 11 March 2009.

This statement was made in accordance with a resolution of the Board dated 18 May 2009.

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

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 external 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. During the exercise, principal risks affecting the Group were identified, quantified and prioritised. 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 Board is satisfied that the system of internal control is adequate for Company.

During the financial year, The Board has appointed an independent firm of professionals for the internal audit function. The total cost incurred for the Internal Audit Function for the financial year ended 31 December 2008 was RM20,770. 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 Group has put in place the following key elements of internal control:

- An organisation structure with clearly defined lines of responsibility, authority and accountability;
- Clearly documented internal policies, manuals, procedures and work instructions;
- Holding regular Board and management meetings where information related to financial and operational performances is shared and discussed;
- Management accounts and reports are prepared and distributed to Executive Directors and key management personnel every month; and
- Employees attending regular training and development programs to enhance their knowledge and competency.

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

The Board is of the view that there were no significant weaknesses in the systems of internal control of the Group that had a material impact on the operations of the Group for the financial year ended 31 December 2008. 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 18 May 2009.

DISCLOSURE REQUIREMENTS PURSUANT TO THE LISTING REQUIREMENTS OF THE BURSA MALAYSIA SECURITIES BERHAD

Utilisation of Proceeds

During the financial year, there were no proceeds raised by the Company from any corporate proposal.

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 inccured 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 RM28,918.

Profit Forecast and Unaudited Results Deviation

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

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 27 February 2009.

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 2008 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 PURSUANT TO THE LISTING REQUIREMENTS OF THE BURSA MALAYSIA SECURITIES BERHAD (cont'd)

Recurrent Related Party Transactions

The details of Recurrent Related Party Transactions concluded and their actual amount entered into during the financial year ended 31 December 2008 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	21,700	**Interested Director & Shareholder** Hsu, Chin-Shui is a common Director of SESB and IPG. He is also a major shareholder holding 30% of the equity interest in SESB.
2.	ETI	IPG	Sales of moulds to ETI	190,375	**Interested Director** Lee Kah Kheng is a Director of DUFU (not a Director of IPG). He is also a Director of ETI and major shareholder of ETI (by virtue of Section 6A of the Act, holding 18% of equity interest in ETICB as at 15 May 2009)
3.	CFSB	IPG	Sales of moulds to CFSB	14,694	**Interested Director & Shareholder** Hsu, Chin-Shui is a common Director of CFSB and IPG. He is also a major shareholder holding 50% of the equity interest in CFSB.

Notes:

SESB – Seraimas Electronics Sdn. Bhd.
ETI – ETI Tech (M) Sdn. Bhd.
ETICB – ETI Tech Corporation Berhad
CFSB – Crest Focus Sdn. Bhd.

FINANCIAL STATEMENTS

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, 2008.

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	9,798,473	1,747,167

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.

DIVIDENDS

During the current financial year, final dividends of 1.5 sen per ordinary share, tax exempt amounting to RM1,350,000 were declared and paid in respect of the previous financial year.

The directors 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 RM45,000,000 to RM60,000,000 by way of bonus issue of 30,000,000 new ordinary shares of RM0.50 each through capitalisation of RM12,034,276 and RM2,965,724 from the retained earnings and share premium accounts respectively on the basis of one new share for every three existing shares.

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 all known bad debts has been written off and that adequate allowance had been made for doubtful debts; and

OTHER FINANCIAL INFORMATION (cont'd)

(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 render the amount written off as bad debts or the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; 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 other than the subsequent event disclosed in Note 34 to the financial statements.

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' 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 1.1.2008	**Bought/ Bonus Issue**	**Sold**	**Balance as of 31.12.2008**
Lee, Hui-Ta also known as Li Hui Ta	15,691,032	5,231,145	-	20,922,177
Hsu, Chin-Shui	15,691,032	5,230,343	-	20,921,375
Yong Poh Yow	3,326,001	1,108,667	-	4,434,668

DIRECTORS' INTEREST (cont'd)

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 11, 2009

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

Report on the Financial Statements

We have audited the financial statements of Dufu Technology Corp. Berhad, which comprise the balance sheets as of December 31, 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 31 to 68.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with the applicable Malaysian Accounting Standards Board approved accounting standards in Malaysia and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit 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 contents of this report.

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

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

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the applicable Malaysian Accounting Standards Board approved accounting standards in Malaysia and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2008 and their financial performance and cash flows for the year then ended.

(Forward)

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

Report on Other Legal and Regulatory Requirements

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

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act;

(b) 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;

(c) We are satisfied that the financial statements of the subsidiaries 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 financial statements of the Group and we have received satisfactory information and explanations as required by us for these purposes; and

(d) The auditors' reports on the financial statements of the subsidiaries 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
Partner - 1836/07/09 (J)
Chartered Accountant

March 11, 2009

Penang

INCOME STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

		The Group		The Company	
	Note	2008 RM	2007 RM	2008 RM	2007 RM
Revenue	5	121,480,275	109,509,353	2,255,585	17,473,102
Investment revenue		93,157	58,836	-	-
Other income		1,815,742	1,996,881	1,231	-
Other gains and losses		403,222	(1,206,032)	-	-
Changes in inventories of finished goods and work-in-progress		4,402,156	485,893	-	-
Raw materials used		(24,637,860)	(24,544,635)	-	-
Purchase of trading and semi-finished goods		(40,557,063)	(27,404,309)	-	-
Directors' remunerations		(1,118,572)	(1,063,499)	(286,000)	(245,000)
Employee benefits expense	6	(17,884,947)	(15,271,522)	-	-
Depreciation of property, plant and equipment		(8,059,850)	(6,795,240)	-	-
Amortisation of prepaid lease payments		(84,210)	(84,210)	-	-
Finance costs		(1,765,097)	(1,747,825)	-	-
Other expenses		(23,579,660)	(21,160,734)	(223,649)	(152,925)
Profit before tax	7	10,507,293	12,772,957	1,747,167	17,075,177
Income tax expense	8	(708,820)	(620,006)	-	(2,374,520)
Profit for the year		9,798,473	12,152,951	1,747,167	14,700,657
Basic earnings per share	9	8.17 sen	10.48 sen		

