

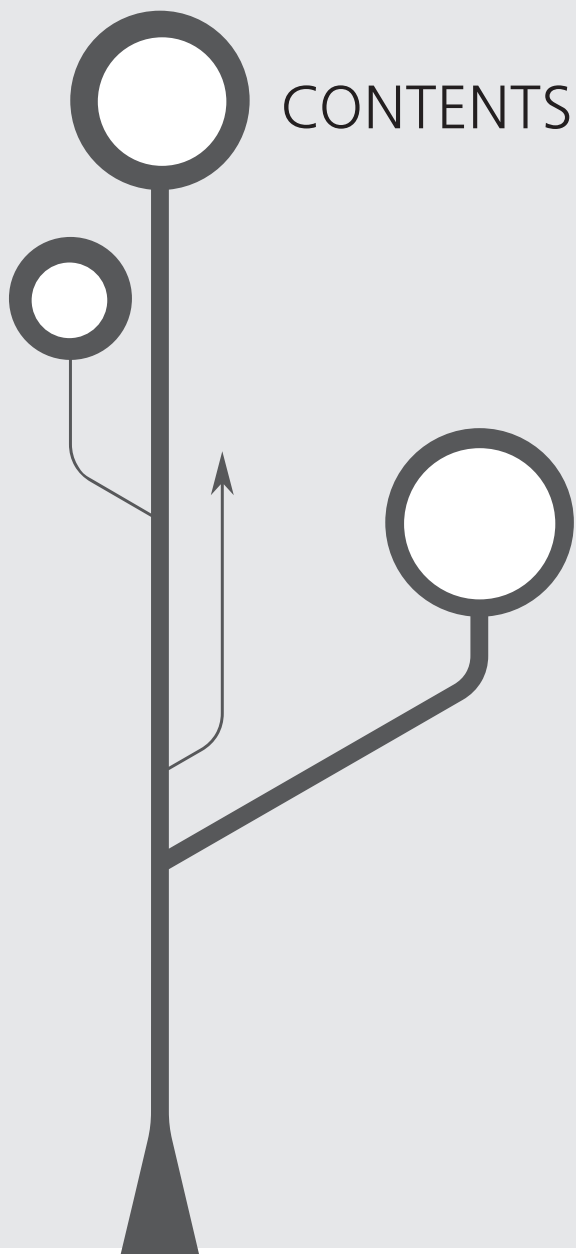


DUFU TECHNOLOGY CORP. BERHAD
(581612-A)

CREATING SUSTAINABILITY, GROWING WITH YOU



ANNUAL REPORT 2015



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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fourteenth Annual General Meeting of the Company will be held at U Hotel, Room Jupiter, Ground Floor, 676 Jalan Sungai Dua, 11700 Penang, Malaysia on Thursday, 19 May 2016 at 9.00 a.m. for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements of the Company for the year ended 31 December 2015 together with the Reports of the Directors and of the Auditors thereon. *(Please refer to Note A)*
2. To declare a Single Tier Final Dividend of 1.1 sen per share for the year ended 31 December 2015. (Resolution 1)
3. To approve the payment of Directors' Fee of up to RM198,000/- for the financial year ending 31 December 2016. (Resolution 2)
4. To re-elect the following Directors retiring under the respective provision of the Articles of Association of the Company and who, being eligible offer themselves for re-election:-
 - a. Mr. Lee, Hui-Ta also known as Li Hui Ta Article 97(1) (Resolution 3)
 - b. Mr. Wu, Mao-Yuan Article 97(1) (Resolution 4)
 - c. Mr. Sung, Cheng-Hsi Article 104 (Resolution 5)
 - d. Ms. Joyce Wong Ai May Article 104 (Resolution 6)
5. To re-appoint Messrs. Crowe Horwath as Auditors of the Company for the ensuing year and to authorize the Directors to fix their remuneration. (Resolution 7)

SPECIAL BUSINESS

6. To consider and if thought fit, to pass the following resolutions: -

Ordinary Resolutions

Authority to Issue Shares

(Resolution 8)

- a) "That pursuant to Section 132D of the Companies Act, 1965 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 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 empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Securities."

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

(b) Renewal of Authority to Purchase its own Shares

(Resolution 9)

“That subject to the Companies Act, 1965, provisions of the Company’s Memorandum and Articles of Association (“M&A”) and the requirements of the Bursa Securities and other relevant governmental and regulatory authorities where such authority shall be necessary, the Board of Directors be authorised to purchase its own shares through Bursa Securities, subject to the following:-

- i) The maximum aggregate number of shares which may be purchased by the Company shall not exceed ten per centum (10%) of the issued and paid-up ordinary share capital of the Company at any point in time;
- ii) The maximum fund to be allocated by the Company for the purpose of purchasing the Company’s shares shall not exceed the retained profits and/or share premium account of the Company. As at 31 December 2015, the retained profits and share premium accounts of the Company stood at RM14,616,288 and RMNIL respectively.
- iii) The authority conferred by this resolution will be effective immediately upon the passing of this resolution and shall continue to be in force until the conclusion of the next AGM of the Company, at which time it shall lapse unless by ordinary resolution passed at that meeting, the authority is renewed either unconditionally or subject to conditions or the expiration of the period within which the next AGM is required by law to be held or unless revoked or varied by ordinary resolution passed by the shareholders in a general meeting, whichever occurs first;
- iv) Upon completion of the purchase(s) of the shares by the Company, the shares shall be dealt with in the following manner:-
 - to cancel the shares so purchased; or
 - to retain the shares so purchased in treasury for distribution as dividend to the shareholders and/or resell on the market of the Bursa Securities or subsequently cancelled; or
 - retain part of the shares so purchased as treasury shares and cancel the remainder.

The Directors of the Company be and are hereby authorised to take all such steps as are necessary and entering into all other agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments, if any, as may be imposed by the relevant authorities from time to time to implement or to effect the purchase of its own shares in accordance with the Companies Act, 1965, provisions of the Company’s M&A, the requirements of the Bursa Securities and any other regulatory authorities, and other relevant approvals.”

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
27 April 2016

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

Notes:-

- A. *This Agenda item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of the shareholders and hence, is not put forward for voting.*
- B. *For the purpose of determining a member who shall be entitled to attend and vote at this 14th Annual General Meeting, the Company shall be requesting the Record of Depositors as at 11 May 2016. Only a depositor whose name appears on the Record of Depositors as at 11 May 2016 shall be entitled to attend, speak and vote at the said meeting or appoint proxy(ies) to attend, speak and vote on his/her behalf.*

Proxy:-

1. *A Member of the Company entitled to attend and vote is entitled to appoint up to two (2) proxies to attend and vote in his place. A proxy may but need not be a Member and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.*
2. *Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.*
3. *Where a member appoints more than one (1) proxy, the appointments shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.*
4. *The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.*
5. *The instrument appointing a proxy must be deposited at the Registered Office of the Company at 57-G Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang not less than forty-eight (48) hours before the time set for holding of the Meeting or at any adjournment thereof.*

Explanatory Note On Special Business:

1. Resolution pursuant to Authority to issue Shares

The proposed Resolution No. 8 [Item 6(a)], if passed, will grant a renewed general mandate (Mandate 2016) and empower the Directors of the Company to issue and allot shares up to an amount not exceeding in total ten per centum (10%) of the issued share capital of the Company from time to time and for such purposes as the Directors consider would be in the interest of the Company. In order to avoid any delay and costs involved in convening a general meeting, it is thus appropriate to seek shareholders' approval. This authority will, unless revoked or varied by the Company in general meeting, expire at the next Annual General Meeting of the Company.

The Mandate 2016 will provide flexibility to the Company for allotment of shares for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of funding future investment(s), acquisition(s) and/or working capital.

As at the date of this Notice, the Company did not issue any shares pursuant to the mandate granted to the Directors at the Thirteenth Annual General Meeting. The Company did not issue any share pursuant to the mandate granted because there was no investment, acquisition or working capital that required fund raising activity.

2. Resolution pursuant to the Authority to Purchase its own Shares

The proposed Resolution No. 9 [Item 6(b)], if passed, will give the Directors of the Company authority to purchase its own shares up to ten per centum (10%) of the issued and paid-up share capital 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 shareholders of the Company in general meeting, will expire at the conclusion of the next Annual General Meeting.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN that the a Single Tier Final Dividend of 1.1 sen per share for the financial year ended 31 December 2015, if approved, will be paid on 15 June 2016 to depositors registered in the Records of Depositors on 31 May 2016:-

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

- a) shares transferred into the Depositor's Securities Account before 4.00 p.m. on 31 May 2016 in respect of ordinary 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
27 April 2016

CORPORATE INFORMATION

BOARD OF DIRECTORS

Lee, Hui-Ta a.k.a Li Hui Ta
(Re-designated w.e.f. 18 Jun 2015)
Executive Chairman/
Chief Financial Officer

Wu, Mao-Yuan
(Re-designated w.e.f. 27 Aug 2015)
Executive Director

Khoo Lay Tatt
(Re-designated w.e.f. 2 Jan 2016)
Executive Director

Ang Siak Keng
Independent Non-Executive Director

Sung, Cheng-Hsi
(Appointed w.e.f. 9 Oct 2015)
Independent Non-Executive Director

Joyce Wong Ai May
(Appointed w.e.f. 3 Mar 2016)
Independent Non-Executive Director

Hsu, Chin-Shui
(Retired on 18 Jun 2015)
Executive Chairman

Yong Poh Yow
(Resigned w.e.f. 27 Aug 2015)
Executive Director/
Chief Executive Officer

Ong Choon Heng
(Resigned w.e.f. 3 Mar 2016)
Independent Non-Executive Director

ACTING CHIEF EXECUTIVE OFFICER

Yeoh Beng Hooi
(Appointed w.e.f. 27 Aug 2015)

AUDIT COMMITTEE

Chairman

Ang Siak Keng
(Re-designated w.e.f. 2 Jan 2016)

Members

Sung, Cheng-Hsi
(Appointed w.e.f. 23 Nov 2015)

Joyce Wong Ai May
(Appointed w.e.f. 3 Mar 2016)

Chairman

Khoo Lay Tatt
(Resigned w.e.f. 2 Jan 2016)

Member

Ong Choon Heng
(Resigned w.e.f. 3 Mar 2016)

NOMINATING COMMITTEE

Chairman

Ang Siak Keng
(Re-designated w.e.f. 2 Jan 2016)

Members

Sung, Cheng-Hsi
(Appointed w.e.f. 2 Jan 2016)

Joyce Wong Ai May
(Appointed w.e.f. 3 Mar 2016)

Chairman

Khoo Lay Tatt
(Resigned w.e.f. 2 Jan 2016)

Member

Ong Choon Heng
(Resigned w.e.f. 3 Mar 2016)

REMUNERATION COMMITTEE

Chairman

Ang Siak Keng

Members

Lee, Hui-Ta a.k.a Li Hui Ta
(Appointed w.e.f. 18 Jun 2015)

Joyce Wong Ai May
(Appointed w.e.f. 3 Mar 2016)

Hsu, Chin-Shui
(Retired on 18 Jun 2015)

Ong Choon Heng
(Resigned w.e.f. 3 Mar 2016)

INVESTMENT COMMITTEE

Chairman

Ang Siak Keng
(Re-designated w.e.f. 3 Mar 2016)

Members

Lee, Hui-Ta a.k.a Li Hui Ta

Joyce Wong Ai May
(Appointed w.e.f. 3 Mar 2016)

Ong Choon Heng
(Resigned w.e.f. 3 Mar 2016)

COMPANY SECRETARIES

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

AUDITORS

Crowe Horwath
Chartered Accountants
Level 6, Wisma Penang Garden
42 Jalan Sultan Ahmad Shah
10050 Penang
Tel : 604-2277061
Fax : 604-2278011

REGISTERED OFFICE

57-G Persiaran Bayan Indah
Bayan Bay, Sungai Nibong
11900 Penang
Tel : 604-6408932
Fax : 604-6438911

HEAD OFFICE

19, Hilir Sungai Keluang 2
Taman Perindustrian Bayan Lepas
Phase IV, 11900 Penang, Malaysia
Tel : 604-6161300
Fax : 604-6161372
Website : www.dufutechnology.com

REGISTRAR

Securities Services (Holdings) Sdn. Bhd.
(Company No. 36869-T)
Level 7, Menara Millenium
Jalan Damanlela,
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Tel : 603-20849000
Fax : 603-20949940

PRINCIPAL BANKERS

Public Bank Berhad
United Overseas Bank (Malaysia) Bhd
Citibank Berhad

STOCK EXCHANGE LISTING

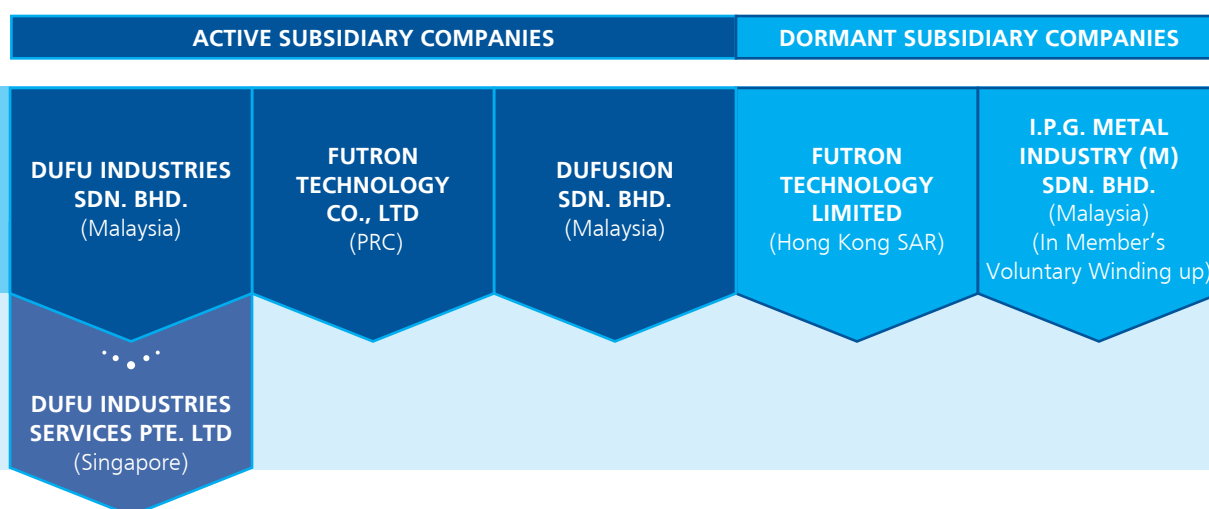
Main Market of Bursa Malaysia
Securities Berhad
Sector : Industrial Products
Stock Name : DUFU
Stock Code : 7233

GROUP STRUCTURE

DUFU TECHNOLOGY CORP. BERHAD
 (“DUFU” or the “Company”) and Subsidiaries (“DUFU Group” or the “Group”)
 As at 18 April 2016