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

BALANCE SHEETS
AS OF DECEMBER 31, 2008

	Note	The Group 2008 RM	The Group 2007 RM	The Company 2008 RM	The Company 2007 RM
ASSETS					
Non-current assets					
Property, plant and equipment	10	63,693,475	54,604,354	-	-
Prepaid lease payments	11	3,852,634	3,936,844	-	-
Goodwill	12	25,252	25,252	-	-
Investment in subsidiary companies	13	-	-	32,899,998	32,899,998
Other investments	14	342,928	433,879	281,928	372,879
Total non-current assets		67,914,289	59,000,329	33,181,926	33,272,877
Current assets					
Inventories	15	23,756,180	17,463,310	-	-
Trade and other receivables	16	23,025,340	30,599,956	27,235,868	28,564,037
Other assets	17	3,196,185	722,732	2,162,657	-
Current tax assets		141,742	30,254	-	-
Fixed deposits with a licensed bank	18	-	546,729	-	-
Cash and bank balances	18	7,801,522	4,125,359	465,342	1,108,458
Total current assets		57,920,969	53,488,340	29,863,867	29,672,495
Total assets		125,835,258	112,488,669	63,045,793	62,945,372

(FORWARD)

BALANCE SHEETS (cont'd)
AS OF DECEMBER 31, 2008

	Note	The Group 2008 RM	The Group 2007 RM	The Company 2008 RM	The Company 2007 RM
EQUITY AND LIABILITIES					
Capital and reserves attributable to equity holders of the Company					
Share capital	19	60,000,000	45,000,000	60,000,000	45,000,000
Retained earnings	20	38,282,071	41,789,324	3,001,789	14,658,898
Other reserves	21	(21,708,999)	(18,515,291)	-	3,253,474
Total equity		76,573,072	68,274,033	63,001,789	62,912,372
Non-current liabilities					
Long-term loans	22	14,202,712	11,944,212	-	-
Hire-purchase payables	23	7,118,559	4,599,072	-	-
Deferred tax liabilities	24	1,866,857	2,010,760	-	-
Total non-current liabilities		23,188,128	18,554,044	-	-
Current liabilities					
Trade and other payables	25	14,791,993	19,069,194	44,004	33,000
Bank borrowings	26	4,661,919	1,087,361	-	-
Long-term loans	22	1,492,439	1,482,312	-	-
Hire-purchase payables	23	5,127,707	4,021,725	-	-
Total current liabilities		26,074,058	25,660,592	44,004	33,000
Total liabilities		49,262,186	44,214,636	44,004	33,000
Total equity and liabilities		125,835,258	112,488,669	63,045,793	62,945,372

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2008

The Group

	Note		Distributable reserve	← Non-distributable reserves →				
	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 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		12,100,000	-	-	-	-	4,840,000	16,940,000
Share issue expenses		-	-	-	-	-	(1,586,526)	(1,586,526)
Net income recognised directly in equity: Transfer of revaluation surplus		-	98,550	-	(98,550)	-	-	-
Exchange loss 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

(FORWARD)

STATEMENTS OF CHANGES IN EQUITY (cont'd)
FOR THE YEAR ENDED DECEMBER 31, 2008

The Group

	Note	Share capital RM	Distributable reserve Retained earnings RM	← Non-distributable reserves Reverse acquisition reserve RM	Revaluation reserve RM	Foreign currency translation reserve RM	Share premium RM →	Total RM
Balance January 1, 2008		45,000,000	41,789,324	(24,110,002)	2,355,479	(14,242)	3,253,474	68,274,033
Bonus issue of 30,000,000 new ordinary share of RM0.50 each per ordinary share		15,000,000	(12,034,276)	-	-	-	(2,965,724)	-
Share issue expenses		-	(20,000)	-	-	-	(287,750)	(307,750)
Net income recognised directly in equity: Transfer of revaluation surplus		-	98,550	-	(98,550)	-	-	-
Reduction in deferred tax on revaluation surplus resulting from the change in tax rates		-	-	-	139,750	-	-	139,750
Exchange gain on translation of net investment in a foreign subsidiary company		-	-	-	-	18,566	-	18,566
Profit for the year		-	9,798,473	-	-	-	-	9,798,473
Dividends	28	-	(1,350,000)	-	-	-	-	(1,350,000)
Total recognised income and expense		-	8,547,023	-	41,200	18,566	-	8,606,789
Balance as of December 31, 2008		60,000,000	38,282,071	(24,110,002)	2,396,679	4,324	-	76,573,072

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

STATEMENTS OF CHANGES IN EQUITY (cont'd)
FOR THE YEAR ENDED DECEMBER 31, 2008

The Company

	Note	Share capital RM	Distributable reserve (Accumulated losses)/ Retained earnings RM	Non-distributable reserve Share premium RM	Total RM
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		12,100,000	-	4,840,000	16,940,000
Share issue expenses		-	-	(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
Balance as of January 1, 2008		45,000,000	14,658,898	3,253,474	62,912,372
Bonus issue of 30,000,000 new ordinary share of RM0.50 each per ordinary share		15,000,000	(12,034,276)	(2,965,724)	-
Share issue expenses		-	(20,000)	(287,750)	(307,750)
Profit for the year, representing total recognised income		-	1,747,167	-	1,747,167
Dividends	28	-	(1,350,000)	-	(1,350,000)
Balance as of December 31, 2008		60,000,000	3,001,789	-	63,001,789

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

CASH FLOW STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

	The Group		The Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Cash flows from operating activities				
Profit for the year	9,798,473	12,152,951	1,747,167	14,700,657
Adjustments for:				
Depreciation of property, plant and equipment	8,059,850	6,795,240	-	-
Interest expenses	1,765,097	1,747,825	-	-
Tax expense recognised in profit or loss	708,820	620,006	-	2,374,520
Allowance for doubtful debts	85,968	-	-	-
Amortisation of prepaid lease payments	84,210	84,210	-	-
Bad debts	13,406	-	-	-
Allowance for slow moving inventories	8,584	563,870	-	-
Loss/ (gain) on disposal of property, plant and equipment	12,261	(20,591)	-	-
Unrealised gain on foreign exchange	(55,837)	-	-	-
Interest income	(29,542)	(207,738)	(15,585)	(153,102)
Allowance for slow moving inventories no longer required	(17,031)	(198,108)	-	-
Gain on disposal of investments in unit trusts	(1,231)	-	(1,231)	-
	20,433,028	21,537,665	1,730,351	16,922,075
Movement in working capital:				
(Increase)/ decrease in:				
Inventories	(6,284,423)	(577,490)	-	-
Trade and other receivables	7,531,079	(7,593,453)	-	-
Other assets	(310,796)	165,770	-	-
(Decrease)/ increase in trade and other payables	(4,289,962)	(241,727)	11,004	17,000
Cash generated from operations	17,078,926	13,290,765	1,741,355	16,939,075
Tax paid	(824,461)	(881,605)	-	(2,374,520)
Tax refunded	-	120	-	-
Net cash generated from operating activities	16,254,465	12,409,280	1,741,355	14,564,555