DUFU TECHNOLOGY CORP. BERHAD



PRINCIPAL ACTIVITIES

Dufu Technology Corp. Berhad (581612-A)(“DUFU”) is principally involved in investment holding. The subsidiaries of DUFU as at 18 April 2016 were as follows:-

Subsidiary	Country of Incorporation	Ownership Interest	Principal Activity
Dufu Industries Sdn. Bhd. (165467-T)	Malaysia	100%	Design, development, manufacture, assembly and trade of die components and precision machining of vice, computer peripherals and parts for hard disk drive
Futron Technology Co., Ltd (440122400000848)	People's Republic of China (PRC)	100%	Manufacturing and trading of optics and magnetism driver and parts
Dufusion Sdn. Bhd. (948150-U)	Malaysia	100%	Design, research and development, manufacture, assembly and trading of medical components for orthopaedics
*Dufu Industries Services Pte. Ltd (200204589D)	Singapore	100%	Processing and trading of high quality computer disk-drive related components
Futron Technology Limited (0832974)	Hong Kong SAR	100%	Dormant
I.P.G. Metal Industry (M) Sdn. Bhd. (186860-U)	Malaysia	100%	Dormant (In Member's Voluntary Winding up)

* A Wholly-Owned Subsidiary of Dufu Industries Sdn Bhd

BOARD OF DIRECTORS' PROFILE

LEE, HUI-TA a.k.a LI HUI TA

Executive Chairman/Chief Financial Officer | Taiwanese, aged 57

Lee, Hui-Ta a.k.a Li Hui Ta was appointed to the Board on 1 September 2006 as an Executive Director and Chief Financial Officer of Dufu. Later, he is appointed as the Executive Chairman of the Group on 18 June 2015. He graduated from Chong Sin University in Taiwan with a Diploma in Mechanical Engineering in 1979, a Degree in Business Administration in 1988 and Master of Business Administration in 2009. 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. In 1990, he co-set up Dufu Industries Sdn Bhd in Malaysia 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 Investment Committee and Remuneration Committee of the Company.

He is the spouse of Mdm Wang, Kuei-Hua, a 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.

WU MAO-YUAN

Executive Director | Taiwanese, aged 59

Wu Mao-Yuan, was appointed to the Board on 19 December 2012 as a Non-Independent Non-Executive Director and be re-designated as an Executive Director of Dufu on 27 August 2015. He graduated from Taiwan Zhen Xin University in 1977 with a Diploma in Mechanical Engineering.

Upon graduation, he started his career in year 1979 as an Engineering Assistant responsible for the design and manufacturing of production jig and fixture with Da Di Ling Company. Subsequently, Wu joined Jin Feng Corp. in 1981 as a supervisor leading the production team to manufacture motorcycle components. In 1988-1992, he joined Lee Bai Corp Ltd. as a production manager and he formed and started a new precision machining group for the Company. In 1993, Mr. Wu worked in Dufu Industries Sdn Bhd where he was responsible for overseeing its operation as well as technology. He left Malaysia in 2002 to personally setup and establishes Futron Technology Co., Ltd in Guang Zhou, China to manufacture and produce production parts for computer related components.

Throughout his career in the past 30 over years he had demonstrated not only his high technical skill, but had also proven his management capability by bringing success to many of the companies he served.

He is currently the Managing Director of Futron Technology Co., Ltd & Compliance Officer of Superior Plating Technology Co. Ltd.

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

BOARD OF DIRECTORS' PROFILE (CONT'D)

KHOO LAY TATT

Executive Director | Malaysian, aged 43

Khoo Lay Tatt was appointed to the Board on 2 October 2006 as a Non-Independent Non-Executive Director. Subsequently, he was appointed as Senior Independent Non-Executive Director of the Company from 19 December 2012 to 1 January 2016. He was re-designated as Executive Director of the Company with effect from 2 January 2016. Mr. Khoo graduated from Tunku Abdul Rahman College with an ICOSA 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 a commercial bank. He left the Bank as an Executive cum Company Secretary of its subsidiary companies in 2000. He joined a corporate secretarial and accounting services firm in Penang as the Assistant Manager and left the said firm in 2005 as a Senior Manager. During his tenure, he was involved in numerous initial public offerings and corporate exercises undertaken by listed companies.

He is a Chartered Secretary by profession and also Fellow member (FCIS) of the Institute of Chartered Secretaries and Administrators (ICSA / MAICSA). He is also a Certified Financial Planner (CFP) and a Certified Member of Financial Planning Association of Malaysia (FPAM).

Currently, he also sits on the Board of three public companies listed on the Main Market of Bursa Securities, namely, P.I.E Industrial Berhad, Saudee Group Berhad and Acme Holdings Berhad as Independent Non-Executive Director.

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

ANG SIAK KENG

Independent Non-Executive Director | Malaysian, aged 45

Ang Siak Keng was appointed to the Board on 3 October 2011 as an Independent Non-Executive Director of Dufu. He graduated with a law degree with honours from University of Melbourne in 1995. He starts his career as lawyer by profession and has more than 20 years of working experience in legal practice. He is currently a partner of Zaid Ibrahim & Co.

He advises local and foreign clients with respect to a broad range of corporate and commercial matters including M&As, corporate restructurings, corporate governance and international joint ventures. He has advised several companies in their IPOs exercises and constantly advises public listed companies in various aspects of their corporate exercises and compliance with Securities Commission's Guidelines, listing requirements, Securities Law, Capital Markets and Services Act, Malaysian Code on Take-Overs and Mergers, etc.

He is also the Chairman of the Audit Committee, Remuneration Committee, Nominating Committee and Investment Committee of the Company.

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

BOARD OF DIRECTORS' PROFILE (CONT'D)

SUNG, CHENG-HSI

Independent Non-Executive Director | Taiwanese, aged 37

Sung, Cheng-Hsi, was appointed to the Board on 9 Oct 2015. He is an Independent Non-Executive Director of Dufu. He graduated from University of Reading, UK with a Master of Science in 2005, and Bachelor of Art from National Donghua University, Taiwan in 2002. Upon graduation, he started his career in 2006 as Equity Research Analyst at China Trust Commercial Bank. He was responsible for researched and analyzed Taiwanese listed companies. Research area included steel, petrochemical, and automotive part. He also formulated financial models for accurate interpretation, supporting all internal departments. He joined Superior Plating Technology in 2008 as Chief Financial Officer (CFO). During his tenure, he was responsible to manage the financial risk, financial planning, and financial reporting and directly assists the Chief Executive Officer (CEO) and Board Chairman on all strategic and tactical matters.

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

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

JOYCE WONG AI MAY

Independent Non-Executive Director | Malaysian, aged 40

Joyce Wong Ai May was appointed to the Board on 3 March 2016 as an Independent Non-Executive Director of Dufu. She graduated from University of Tasmania with Bachelor of Accounting and Finance. She is an accountant by profession and a member of Certified Practising Accountant. She started her career with Smith Zain Securities Sdn. Bhd as an Accounts Executive in 1999 and Head of Finance in 2002. She joined Hwang-DBS Securities Berhad in 2004 and then left the company to join UHY Chartered Accountants in 2005 as Audit Supervisor and become a Director in 2015. She also sits on the Industry Advisory Panel of the School of Business for Disted College, Penang.

She is also a member of the Audit Committee, Investment Committee, Nominating Committee and Remuneration committee of the Company.