(FORWARD)

CASH FLOW STATEMENTS (cont'd)
FOR THE YEAR ENDED DECEMBER 31, 2008

	Note	The Group 2008 RM	The Group 2007 RM	The Company 2008 RM	The Company 2007 RM
Cash flows from investing activities					
Proceeds from disposal of property, plant and equipment		184,000	41,200	-	-
Proceeds from disposal of investments in unit trusts		100,000	-	100,000	-
Interest received		29,542	207,738	15,585	153,102
Purchase of property, plant and equipment	10	(7,924,276)	(13,381,615)	-	-
Deposit and expenditure paid for purchase of investments in subsidiary company		(2,162,657)	-	(2,162,657)	-
Purchase of investments in unit trusts		(7,818)	(372,879)	(7,818)	(372,879)
Decrease/ (increase) in amount owing by subsidiary companies		-	-	1,328,169	(28,564,037)
Net cash used in investing activities		(9,781,209)	(13,505,556)	(726,721)	(28,783,814)
Cash flows from financing activities					
Proceeds from long-term loans		3,600,000	3,085,045	-	-
Increase/ (decrease) in bank borrowings		3,349,000	(2,223,000)	-	-
Fixed deposits released/(held as) security value		546,729	(46,729)	-	-
Repayment of hire-purchase payables		(5,795,487)	(9,361,556)	-	-
Interest paid		(1,752,336)	(1,747,356)	-	-
Dividend paid		(1,350,000)	-	(1,350,000)	-
Repayment of long-term loans		(1,331,373)	(1,182,053)	-	-
Share issued expenses		(307,750)	(886,772)	(307,750)	(886,772)
Issue of shares		-	16,940,000	-	16,940,000
Repayment to a subsidiary company		-	-	-	(730,190)
Net cash (used in)/ generated from financing activities		(3,041,217)	4,577,579	(1,657,750)	15,323,038
Net increase/ (decrease) in cash and cash equivalents		3,432,039	3,481,303	(643,116)	1,103,779
Effects of foreign exchange rate changes		18,566	(7,707)	-	-
Cash and cash equivalents at beginning of year		3,331,998	(141,598)	1,108,458	4,679
Cash and cash equivalents at end of year	18	6,782,603	3,331,998	465,342	1,108,458

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

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 Main 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 11, 2009.

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.

In the financial year, the Group and the Company has adopted all the revised Financial Reporting Standards (“FRS”), amendment to FRS and Issues Committee (“IC”) Interpretations issued by MASB that are relevant to their operations and effective for annual periods beginning on or after January 1, 2008 as follows:

FRS 107	Cash Flow Statements
FRS 112	Income Taxes
FRS 118	Revenue
FRS 121	Amendment to FRS 121 The Effects of Changes in Foreign Exchange Rates – Net investment in a foreign operation
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets
IC Interpretation 8	Scope of FRS 2

The adoption of these revised FRSs and IC Interpretations have no material effect on the financial statements of the Group and of the Company.

At the date of authorisation of issue of the financial statements, the following new/ revised FRSs and IC Interpretations were in issue but not yet effective:

FRS 4	Insurance Contracts*
FRS 7	Financial Instruments: Disclosures*
FRS 8	Operating Segments**
FRS 139	Financial Instruments: Recognition and Measurement*
IC Interpretation 9	Reassessment of Embedded Derivatives*
IC Interpretation 10	Interim Financial Reporting and Impairment*

* Effective for annual periods beginning on or after January 1, 2010.
** Effective for annual periods beginning on or after July 1, 2009.

The adoption of FRS 7 and the consequential amendment to FRS 101 Presentation of Financial Statements introduce new disclosure requirements in relation to the Group’s and the Company’s financial instruments and the objectives, policies and processes for managing capital. FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. By virtue of the exemption in paragraph 103AB of FRS 139, the impact on the financial statements upon first adoption of FRS 139 as required by paragraph 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (cont'd)

The directors anticipate that all of the other FRSs and IC Interpretations will have no material impact on the financial statements of the Group and of the Company in the period of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements of the Group and of the Company are presented in Ringgit Malaysia ("RM") and have been prepared under the historical cost convention, unless otherwise indicated in the accounting policies stated below.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Revenue and revenue recognition (cont'd)

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, unutilised reinvestment allowances 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.

Foreign currency conversion

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Foreign currency conversion (cont'd)

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 (cont'd)

Property, plant and equipment (cont'd)

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, 2008 amounted to RM841,826 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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 building 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Leases (cont'd)

(i) Finance leases (cont'd)

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.

(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 building 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 payments represent 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	
	2008	2007	2008	2007
	RM	RM	RM	RM
Sales of goods	121,464,690	109,356,251	-	-
Interest income	15,585	153,102	15,585	153,102
Gross dividend income from subsidiary companies	-	-	2,000,000	17,200,000
Management fee	-	-	240,000	120,000
	121,480,275	109,509,353	2,255,585	17,473,102

6. EMPLOYEE BENEFITS EXPENSE

	The Group	
	2008	2007
	RM	RM
Contributions to employees' provident fund and central provident fund	1,030,765	943,027
Other employee benefits	16,854,182	14,328,495
	17,884,947	15,271,522

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

6. EMPLOYEE BENEFITS EXPENSE (cont'd)

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

	The Group		The Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Fees	108,000	121,500	108,000	121,500
Contributions to employees' provident fund and central provident fund	75,163	72,823	-	-
Other emoluments	788,905	745,676	31,500	-
	972,068	939,999	139,500	121,500

7. PROFIT BEFORE TAX

Profit before tax is arrived at:

	The Group		The Company	
	2008 RM	2007 RM	2008 RM	2007 RM
After charging:				
Interest on:				
Long-term loans	916,493	734,959	-	-
Hire-purchase	610,999	808,380	-	-
Bank borrowings	134,864	78,789	-	-
Bank overdrafts	99,587	125,697	-	-
Revolving credit	3,154	-	-	-
Directors' remuneration:				
Directors of the Company:				
Fees	216,000	245,000	216,000	245,000
Contributions to employees' provident fund and central provident fund	75,163	72,823	-	-
Other emoluments	827,409	745,676	70,000	-
Rental of premises	291,106	242,625	-	-
Audit fee:				
Current year	116,391	89,466	15,000	15,000
Under/ (over)provision in prior years	-	7,548	-	(3,000)
Allowance for doubtful debts	85,968	-	-	-
Bad debts written off	13,406	-	-	-
Loss on disposal of property, plant and equipment	12,261	-	-	-
Allowance for slow moving inventories	8,584	563,870	-	-
Realised loss on foreign exchange	-	859,532	-	-

7. PROFIT BEFORE TAX (cont'd)

	The Group		The Company	
	2008 RM	2007 RM	2008 RM	2007 RM
And crediting:				
Gain on foreign exchange:				
Realised	480,086	-	-	-
Unrealised	55,837	-	-	-
Rental income	79,200	4,200	-	-
Interest income	29,542	207,738	15,585	153,102
Allowance for slow moving inventories no longer required	17,031	198,108	-	-
Gain on disposal of investments in unit trusts	1,231	-	1,231	-
Gain on disposal of property, plant and equipment	-	20,591	-	-

8. INCOME TAX EXPENSE

	The Group		The Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Current year:				
Current tax expense:				
Malaysian	506,047	592,447	-	2,374,520
Foreign	123,489	60,130	-	-
	629,536	652,577	-	2,374,520
Deferred tax:				
Relating to the origination and reversal of temporary differences in current year	646,847	26,045	-	-
Reduction in opening deferred tax resulting from the change in tax rates	(45,000)	(34,000)	-	-
	601,847	(7,955)	-	-
	1,231,383	644,622	-	2,374,520
Under/(over)provision in prior years:				
Current tax	83,437	57,384	-	-
Deferred tax	(606,000)	(82,000)	-	-
	(522,563)	(24,616)	-	-
Income tax expense	708,820	620,006	-	2,374,520

8. INCOME TAX EXPENSE (cont'd)

The Group is operating in the jurisdictions of Malaysia and Singapore. The applicable domestic statutory income tax rates are 20% and 26% (2007: 20% and 27%) for Malaysia and 18% (2007: 18%) for Singapore.

Small and medium enterprises ("SME") in Malaysia 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 tax rate was 26% for the year of assessment 2008 (2007: 27%) and will be reduced to 25% for year of assessment 2009. With effect from year of assessment 2009, SME is defined as a company resident in Malaysia with paid-up capital of ordinary shares of RM2.5 million or less at the beginning of the basis period of a year of assessment whereby such company does not control or is controlled directly or indirectly by another company which has a paid-up capital of more than RM2.5 million in respect of ordinary shares.

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

	The Group		The Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Accounting profit	10,507,293	12,772,957	1,747,167	17,075,177
Tax amount at the statutory tax rate of 26% (2007: 27%)	2,732,000	3,449,000	454,000	4,610,000
Tax effect on:				
Non-deductible expenses	267,983	200,949	66,000	37,520
Non-taxable income	(66,000)	(69,136)	(520,000)	(2,273,000)
Tax saving from claim on reinvestment allowances	(1,566,000)	(2,802,000)	-	-
Tax saving from double deduction on handicapped employees	(19,000)	(17,000)	-	-
Effect of different tax rate in subsidiary companies	(72,600)	(83,191)	-	-
Reduction in opening deferred tax resulting from the change in tax rates	(45,000)	(34,000)	-	-
	1,231,383	644,622	-	2,374,520
Under/ (over)provision in prior years:				
Current tax	83,437	57,384	-	-
Deferred tax	(606,000)	(82,000)	-	-
Income tax expense	708,820	620,006	-	2,374,520

The applicable tax rate of 26% (2007: 27%) 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, 2008.

8. INCOME TAX EXPENSE (cont'd)

As of December 31, 2008, 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	
	2008 RM	2007 RM
Unutilised reinvestment allowances	6,211,000	4,970,000
Unabsorbed capital allowances	923,000	776,000

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	
	2008	2007
Profit attributable to ordinary equity holders of the Company (RM)	9,798,473	12,152,951
Weighted average number of ordinary shares in issue (units)	120,000,000	115,966,667
Basic earnings per share (sen)	8.17	10.48

Comparative figures for the basic earnings per share have been restated to reflect the bonus issue during the financial year.

10. PROPERTY, PLANT AND EQUIPMENT

The Group

Cost or valuation	Beginning of year RM	Additions RM	Disposals RM	Transfer RM	End of year RM
2008:					
At 1997 valuation:					
Building	3,200,000	-	-	-	3,200,000
At cost:					
Buildings	13,325,393	119,640	-	5,735,904	19,180,937
Plant and machinery	56,258,865	10,134,180	(295,083)	244,500	66,342,462
Computers	826,881	38,029	-	-	864,910
Tools and implements	3,546,866	1,619,108	-	-	5,165,974
Electrical installation	1,763,548	-	-	-	1,763,548
Air conditioners	446,181	-	(11,200)	-	434,981
Office equipment	252,583	17,885	-	-	270,468
Furniture and fittings	1,107,028	111,911	-	-	1,218,939
Renovation	469,426	21,070	-	-	490,496
Motor vehicles	2,288,460	571,926	(263,701)	-	2,596,685
Construction in progress	1,268,921	4,711,483	-	(5,980,404)	-
	84,754,152	17,345,232	(569,984)	-	101,529,400

10. PROPERTY, PLANT AND EQUIPMENT (cont'd)

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

Accumulated depreciation	Beginning of year RM	Charge for the year RM	Disposals RM	End of year RM
2008:				
At 1997 valuation:				
Building	2,144,842	213,332	-	2,358,174
At cost:				
Buildings	1,443,350	1,017,820	-	2,461,170
Plant and machinery	21,642,025	5,633,109	(214,850)	27,060,284
Computers	618,084	69,404	-	687,488
Tools and implements	1,567,531	404,028	-	1,971,559
Electrical installation	871,501	133,207	-	1,004,708
Air conditioners	310,121	29,249	(11,200)	328,170
Office equipment	153,491	21,748	-	175,239
Furniture and fittings	248,790	120,694	-	369,484
Renovation	308,126	45,306	-	353,432
Motor vehicles	841,937	371,953	(147,673)	1,066,217
	30,149,798	8,059,850	(373,723)	37,835,925