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

CHIEF EXECUTIVE'S PROFILE

YEOH BENG HOOI

Acting Chief Executive Officer | Malaysian, aged 52

Yeoh Beng Hooi was appointed as acting CEO of the Group on 27 August 2015. He graduated with a Diploma in Electronic Engineering from Institute Technology. In 1989, he started his career as Assistant Engineering and became as Senior Reliability Laboratory in 1990 with Advanced Micro Devices Inc., a U.S. based semiconductor company. In 1992, he joined Read-Rite Malaysia as QA Engineer and joined XOLOX Malaysia as Engineer Manager in 1995. He left the company as Director of Engineering in 2000 and joined Wong Engineering Corporation Bhd as Deputy General Manager. In 2001, he was appointed Executive Director of WE Advance Devices Sdn Bhd. He is Chief Operating Officer in Dufu Industries Sdn Bhd since 2004.

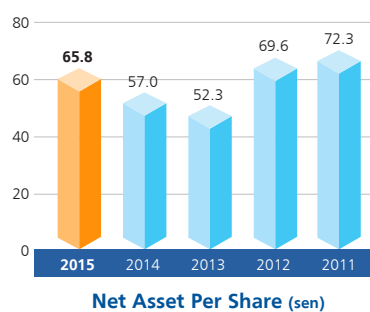
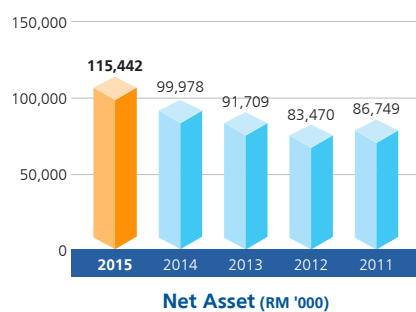
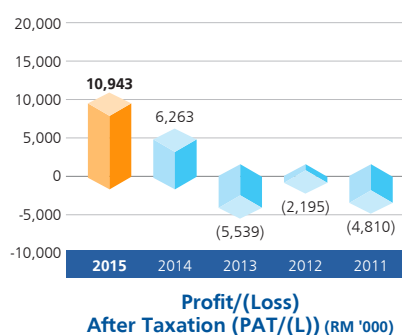
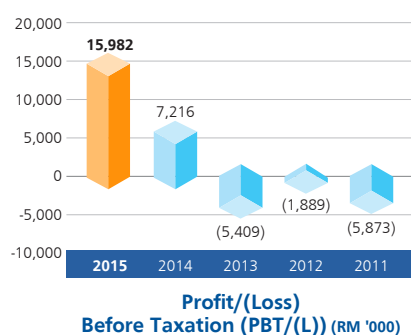
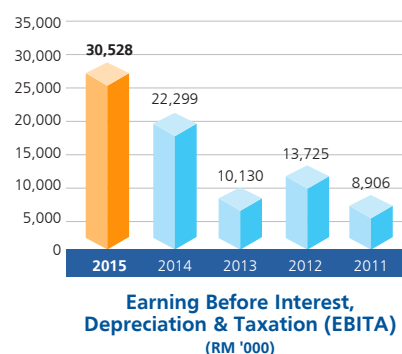
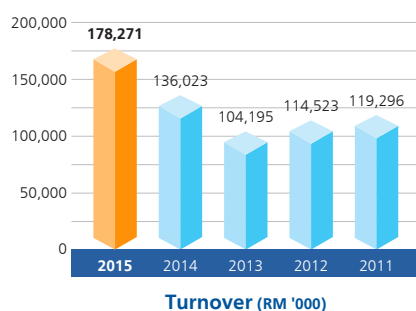
As at 31 March 2016, he holds 90,000 Ordinary Shares of RM0.50 each in Dufu Technology Corp. Berhad.

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

FIVE YEARS GROUP FINANCIAL REVIEW

Group	31.12.2015 (RM'000)	31.12.2014 (RM'000)	31.12.2013 (RM'000)	31.12.2012 (RM'000)	31.12.2011 (RM'000)
Turnover	178,271	136,023	104,195	114,523	119,296
Earning Before Interest, Depreciation & Taxation	30,528	22,299	10,130	13,725	8,906
Profit/(Loss) Before Taxation	15,982	7,216	(5,409)	(1,889)	(5,873)
Tax (Expense)/ Income	(5,039)	(953)	(130)	(306)	1,062
Profit/ (Loss) After Taxation	10,943	6,263	(5,539)	(2,195)	(4,810)
Net Asset	115,442	99,978	91,709	83,470	86,749
Net Asset Per Share (sen)	65.8	57.0	52.3	69.6	72.3
Basic Earning Per Shares (sen)	6.2	3.6	(3.8)	(1.8)	(4.0)
Number Of Shares	175,470	175,470	175,470	120,000	120,000

FINANCIAL HIGHLIGHTS



CHAIRMAN'S STATEMENT



" On behalf of the Board of Directors of Dufu Technology Corp. Berhad ("DUFU"), I am pleased to present herewith the Annual Report and Audited Financial Statements of the Company and the Group for the financial year ended 31 December 2015."

FINANCIAL PERFORMANCE

Dufu Group's revenue has grown by 31% to RM178.27 million compared to previous year. For 2015, Dufu Group as the net exporter gained advantage of the favorable of foreign exchange rates. Dufu Group recorded a profit before taxation of RM15.98 million and a healthy net assets of RM115.44 million or 66 sen per share and its net operating cash flow stood at RM25.81million during the year under review.

BUSINESS OUTLOOK

The consensus forecast indicates that global Hard Disk Drive (HDD) continue to be flat in demand due to competition from other storage medium such as Solid-State Drives (SSDs). However, HDD still hold a commanding position as SSDs are more expensive. In years to come, the price differential between this two disk technologies will narrow. Nevertheless, Dufu Group still remain confident that we are able to sustain the business in coming year by continuing the process of innovation and other improvements to increase production efficiency together with the development of new product mix with HDD customers.

Besides focusing on HDD sector as our core business, Dufu Group will continue its effort to grow its Non-HDD sectors particularly in Control and Sensor.

This sector has shown a promising improvement in demand and we intend to generate good relationship with our customers for future development. Moving forward, Dufu Group will concentrate on growing its Non-HDD sector while sustaining its HDD global market shares.

DIVIDEND

For the financial year 2015, Dufu declared a Single Tier Interim Dividend of 2 Sen per share which was paid in Jan 2016.

The Board recommends a Single Tier Final Dividend of 1.1 sen per share for the approval of shareholders at the forthcoming annual general meeting. The entitlement date and the payment date of the proposed final dividend are disclosed on Page 5 of this Annual Report.

CORPORATE SOCIAL RESPONSIBILITY (CSR) STATEMENT

Dufu 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 society and environment. With such belief, Dufu Group is committed and uses its best endeavour, on an ongoing basis, to integrate CSR practices into its day-to-day business operations such as 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.

EDUCATION

Dufu Group continues its belief that education is a tool to improve the life of the community in the long run. Dufu Group has provided financial support to Association of Resource and Education for Autistic Children, and Chinese Taipei School Penang in 2015. Besides, Dufu Group has provide internship programmes to students from local/ foreign universities and colleges such as Universiti Tunku Abdul Rahman, Disted College, Oriental Institute of Technology etc to give an opportunity for them to gain working experiences.



CHAIRMAN'S STATEMENT
(CONT'D)**EMPLOYEE WELFARE
AND WELL BEING**

Dufu Group is mindful that its people spend large part of life at their workplace, thus we strive to provide people –friendly workplace environment. Dufu Group is fully committed to the greener environmental protection and prevention of injury and ill health in related operational activities via continual improvement of Plan Do Check Approach (PDCA) cycle in effective Occupational Health & Safety and Environmental Management System.

In addition, Dufu Group has consistently provided both off-the-job training and on-the-job training to its employees in order to enhance their variety of skills (such as managerial skill, know-how skill and etc.) and knowledge (Operational Standards, and compliance, ethics and etc). Dufu Group implements safety and health education that matches their respective business characteristics. It also provides health and safety education through in-house and external training which promotes greater understanding of the principles and concept of health and safety to more than 1000 employees every year.

Dufu Group also provides Group term life and Group Health insurance for the employees to cope with the rising medical expenses.

Annual dinner is organized as a token of appreciation to the employees for their contribution to the success of Dufu Group. The annual dinner also served as an avenue to promote social interaction and harmony among employees from different departments. Further to that, Dufu Group also invited business partners, suppliers, etc to show our gratitude for their support.



Dufu Football Tournament 2015

**SPORTS
EXCELLENCE**

Dufu Group continuously support and sponsor a variety of sport activities and encourage its employees to participate in the events as Dufu Group believes that such events will improve employees physical and mental health as well as aspiring sport talent. Awards and recognitions are given to those who excel in their respective fields. The sport activities during the financial year 2015 were Delta Eco Night Run 2015, DTC Badminton Tournament 2015, Dufu Table Tennis Tournament 2015 and Bowling Tournament 2015.



Delta ECO Night Run 2015



Dufu Annual Dinner 2015



Dufu Bowling Tournament 2015



Dufu badminton Tournament 2015



Dufu Table Tennis Tournament 2015

CHAIRMAN'S STATEMENT
(CONT'D)



DONATION

Dufu Group being a good corporate citizen is determined to create a positive impact in the life of the communities by taking initiative to help the less fortunate. In May 2015, Dufu Group donated RM50,000 to the families of the Nepalese workers affected by the earthquake in Nepal. The employees of Dufu Group have followed the good initiative of Dufu Group, thus in early 2015, they voluntarily organized a donation drive to give to the victims who suffered by the unprecedented floods in several states of Malaysia at the end of 2014.



左三) 见证。
教给尼泊尔籍员工，由基斯南(中排左二)移交捐

MOVING FORWARD

Dufu Group will continue its social responsibility toward society at large by supporting various CSR programmes. Dufu Group will continue to provide support and training to its employees as knowledge is the strongest competitive advantage that sustains the human capital for achieving betterment in results and well-being of Dufu Group.

Dufu Group will continue to strive for better financial results to reward the shareholders by way of distribution of dividend.

IN APPRECIATION

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

Last but not least, I wish to thank my fellow Directors for their valuable guidance, advice and support rendered over the years.

LEE, HUI-TA @ LI, HUI-TA
*Executive Chairman/
Chief Financial Officer*

助尼泊尔员工
杜甫科技捐逾5万

(横岛西南区讯) 峇六拜杜甫科技股份有限公司视尼泊尔籍员工如家人，特献捐5万令吉给53名家园遭地震摧毁的员工渡过难关。同时，该公司员工也集资5000令吉赈灾。
周早上，该公司执

行董事李辉达移交捐款给尼泊尔驻马大使馆行政官基斯南与尼泊尔非政府组织代表占德兰时说，杜甫科技有800名外籍员工，尼泊尔人303名。
李辉达说，员工家庭有难，公司以同理心相

CHIEF EXECUTIVE OFFICER'S STATEMENT



OPERATION REVIEW

We achieved better result in year 2015 due to the effective utilization of resources and the strengthening of US dollar against Ringgit Malaysia.

We will continue to focus on Dufu Group's core business i.e. HDD sector by increasing new product mix development with the HDD customers and also grow the Non-HDD sector such as Sensor and Control.

STRENGTHEN OPERATIONAL MANAGEMENT AND IMPROVE INTERNAL CONTROL

Dufu Group will continue improving its operation procedures to achieve efficiency and effectiveness for better performance. Besides, Dufu Group is working closely with HDD customers to develop new products that capable to meet higher quality standard. We will continue to work on improvement of Non-HDD sector to stay competitive by improving processes and productivities.

Dufu Group has further strengthened its internal control by setting up an in-house Internal Audit Department ("Internal IA") to work closely with the Outsourced IA to enhance the effectiveness and thoroughness of its work audit. Dufu Group will continue to engage the Outsourced IA to train guide and advise the Internal IA until they are ready to fully take up the important task of internal control.

MOVING FORWARD

As mention in the Chairman's Statement on business outlook, 2016 will be a challenging year as global demand for HDD sector continues to remain flat coupled with the impact of the strengthening of Ringgit Malaysia against the US Dollar in the first quarter of 2016. However, Dufu Group will continue to strive for better results.

With vigorous and energetic resources, Dufu Group seeks to strengthen its position and aggressively seeks new business ventures to capture a larger market share and broaden its revenue potential especially in Non-HDD sectors. Plans include securing projects with new customers to diversify its revenue streams.

IN APPRECIATION

We would like to take this opportunity to thank our valued stakeholders comprising of our customers, vendor and others business partners for their continuous support to the Dufu Group.

YEOH BENG HOOI

Acting Chief Executive Officer

AWARDS AND ACHIEVEMENTS



Year	Awarded By customer	Award
1994	G Shank Enterprise (M) Sdn Bhd	Best Service Award
1995	G Shank Enterprise (M) Sdn Bhd	Thank your support award
1997	G Shank Enterprise (M) Sdn Bhd Seagate Technology International	Best Vendor Award Certified Supplier Achievement Award
2000	Seagate Technology International	Valuable Contribution Award
2001	Inventec Electronics (M) Sdn Bhd	Excellent Supplier Award
2002	Seagate Technology International	Valuable Contribution Award
2003	National Council for Occupational Safety and Health	National Council for Occupational Safety and Health (SME) – 1st Place
2005	Seagate Technology International	Valuable Contribution Award
2006	G Shank Enterprise (M) Sdn Bhd Seagate Technology International	Best Vendor Award Appreciation Award
2008	Western Digital (M) Sdn Bhd	Performance Achievement Award
2009	Motorola Technology Sdn Bhd	Supplier Appreciation Award
2010	Awarded OHSAS 18001:2007 in June	
2012	Emerson Regulator Technologies Specsavers	Excellent Supplier Award Global Supply Partner
2014	Seagate Technology International Dufusion awarded ISO 9001:2008 & ISO 13485 : 2003	Dock to Stock Recognition
2015	Flextronics Shah Alam Sdn Bhd Seagate Technology International	Best Supplier Award 2015 Spacer Dock To Stock Supplier 2015

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors (“the Board”) recognises the importance of good corporate governance and is committed to ensure that good corporate governance is being practised by the Group in order to safeguard stakeholders’ interests as well as enhancing shareholders’ value.

This Statement sets out the manner in which the Group has applied and the extent of compliance with the principles and recommendations as set out in the Malaysian Code on Corporate Governance 2012 (“MCCG 2012” or “the Code”).

1. CLEAR ROLES AND RESPONSIBILITIES

1.1 Functions of the Board

To ensure the effective discharge of its function and responsibilities, the Board established an internal governance model for delegating of specific powers of the Board to the relevant Board Committees, the Chief Executive Officer (“CEO”), Chief Financial Officer (“CFO”) and the Senior Management of the Company.