10. PROPERTY, PLANT AND EQUIPMENT (cont'd)

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

	The Group 2008 RM	The Group 2007 RM
Net book value		
At 1997 valuation:		
Building	841,826	1,055,158
At cost:		
Buildings	16,719,767	11,882,043
Plant and machinery	39,282,178	34,616,840
Computers	177,422	208,797
Tools and implements	3,194,415	1,979,335
Electrical installation	758,840	892,047
Air conditioners	106,811	136,060
Office equipment	95,229	99,092
Furniture and fittings	849,455	858,238
Renovation	137,064	161,300
Motor vehicles	1,530,468	1,446,523
Construction in progress	-	1,268,921
	63,693,475	54,604,354

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 (cont'd)

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

	The Group	
	2008 RM	2007 RM
At cost	2,367,295	2,367,295
Accumulated depreciation	(2,166,472)	(1,997,380)
Carrying amount	200,823	369,915

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM17,345,232 (2007: RM16,411,643) of which RM9,420,956 (2007: RM3,030,028) was acquired by means of hire-purchase while the balance of RM7,924,276 (2007: RM13,381,615) was paid by cash.

As of December 31, 2008, 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	
	2008 RM	2007 RM
Plant and machinery	15,464,734	12,438,590
Motor vehicles	890,831	1,304,548
	16,355,565	13,743,138

As of December 31, 2008, certain property, plant and equipment of the Group with a total carrying value of RM42,900,746 (2007: RM35,881,813) 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	
	2008 RM	2007 RM
Short leasehold land:		
At beginning of year	3,936,844	4,021,054
Amortisation for the year	(84,210)	(84,210)
At end of year	3,852,634	3,936,844

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, 2008, the unexpired lease period of the short leasehold land is 43 years.

12. GOODWILL

	The Group	
	2008	2007
	RM	RM
At cost:		
At beginning /end of year	25,252	25,252

13. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2008	2007
	RM	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	
			2008	2007
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.

14. OTHER INVESTMENTS

	The Group		The Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
At cost:				
Investments in:				
Unit trusts	281,928	372,879	281,928	372,879
Club memberships	61,000	61,000	-	-
	342,928	433,879	281,928	372,879
Market value of:				
Unit trusts	282,749	372,879	282,749	372,879

15. INVENTORIES

	The Group	
	2008	2007
	RM	RM
Raw materials	6,137,600	5,700,655
Work-in-progress	2,810,926	2,041,362
Finished goods	13,128,980	8,680,472
Tools and instruments	1,678,674	1,040,821
	23,756,180	17,463,310

The cost of inventories recognised as an expense during the year was RM98,377,732 (2007: RM86,465,803).

The Group reversed RM17,031 (2007: RM198,108) in respect of an inventory write-down made in prior years that was subsequently not required as the Group had used or scrapped these inventories. The cost of inventories recognised as an expense in respect of write-down of inventories to net realisable value during the year was RM8,584 (2007: RM563,870).

As of December 31, 2008, certain inventories of the Group with a total carrying value of RM15,300,980 (2007: RM9,372,160) 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	
	2008	2007	2008	2007
	RM	RM	RM	RM
Trade receivables	22,713,188	29,354,332	-	-
Less: Allowance for doubtful debts	(85,968)	-	-	-
	22,627,220	29,354,332	-	-
Other receivables	398,120	1,245,624	-	-
Amount owing by subsidiary companies	-	-	27,235,868	28,564,037
	23,025,340	30,599,956	27,235,868	28,564,037

Analysis of trade and other receivables by currencies:

	The Group		The Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
United States Dollar	14,493,565	23,979,202	-	-
Ringgit Malaysia	2,608,414	6,445,563	27,235,868	28,564,037
Singapore Dollar	5,921,658	173,537	-	-
Euro	1,703	1,654	-	-
	23,025,340	30,599,956	27,235,868	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 120 days (2007: 30 to 90 days).

16. TRADE AND OTHER RECEIVABLES (cont'd)

The amount owing by subsidiary companies arose mainly from advances which are unsecured, interest free and are repayable on demand.

The amount owing by subsidiary companies are as follows:

	The Group	
	2008	2007
	RM	RM
Dufu Industries Sdn. Bhd.	22,577,381	23,905,550
I.P.G. Metal Industry (M) Sdn. Bhd.	4,658,487	4,658,487
	27,235,868	28,564,037

17. OTHER ASSETS

	The Group		The Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Prepaid expenses	837,296	577,946	162,657	-
Deposits	2,358,889	144,786	2,000,000	-
	3,196,185	722,732	2,162,657	-

Included in deposits of the Group and of the Company is an amount of RM2,000,000 paid for the acquisition of all shares of Futron Technology Limited. The acquisition was completed on January 23, 2009 as disclosed in Note 34.

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	
	2008	2007	2008	2007
	RM	RM	RM	RM
Fixed deposits with a licenced bank	-	546,729	-	-
Cash and bank balances	7,801,522	4,125,359	465,342	1,108,458
Bank overdraft (Note 26)	(1,018,919)	(793,361)	-	-
	6,782,603	3,878,727	465,342	1,108,458
Less: Fixed deposits held as security value	-	(546,729)	-	-
	6,782,603	3,331,998	465,342	1,108,458

The fixed deposits held as security value in 2007 were pledged to a local bank for banking facilities granted to the Group as mentioned in Note 26 and bore interest at a rate of 3.7% per annum.