The Board had also formed its Executive Committee (“Exco”) to assist the CEO to manage the Group’s day-to-day operations. The Exco has been suspended since 22 June 2015 and officially abolished on 24 February 2016. Subsequent thereto, the power/ authority to review, deliberate and approve the acquisition or disposal of investments or assets of the Group has been assumed by the Investment Committee (IVC) of the Company, subject to the terms and conditions as set out in the Group’s Standard Operating Procedures, amongst others:-

- a) All Non-Operating Transactions;
- b) All Operating Transactions that exceed RM2 million or more;
- c) To review, deliberate all Transactions that exceed RM5 million or more or a minimum of 5% of Dufu NTA (based on the latest Quarterly Results announced to Bursa) whichever is lower. Thereafter, the Chairman of IVC shall propose to the Board of Directors (BOD) to either reject or approve the said Transactions;
- d) To decide on the necessary steps (eg. Open tender procedures, appointing approved professionals, etc) to be taken before deliberation and making its proposal to the Board for decision. Upon deciding on the steps to be taken, the IVC shall instruct the Finance Department to take the necessary actions as advised by the IVC;

The membership of the IVC is as follows:

Chairman: Ang Siak Keng (Independent Non-Executive Director)
 Members: Joyce Wong Ai May (Independent Non-Executive Director)
 Lee, Hui-Ta a.k.a Li Hui Ta (Executive Chairman/ Chief Financial Officer)

Key matters reserved for the Board’s approval including but not limited to the Group’s annual forecast, business continuity plan, issuance of new securities, business restructuring, and acquisitions/disposals of material assets. All Board’s decisions are recorded in the minutes, including the deliberation for each decision, along with actions to be taken and the individuals responsible for implementation. Relevant Board decisions are communicated to the Senior Management for implementation within a reasonable timeframe.

The Board has direct access to Senior Management and has unrestricted and immediate access to information relating to the Group’s business and affairs in the discharge of their duties. The Board will consider inviting the Senior Management to attend meetings for reporting on major issues relating to their respective responsibility.

The Group’s annual forecast will be tabled for the Audit Committee and Board’s approval. The Management will also report on the Group’s capital expenditure to the Audit Committee (“AC”) and Board on quarterly basis.

Periodic briefings on the Group’s prospects and performance are also conducted for the Directors to ensure that the Board is well informed on the Group’s operational, financial and corporate issues.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

1. CLEAR ROLES AND RESPONSIBILITIES (cont'd)

1.1 Functions of the Board (cont'd)

The Board Committees are entrusted with specific responsibilities to oversee the Group's affairs, with authority to act on behalf of the Board in accordance with their respective Terms of Reference ("ToR"). At each Board meeting, the Chairman of the relevant Board Committees will report to the Board on key issues deliberated by the Board Committees at their respective meetings.

1.2 Roles and responsibilities of the Board

In discharging its stewardship, the Board is constantly mindful of safeguarding the interests of the Group's stakeholders and is ultimately responsible for the performance of the Group. The Board assumes the following core responsibilities:-

- Reviewing and adopting strategic plans for the Group;
- Overseeing the conduct of the Group's business to evaluate whether the business is being properly managed;
- Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;
- Succession planning including appointing, training, fixing the compensation of and, where appropriate, replacing senior management;
- Developing and implementing an investor relation programme or shareholder communication policy for the Company; and
- Reviewing the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

1.3 Ethical standards through Code of Ethics

The Company's Codes of Ethics for Directors continue to govern the standards of ethics and good conduct expected of Directors. The Code of Ethics for Directors includes principles relating to their duties, conflict of interest and dealings in securities are available at the Company's website.

As a measure to govern the conduct of its employees, the Company has in place its Whistleblower Policy and Procedures ("WPP") and Employees Hand Book.

The Code of Ethics for employees promotes integrity and ethical conduct in all aspects of the Group's operations, including but not limited to privacy and confidentiality of information. It also sets out prohibited activities or misconduct such as accepting gifts, bribes and dishonest behaviour.

The WPP seek to foster an environment where integrity and ethical behaviour are maintained and any illegal or improper action and/or wrongdoing in Dufu Group may be exposed. The Board has overall responsibility to oversee the implementation of the WPP and all whistle-blowing reports are to be addressed to the respective personnel as assigned pursuant to Dufu Groups' WPP. This mechanism will allow the stakeholders of DUFU to report concerns about alleged unethical behaviour, actual or suspected fraud within Dufu Group, or improper business conduct affecting Dufu Group and about business improvement opportunities.

The WPP of DUFU is available at its corporate website.

1.4 Strategies promoting sustainability

The Board promotes good corporate governance in the application of sustainability practices throughout Dufu Group, the benefits of which are believed to translate into better corporate performance. A report on sustainability activities, demonstrating DUFU's commitment to the global environmental, social, governance and sustainability agenda, is detailed in the Corporate Social Responsibility Statement of this Annual Report.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

1. CLEAR ROLES AND RESPONSIBILITIES (cont'd)

1.5 Access to information and advice

The Directors have individual and independent access to the advice and dedicated support services of the Company Secretaries in ensuring the effective functioning of the Board. The Directors may seek advice from the Management on issues under their respective purview. The Directors may also interact directly with the Management, or request further explanation, information or updates on any aspect of the Company's operations or business concerns from them.

In addition, the Board may seek independent professional advice at the Company's expense on specific issues to enable it to discharge its duties in relation to matters being deliberated. Individual Directors may also obtain independent professional or other advice in furtherance of their duties, subject to the approval of the Chairman or the Board, depending on the quantum of the fees involved.

1.6 Qualified and competent Company Secretaries

Both Company Secretaries of the Company have legal credentials, and are qualified to act as company secretary under Section 139A of the Companies Act 1965. The Company Secretaries play an advisory role to the Board in relation to the Company's constitution, Board's policies and procedures and compliance with the relevant regulatory requirements, codes or guidance and legislations. The Company Secretaries support the Board by ensuring that all Board meetings are properly conducted and deliberations at the Board and Board Committee meetings are well captured and recorded. The Company Secretaries also keep the Board updated on changes in the Listing Requirements and directives issued by the regulatory authorities, and the resultant implications to the Company and the Directors in relation to their duties and responsibilities.

1.7 Board Charter

The Board has made available its Board Charter on the corporate website. The document clearly sets out the roles and responsibilities of the Board and Board Committees and the processes and procedures for convening their meetings. It serves as a reference and primary induction literature providing prospective and existing Board members and Management insights into the fiduciary and leadership functions of the Directors of DUFU.

The Board reviewed its charter on 24 February 2016 and 18 April 2016. The Board will continue the practice to review its charter regularly at least once a year, to keep it up to date with changes in regulations and best practices and ensure its effectiveness and relevance to the Board's objectives.

2. STRENGTHEN COMPOSITION

2.1 Nominating Committee ("NC")

DUFU established its NC to assist the Board in recommending appointment of new Directors and assessing the effectiveness of the Board.

The membership of the Nominating Committee is as follows:

Chairman:	Ang Siak Keng (Independent Non-Executive Director)
Members:	Sung, Cheng-Hsi (Independent Non-Executive Director)
	Joyce Wong Ai May (Independent Non-Executive Director)

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

2. STRENGTHEN COMPOSITION (cont'd)

2.1 Nominating Committee ("NC") (cont'd)

The NC of DUFU assumes the following core responsibilities:-

- formulating the Nominating, selection and succession policies for members of the Board;
- review the structure, size and diversity (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board;
- consider the election criteria and develop procedures for the sourcing and election of candidates to stand for election by DUFU's shareholders ("Shareholders") or to fill casual vacancies of Directors;
- identify and nominate candidates to the Board for it to recommend to Shareholders for election as Directors;
- undertake an assessment of its Independent Directors annually;
- review the training needs for the Directors regularly; and
- establishing a set of quantitative and qualitative performance criteria to evaluate the performance of each member of the Board, each Board Committee and reviewing the performance of the Board as a whole.

Details of the ToR for NC of DUFU are available at its corporate website.

The activities carried out by the NC during the financial year ended 31 December 2015 in discharging its functions are as follows:

- reviewed the structure, size and diversity (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board;
- reviewed the training needs for the Directors;
- undertaken review of independency of Independent Directors;
- reviewed and assessed the necessity of the Services Agreement on engagement of consultant;
- reviewed and deliberated on the proposed restructuring of composition of Board of Directors after retirement and resignation of former Directors; and
- reviewed the profile of the new candidates and recommended the appointment as new member of the Board.

2.2. Develop, maintain and review criteria for recruitment and annual assessment of Directors

The Company has in place its procedures and criteria for appointment of new directors. All candidates for appointment are first considered by the NC, taking into account the mix of skills, competencies, experience, professionalism and other relevant qualities required to well manage the business, with the aim to meet the current and future needs of the Board composition. The NC also evaluates the candidates' character and ability to commit sufficient time to the Group. Other factors considered for appointment of Independent Director will include the level of independence of the candidate.

The NC will also be reviewing the composition of respective board committee of the Company to ensure its effectiveness in functioning.

The NC has also established a set of quantitative and qualitative performance criteria to evaluate the performance of each member of the Board, each Board Committee and reviewing the performance of the Board as a whole. The criteria for assessment of Directors shall include attendance record, intensity of participation at meetings, quality of interventions and special contributions.

In accordance with the Company's Articles of Association ("AA"), all Directors are subject to re-election by shareholders at the Annual General Meeting ("AGM") following their appointment. At least one-third (1/3) of the remaining Directors shall retire from office at each AGM at least once in every three (3) years, but shall be eligible for re-election.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

2. STRENGTHEN COMPOSITION (cont'd)

2.2. Develop, maintain and review criteria for recruitment and annual assessment of Directors (cont'd)

Notwithstanding the recommendation of the MCCG 2012, the Board is presently of the view that there is no necessity to fix a specific gender diversity policy. However, the Board shares the view and believes in promoting economic empowerment of women for business and sustainable development. Therefore, the Board is pleased to appoint Ms. Joyce Wong Ai May as one of our Independent Non-Executive Director on 3 March 2016. Moving forward, the Board will continue to tap talent from human capital market from time to time with the aim to increase the number of female director in its Board.

2.3 Remuneration policies

The Remuneration Committee (RC) is responsible for, inter-alia, recommending to the Board the remuneration policy for, including the establishment of a formal and transparent methodology in determining the remuneration of Executive Directors and Non-Executive Directors 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 Committee also ensures the level of remuneration for Non-Executive Directors are linked to their level of responsibilities undertaken and contributions to the effective functioning of the Board.

The membership of the RC is as follows:

Chairman: Ang Siak Keng (Independent Non-Executive Director)
 Members: Joyce Wong Ai May (Independent Non-Executive Director)
 Lee, Hui-Ta a.k.a Li Hui Ta (Executive Chairman/ Chief Financial Officer)

The policy practiced on Directors' remuneration by the RC 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. The Directors play no part in deciding their own remuneration and shall abstain from discussing or voting on their own remuneration.

The current remuneration policy of the Group is summarized as follows:-

- a) The Directors' salary for Executive Directors are set at a competitive level for similar roles within comparable markets, reflect the performance of the director, skills and experience as well as responsibility undertaken.
- b) Directors' Fees are based on a standard fixed fee and are subject to approval by its shareholders at the AGM.
- c) Meeting Allowance – All the Directors' are entitled to a fixed amount of allowance paid in accordance with the number of meeting attended during the year.
- d) Benefits-in-kind – only Executive Directors of the Group are entitled to benefits-in-kind provided by the Group.
- e) The RC may obtain independent professional advice in formulating the remuneration package of its Directors.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

2. STRENGTHEN COMPOSITION (cont'd)

2.3 Remuneration policies (cont'd)

Details of Directors' remuneration for the financial year ended 31 December 2015 were as follows:

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

Category	Fee (RM)	Salaries (RM)	Bonus (RM)	Allowances (RM)	Total (RM)
Executive Directors - Company [^]	114,000	0	0	37,500	151,500
- Subsidiaries ^{^^}		979,430	60,000	142,680	1,182,110
Non-Executive Directors - Company	225,000	0	0	59,000	284,000
Total	339,000	979,430	60,000	239,180	1,617,610

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

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

Range of Remuneration	Number of Directors	
	Executive	Non-Executive
RM1 to RM50,000	0	1
RM50,001 to RM100,000	0	2
RM100,001 to RM150,000	0	1
RM250,001 to RM300,000	2	0
RM400,001 to RM450,000	2	0

[^] Inclusive of Directors' Remuneration paid to Executive Directors who retired or resigned during the financial year.

Details of the remuneration of each Director are not disclosed as the Board is of the view that the transparency and accountability aspects of corporate governance on disclosure of Directors' remuneration are appropriately served by the above disclosures.

3. REINFORCE INDEPENDENCE

3.1 Annual Assessment of Independence

The NC played an important role to assist the Board in assessing the independence of Non-Executive Directors of the Company on annual basis. Based on the assessment conducted by the NC, the Board is generally satisfied with the level of independence demonstrated by all the Independent Directors of the Company and their ability to act in the best interest of the Company.

The NC develops the criteria to assess independence of Independent Director, include but not limited to directors' background, family relationships, interest of shareholdings in the Company and related party transactions with the Group (if any).

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

3. REINFORCE INDEPENDENCE (cont'd)

3.2 Tenure of Independent Directors

Notwithstanding the recommendation of the MCCG 2012, the Board is presently of the view that there is no necessity to fix a maximum tenure limit for Directors as there are significant advantages to be gained from the long-serving Directors who possess tremendous insight and knowledge of the Company's businesses and affairs. Similarly, the Board does not set a time-frame on how long an Independent Director should serve on the Board, mainly for the following reasons:-

- The ability of a Director to serve effectively as an Independent Director is very much dependent on his calibre, qualification, experience and personal qualities, particularly his integrity and objectivity, and has no real connection to his tenure as an Independent Director.
- NC conducts an annual assessment of Independent Directors in respect of inter alia their skills, experience and contributions, and whether the Independent Directors are able to discharge their duties with unbiased judgement. Furthermore, the NC also reviews the Directors Profile of Independent Directors and assess its family relationship, interest of shareholdings in the Company and related party transactions with the Group (if any).

3.3 Shareholders' approval to retain an Independent Director who has served for more than 9 years

Currently, all the Independent Directors of the Company served less than tenure of nine (9) years in the Company.

3.4 Separation of roles of Chairman and Chief Executive Officer (CEO)

The Company practises a division of responsibilities between the Executive Chairman and the CEO. Their roles are separated and clearly defined to ensure a balance of power and authority, increased accountability and greater capacity of the Board for Independent decision-making. The Chairman is mainly responsible for the Board's effectiveness and conduct. He also promotes an open environment for debate and ensures effective contributions from Non-Executive Directors. The Chairman also exercises control over the quality, quantity and timeliness of information flow between the Board and Management. At a general meeting, the Chairman plays a role in fostering constructive dialogue between shareholders, Board and Management.

The CEO is in charge of the day-to-day operations of the business, making strategic business decision and implementing Board policies.

Our Acting CEO Mr BH Yeoh is not a member of the Board and not involved in the corporate matter of the Company. This would enable him to concentrate in taking up the new task as an acting CEO.

3.5 Composition of the Board

The Board currently has six (6) members comprising an Executive Chairman, two (2) Executive Directors, and three (3) Independent Non-Executive Directors. This composition complies with Para 15.02 of the Bursa Securities Main Market Listing Requirements ("Main LR") whereby the Company must have at least two (2) Directors or one-third (1/3) of the Board, whichever is higher, who are Independent Directors.

In the event of any vacancy in the Board resulting in the non-compliance with the above, the Company must fill the vacancy within three (3) months. The Board is of the opinion that the interests of shareholders of the Company are fairly represented by the current Board composition and its size constitutes an effective Board of the Company.