18. CASH AND CASH EQUIVALENTS (cont'd)

Analysis of cash and cash equivalents by currencies:

	The Group		The Company	
	2008 RM	2007 RM	2008 RM	2007 RM
United States Dollar	6,997,232	1,803,273	-	-
Singapore Dollar	220,403	411,532	-	-
Ringgit Malaysia	(435,032)	1,117,193	465,342	1,108,458
	6,782,603	3,331,998	465,342	1,108,458

19. SHARE CAPITAL

	The Group and the Company			
	2008		2007	
	No. of shares	RM	No. of shares	RM
Authorised				
Ordinary shares of RM0.50 each	200,000,000	100,000,000	200,000,000	100,000,000
Issued and fully paid				
Ordinary shares of RM0.50				
At beginning of year	90,000,000	45,000,000	65,800,000	32,900,000
Issued during the year:				
Public issue	-	-	24,200,000	12,100,000
Bonus issue	30,000,000	15,000,000	-	-
At end of year	120,000,000	60,000,000	90,000,000	45,000,000

During the financial year, the issued and paid-up ordinary share capital of the Company was increased from RM45,000,000 to RM60,000,000 by way of bonus issue of 30,000,000 new ordinary shares of RM0.50 each through capitalisation of RM12,034,276 and RM2,965,724 from the retained earnings and share premium accounts respectively on the basis of one new share for every three existing shares.

20. RETAINED EARNINGS

Effective January 1, 2008, the Company is given the option to make an irrevocable election to move to a single tier system or continue to use its tax credit under Section 108 of the Income Tax Act, 1967 for the purpose of dividend distribution until the tax credit is fully utilised or latest by December 31, 2013.

The Company has not made this election. The Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and the balance in the tax exempt account to frank the payment of dividends out of its entire retained earnings as of December 31, 2008.

21. OTHER RESERVES

	The Group		The Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Reverse acquisition reserve	(24,110,002)	(24,110,002)	-	-
Revaluation reserve	2,396,679	2,355,479	-	-
Foreign currency translation reserve	4,324	(14,242)	-	-
Share premium	-	3,253,474	-	3,253,474
	(21,708,999)	(18,515,291)	-	3,253,474

The reverse acquisition reserve arose from the business combination of the Company and Dufu Industries Sdn. Bhd., where the substance of the business combination is that Dufu Industries Sdn. Bhd. acquired the Company in a reverse acquisition.

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	
	2008	2007
	RM	RM
Secured:		
Amount outstanding	15,695,151	13,426,524
Less: Portion due within one year	(1,492,439)	(1,482,312)
Portion due after one year	14,202,712	11,944,212

The portion due after one year is repayable as follows:

	The Group	
	2008	2007
	RM	RM
Later than 1 year and not later than 2 years	1,275,916	1,085,127
Later than 2 years and not later than 5 years	4,009,055	2,493,567
Later than 5 years	8,917,741	8,365,518
	14,202,712	11,944,212

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 5.50% (2007: 5.75%).

23. HIRE-PURCHASE PAYABLES

	The Group	
	2008	2007
	RM	RM
Total amount outstanding	13,548,514	9,903,135
Less: Interest-in-suspense outstanding	(1,302,248)	(1,282,338)
Principal outstanding	12,246,266	8,620,797
Less: Portion due within one year	(5,127,707)	(4,021,725)
Portion due after one year	7,118,559	4,599,072

Portion due after one year is repayable as follows:

	The Group	
	2008	2007
	RM	RM
Later than 1 year and not later than 2 years	4,217,586	2,645,672
Later than 2 years and not later than 5 years	2,893,718	1,925,759
Later than 5 years	7,255	27,641
	7,118,559	4,599,072

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% (2007: 4.55% to 9.77%) per annum. Interest rates are 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	
	2008	2007
	RM	RM
At beginning of year	2,010,760	2,100,715
Transfer to income statements	(4,153)	(89,955)
Reduction in deferred tax on revaluation surplus resulting from change in tax rate	(139,750)	-
At end of year	1,866,857	2,010,760

A deferred tax income of RM34,220 (2007: 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 (2007: RM98,550) was transferred from revaluation reserve of the Group to retained earnings.

24. DEFERRED TAX LIABILITIES (cont'd)

The deferred tax liabilities are in respect of the following:

	Deferred tax (liabilities)/ assets The Group	
	2008 RM	2007 RM
Tax effect of revaluation surplus	(742,063)	(916,033)
Tax effect of temporary differences in respect of:		
Property, plant and equipment	(2,957,738)	(2,614,246)
Others	49,944	177,519
Tax effect in respect of:		
Unutilised reinvestment allowances	1,552,000	1,143,000
Unabsorbed capital allowances	231,000	199,000
	(1,866,857)	(2,010,760)

25. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Trade payables	8,074,519	12,057,094	-	-
Other payables	4,368,218	5,038,984	11,004	-
Accrued expenses	2,314,510	1,925,931	33,000	33,000
Deposits received	-	25,200	-	-
Interest payable	34,746	21,985	-	-
	14,791,993	19,069,194	44,004	33,000

Analysis of trade and other payables by currencies:

	The Group		The Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Ringgit Malaysia	5,841,509	7,630,057	44,004	33,000
United States Dollar	5,026,804	6,970,363	-	-
Singapore Dollar	3,566,758	4,233,150	-	-
Japanese Yen	339,492	230,338	-	-
Others	17,430	5,286	-	-
	14,791,993	19,069,194	44,004	33,000

Trade payables comprise amounts outstanding for trade purchases. The credit periods granted to the Group for trade purchases range from 30 to 120 days (2007: 30 to 120 days).

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

26. BANK BORROWINGS

	The Group	
	2008	2007
	RM	RM
Secured:		
Bank overdraft	1,018,919	793,361
Bankers' acceptances	1,273,000	294,000
	2,291,919	1,087,361
Unsecured:		
Bankers' acceptances	1,600,000	-
Revolving credit	770,000	-
	2,370,000	-
	4,661,919	1,087,361

The Group's banking facilities bear interest at rates ranging from 1.00% 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) corporate guarantee from the Company.

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

	The Group	
	2008	2007
	%	%
Bank overdraft	7.75 to 8.00	8.25
Bankers' acceptances	3.60 to 5.25	3.75 to 3.85
Revolving credit	5.34	-

The bankers' acceptances are maturing within January to March 2009.

27. RELATED PARTIES BALANCES AND TRANSACTIONS

Included in the following accounts of the Group as of December 31, 2008 are amounts owing by/ (to) the following related parties:

	The Group	
	2008	2007
	RM	RM
Trade receivables:		
Seraimas Electronics Sdn. Bhd. *	20,629	4,098
Crest Focus Sdn. Bhd. *	9,000	8,991
Flexi Power Sdn. Bhd. *	-	2,500

27. RELATED PARTIES BALANCES AND TRANSACTIONS (cont'd)

	The Group	
	2008 RM	2007 RM
Other receivables:		
Seraimas Electronics Sdn. Bhd. *	30,000	30,000
Trade payables:		
Seraimas Electronics Sdn. Bhd. *	8,928	-
Other payables:		
Crest Focus Sdn. Bhd. *	28,000	-

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

Related party receivables/ payables arose mainly from trade transactions.

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	
	2008 RM	2007 RM	2008 RM	2007 RM
With related parties				
Seraimas Electronics Sdn. Bhd.				
Sales of tools	21,700	101,933	-	-
Purchase of finished goods	14,096	14,049	-	-
Flexi Power Sdn. Bhd.				
Sales of tools	-	15,850	-	-
Crest Focus Sdn. Bhd.				
Sales of finished goods	14,695	15,640	-	-
Rental of premises	54,000	-	-	-

28. DIVIDENDS

	The Group and the Company	
	2008 RM	2007 RM
Dividends declared and paid:		
Final dividend of 1.5 sen, tax exempt per ordinary share in respect of financial year ended December 31, 2007	1,350,000	-

29. LEASE COMMITMENTS

As of December 31, 2008, non-cancellable long-term lease commitments in respect of rental of premises are as follows:

	The Group	
	2008 RM	2007 RM
Not later than 1 year	168,874	166,752
Later than 1 year and not later than 5 years	223,506	319,919
	392,380	486,671

30. CAPITAL COMMITMENTS

	The Group	
	2008 RM	2007 RM
Approved and contracted for:		
Purchase of investment in subsidiary company	18,000,000	-
Purchase of plant and machinery	748,710	-
Construction of factory building	-	3,569,929
	18,748,710	3,569,929

31. CONTINGENT LIABILITIES – Unsecured

As of December 31, 2008, the Company is contingently liable for an amount of RM24,178,000 (2007: RM15,188,000) in respect of corporate guarantees given to a leasing company and a bank on credit facilities granted to and utilised by a subsidiary company.

32. 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

	Investment holdings RM	Manufacturing RM	Trading RM	Elimination RM	Total RM
2008					
Revenue					
External sales	15,585	38,024,393	83,440,297	-	121,480,275
Inter-segment revenue	2,240,000	66,495,522	2,380,334	(71,115,856)	-
Total revenue	2,255,585	104,519,915	85,820,631	(71,115,856)	121,480,275

32. SEGMENT REPORTING (cont'd)

Business Segments (cont'd)

	Investment holdings RM	Manufacturing RM	Trading RM	Elimination RM	Total RM
2008 (cont'd)					
Results					
Segment results	1,747,167	10,995,123	910,445	(1,473,502)	12,179,233
Investment revenue					93,157
Finance costs					(1,765,097)
Profit before tax					10,507,293
Income tax expense					(708,820)
Profit for the year					9,798,473
Assets					
Segment assets	2,653,251	101,750,678	21,149,401	-	125,553,330
Income producing assets	281,928	-	-	-	281,928
Total assets	2,935,179	101,750,678	21,149,401	-	125,835,258
Liabilities					
Segment liabilities	44,004	10,169,458	4,578,531	-	14,791,993
Borrowings	-	32,470,148	133,188	-	32,603,336
Income tax liabilities	-	1,849,063	17,794	-	1,866,857
Total liabilities	44,004	44,488,669	4,729,513	-	49,262,186
Other information					
Capital additions	-	17,322,259	22,973	-	17,345,232
Depreciation and amortisation	-	8,096,140	47,920	-	8,144,060
Non-cash expenses other than depreciation and amortisation	-	107,958	-	-	107,958

32. SEGMENT REPORTING (cont'd)

Business Segments (cont'd)

	Investment holdings RM	Manufacturing RM	Trading RM	Elimination RM	Total 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
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

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.

32. SEGMENT REPORTING (cont'd)

Business Segments (cont'd)

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	
	2008	2007
	RM	RM
People's Republic of China	17,118,980	31,086,730
Thailand	38,255,441	25,871,031
Malaysia	44,256,132	24,883,543
Singapore	7,340,670	11,653,580
Others	14,509,052	16,014,469
	121,480,275	109,509,353

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:

	2008		2007	
	Carrying amount of segment assets	Capital additions	Carrying amount of segment assets	Capital additions
	RM	RM	RM	RM
Malaysia	104,403,929	17,322,259	84,088,298	16,386,325
Singapore	21,149,401	22,973	27,480,763	25,318
	125,553,330	17,345,232	111,569,061	16,411,643

33. 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.

33. FINANCIAL INSTRUMENTS (cont'd)

a. Financial Risk Management Objectives and Policies (cont'd)

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.

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

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. Fair values

The carrying amounts and the estimated fair values of the Group and of the Company's financial instruments as of December 31, 2008 are as follows:

	2008		2007	
	Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
The Group				
Financial Assets:				
Unit trusts	281,928	282,749	372,879	372,879
Investment in club memberships	61,000	61,000	61,000	61,000
The Company				
Financial Assets:				
Unit trusts	281,928	282,749	372,879	372,879

33. FINANCIAL INSTRUMENTS (cont'd)

b. Fair values (cont'd)

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 approximate their carrying amounts as interest on long-term loans are based on floating rates.

The carrying amounts of hire-purchase payables approximate fair values. The fair values of hire-purchase payables are estimated using discounted cash flow analysis based on current borrowing rates for similar types of borrowings 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.

34. SUBSEQUENT EVENT

The Company had entered into an agreement to acquire all the shares in Futron Technology Limited, a corporation incorporated in Hong Kong, for a total cash consideration of RM20,000,000. The acquisition which was approved by the shareholders at the Extraordinary General Meeting held on December 19, 2008, was completed on January 23, 2009.

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 Malaysian Accounting Standards Board 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, 2008 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 11, 2009

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 11, 2009

Before me,

KARUPAYEE KAMALAM A/P R. MOTTAI
COMMISSIONER FOR OATHS

ANALYSIS OF SHAREHOLDINGS

SHARE CAPITAL AS AT APRIL 30, 2009

Authorized	:	RM100,000,000.00
Issued and Fully paid-up	:	RM60,000,000.00
Class of Share	:	Ordinary Shares of RM0.50 each with equal voting rights
Number of Shareholders	:	2,268

DISTRIBUTION OF SHAREHOLDERS AS AT APRIL 30, 2009

Holdings	No. of Holders	Total Holdings	%
1 - 99	53	2,362	0.00
100 - 1,000	25	13,966	0.01
1,001 - 10,000	1,252	5,542,642	4.62
10,001 – 100,000	841	22,841,322	19.03
100,001 – 5,999,999	92	32,238,910	26.87
6,000,000 and above	5	59,360,798	49.47
Total	2,268	120,000,000	100.00

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT APRIL 30, 2009

	Name	Shareholdings	%
1.	Lee, Hui-Ta @ Li Hui Ta	20,922,135	17.44
2.	Lembaga Tabung Haji	12,000,000	10.00
3.	Kenanga Nominees (Asing) Sdn. Bhd. Qualifier: Pledged Securities Account for Hsu, Chin-Shui	10,500,000	8.75
4.	Wong Ser Yian	9,517,246	7.93
5.	Hsu, Chin-Shui	6,421,333	5.35
6.	AIBB Nominees (Asing) Sdn. Bhd. Qualifier: Pledged Securities Account for Yong Poh Yow (M0005)	4,434,668	3.70
7.	Alliancegroup Nominees (Asing) Sdn. Bhd. Qualifier: Pledged Securities Account for Hsu, Chin-Shui (8052867)	3,000,000	2.50
8.	Ahmad Shafruddin Bin Arshad	1,266,666	1.06
9.	Yen, Chien-Chang	1,220,000	1.02
10.	Yu, Tsung-Te	1,080,000	0.90
11.	CIMSEC Nominees (Asing) Sdn. Bhd. Qualifier: CIMB Bank for Hsu, Chin-Shui (MP0097)	1,000,000	0.83
12.	HSBC Nominees (Asing) Sdn. Bhd. Qualifier: Exempt An for Morgan Stanley & Co. International PLC (Client)	973,333	0.81
13.	Chen, Ming-Lung	888,000	0.74
14.	Pang Chau Lai	802,533	0.67
15.	Lim Toh Heok	680,000	0.57
16.	Citigroup Nominees (Tempatan) Sdn. Bhd. Qualifier: Pledged Securities Account for Sow Suu Tang (472629)	533,333	0.44
17.	Public Nominees (Tempatan) Sdn. Bhd. Qualifier: Pledged Securities Account for Teh Eng Huat (E-TAI)	520,000	0.43
18.	Mayban Nominees (Tempatan) Sdn. Bhd. Qualifier: Pledged Securities Account for Yeoh Kee Leng	503,500	0.42
19.	Tan Ah Wah	480,000	0.40
20.	Mayban Nominees (Tempatan) Sdn. Bhd. Qualifier: Pledged Securities Account for Gan Bee Ean	417,333	0.35

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT APRIL 30, 2009 (cont'd)

Name	Shareholdings	%
21. Lim Bocy Hoey	401,233	0.33
22. Leow Kok Hooi	400,000	0.33
23. Yang Li Hsin	400,000	0.33
24. Eg Kaa Chee	347,733	0.29
25. Ho Chu Chai	345,900	0.29
26. HLB Nominees (Tempatan) Sdn. Bhd. Qualifier: Pledged Securities Account for Hwang Then Foo @ Ng Thiam Hock	333,333	0.28
27. Yong Say Kow @ Yong Tong Long	300,533	0.25
28. Mohamed Al Amin Bin Abdul Majid	300,000	0.25
29. Ang Chee Sieng	290,666	0.24
30. Public Nominees (Tempatan) Sdn. Bhd. Qualifier: Pledged Securities Account for Felix Wong Khung Chui (E-PDG)	290,466	0.24

SUBSTANTIAL SHAREHOLDERS AS AT APRIL 30, 2009

	Direct		Indirect	
Name	No. of shares held	%	No. of shares held	%
1. Lee, Hui-Ta @ Li Hui Ta	20,922,177	17.44	-	-
2. Hsu, Chin-Shui	20,921,375	17.43	-	-
3. Lembaga Tabung Haji	12,000,000	10.00	-	-
4. Wong Ser Yian	9,517,246	7.93	-	-

DIRECTORS' SHAREHOLDINGS AS AT APRIL 30, 2009

	Direct		Indirect	
Name	No. of shares held	%	No. of shares held	%
1. Lee, Hui-Ta @ Li Hui Ta	20,922,177	17.44	-	-
2. Hsu, Chin-Shui	20,921,375	17.43	-	-
3. Yong Poh Yow	4,434,668	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 31.12.2008 (RM)	Date of last revaluation	Date of acquisition
Registered Owner: **Land** P.T. No. 1886 (Resurveyed Lot 12354) held under Title No. H.S. (D) 11985, Mukim 12, Daerah Barat Daya, Penang **Building** Plot 19 Free Industrial Zone, Phase IV, Bayan Lepas 11900 Penang	60 years leasehold expiring 26.12.2051	* Industrial complex - 1 Single-Storey office-cum-production building (18 & 11 years)	177,691 sq. feet	3,852,634	1997	-
		- 1 double-storey office-cum-production building (4 years)	53,619 sq. feet	3,500,855		
		- 1 three-storey production building (2 years)	65,811 sq. feet	8,452,298		
		- 1 three-storey office cum production building (1 year)	32,816 sq. feet	5,608,440		
			TOTAL	21,414,227		

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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 Seventh Annual General Meeting * of the Company to be held at Room 4, Level 1, Vistana Hotel, 213 Jalan Bukit Gambir, Bukit Jambul, 11950 Penang on the Monday, 29 June 2009 at 9.00 a.m. and, at every adjournment thereof to vote as indicated below:-

(Please indicate with an "X" in the space provided below 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 up to RM216,000 for the financial year ending December 31, 2009.		
2. To declare a First and Final Dividend of 1 Sen per share exempt from Income Tax for the year ended 31 December 2008.		
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. Hsu, Chin-Shui;		
4. Lee Kah Kheng		
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 ________________ , 2009.

Notes:

An individual member shall be entitled to appoint only one (1) proxy and a corporate member is entitled to appoint up to two (2) proxies to attend and vote at the same meeting. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.

Where a corporate member appoints more than one (1) proxy, the appointment shall be invalid unless it specifies the proportions of its 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.

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.

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.
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Fax : +604 - 616 1302
Web: www.dufu.com.my