The presence of the three (3) Independent Non-Executive Directors is essential in providing guidance, unbiased, fully balanced and independent views, advice and judgement to many aspects of the Group's strategy so as to safeguard the interests of minority shareholders and to ensure that high standards of conduct and integrity are maintained by the Group.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

3. REINFORCE INDEPENDENCE (cont'd)

3.5 Composition of the Board (cont'd)

Currently, the Chairman of the Company is not an independent director. However, the Board is of the opinion that the vast experience of Mr. Lee, Hui-Ta a.k.a. Li Hui Ta would enable him to be well equipped to interact with global leaders of the industry and build relationships with stakeholders. He has also exercised his due care in the interest of the Company and shareholders during his tenure as an Executive Chairman of the Company and provided objectivity in decision-making and ensured effective conduct of the Board of Directors' Meeting. Nevertheless, the Board is mindful to the recommendation that the board must comprise a majority of independent directors where the Chairman is not an Independent Director. The NC and Board is currently assessing the pros and cons of options available, i.e. Re-designation of existing Independent Director to become the chairman or Appointment of an additional Independent Director into the current Board structure. The Board is determined to conclude the decision latest by end of December 2016.

The position of Senior Independent Director of the Company is vacant for the time being subsequent to the re-designation of Mr. Khoo Lay Tatt as Executive Director of the Company on 2 January 2016.

As the Board recognize the importance of the roles played by Senior Independent Director, the Board is currently assessing and identifying the rightful candidate among the Independent Directors to be appointed to the said position.

Any concern regarding the Group may be conveyed by shareholders, investors or any other stakeholders to the Independent Non-Executive Director at the following address and such concerns will be reviewed and addressed accordingly:-

Mr. Ang Siak Keng
Dufu Technology Corp. Berhad
57-G Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang

[corporateaffairs@dufu.com.my]

4. FOSTER COMMITMENT

4.1 Time Commitment

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of DUFU. This is evidenced by the attendance record of the Directors at Board meetings.

The Board meets on a quarterly basis with additional meetings held whenever necessary. The Board met nine (9) times during the year under review. The attendance record for each Director at Directors' meeting for the financial year ended 31 December 2015 is as follows:

Director	No. of meetings attended
Lee, Hui-Ta a.k.a Li Hui Ta	9/9
Wu, Mao-Yuan	9/9
Khoo Lay Tatt	9/9
Ang Siak Keng	9/9
Sung, Cheng-Hsi (<i>Appointed w.e.f. 09 Oct 2015</i>)	1/1
Joyce Wong Ai May (<i>Appointed w.e.f. 03 Mar 2016</i>)	-
Hsu, Chin-Shui (<i>Retired on 18 Jun 2015</i>)	5/5
Yong Poh Yow (<i>Resigned w.e.f. 27 Aug 2015</i>)	5/7
Ong Choon Heng (<i>Resigned w.e.f. 03 Mar 2016</i>)	9/9

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

4. FOSTER COMMITMENT (cont'd)

4.1 Time Commitment (cont'd)

To ensure that the Directors have the time to focus and fulfill their roles and responsibilities effectively and in line with the Listing Requirements, a Director of DUFU must not hold directorships of more than five (5) Public Listed Companies and must be able to commit sufficient time to DUFU.

The Directors are required to submit an update on their other directorships from time to time for monitoring of the number of directorships held by the Directors of DUFU and for notification to Companies Commission of Malaysia accordingly.

Moving forward, an annual meeting calendar is prepared and circulated to all Directors before the beginning of every year to facilitate the Directors' time planning.

4.2 Continuing Training Programme

The Directors are mindful that they should continue to attend training programmes to enhance their skills and knowledge where relevant, as well as to keep abreast with the changing regulatory and corporate governance developments.

Save for Ms Wong whom was appointed on 3 March 2016, the details of trainings attended by the Directors are as follows:-

Director	Date	Description
Lee, Hui-Ta a.k.a Li Hui Ta	2 November 2015	2016 Tax & Budget Outlook – Mastering the Structural Shift in the Malaysian Tax System – Conducted by Crowe Horwath
Khoo Lay Tatt	1 July 2015	CIMB Bond & Legacy Roundtable Talk – Conducted by CIMB Bank Berhad
	21 September 2015	Half-Day Bursa Malaysia CG Breakfast Series with Directors with the theme “Future of Auditor Reporting-The Game Changer for Boardroom”– Conducted by Bursa Malaysia Berhad in collaboration with The Malaysian Institute of Certified Public Accountants (MICPA) and the Malaysian Institute of Accountants (MIA)
	2 November 2015	2016 Tax & Budget Outlook – Mastering the Structural Shift in the Malaysian Tax System – Conducted by Crowe Horwath
	26 November 2015	CIMB Private Lunch for Private Wealth Clients: “Finding Opportunity in Adversity: Market Outlook and Strategy 2016” – Conducted by CIMB Bank Berhad
Ang Siak Keng	2 November 2015	2016 Tax & Budget Outlook – Mastering the Structural Shift in the Malaysian Tax System – Conducted by Crowe Horwath
Sung, Cheng-Hsi	4 & 5 November 2015	Mandatory Accreditation Programme for Directors of Public Listed Companies – Conducted by Bursatra Sdn. Bhd.
Wu, Mao-Yuan	3 March 2015	Practical Cases Of Insider Trading And Legal Responsibility – Conducted by Accounting Research And Development Foundation
Ong Choon Heng (Resigned w.e.f. 3 Mar 2016)	12 & 13 January 2015	Goods & Services Tax (GST) for Accounting Treatment and Effective Implementation Process – Conducted by Malaysian Institute of Accountants
	2 November 2015	2016 Tax & Budget Outlook – Mastering the Structural Shift in the Malaysian Tax System – Conducted by Crowe Horwath
	26 November 2015	CIMB Private Lunch for Private Wealth Clients: “Finding Opportunity in Adversity: Market Outlook and Strategy 2016” – Conducted by CIMB Bank Berhad

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

5. UPHOLD INTEGRITY IN FINANCIAL REPORTING

5.1 Compliance with applicable financial reporting standards

The Board aims to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of each financial year, primarily through annual financial statements, announcement of results to shareholders as well as the Chairman's Statement in the annual report.

Details of the Directors' Responsibility in the preparation of the Group's financial statements are disclosed in page 38 of this Annual Report 2015.

The Board is assisted by the AC in overseeing the Group's financial reporting processes and the quality of its financial reporting. The AC reviews the Group's annual financial statements and the quarterly condensed financial statements focusing particularly on changes in accounting policies, Management's judgement in applying these accounting policies as well as assumptions and estimates applied in accounting for certain material transactions.

5.2 Assessment of suitability and independence of external auditors

The AC had obtain written assurance from its external auditors, Messrs. Crowe Horwath, confirmed that they are, and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

After having satisfied with the performance of Messrs. Crowe Horwath and its audit independence, the AC recommended the re-appointment of Messrs. Crowe Horwath to the Board for approval by its shareholders at the forthcoming 14th AGM.

6. RECOGNISE AND MANAGE RISK

6.1 Sound framework to manage risk

The Board is fully aware of its responsibility to safeguard and enhance the value of shareholders in the Group. The Board has continuously placed emphasis on the need for maintaining a sound system of internal control. The internal control systems are designed to manage and mitigate rather than eliminate the risk of failure in achieving the Company's corporate objective and safeguarding the Company's assets as well as investors interests.

With the assistance of its outsourced Internal Auditors ("IA"), the AC oversees the Risk Management framework of the Group and reviews the risk management framework formulated by the Management.

The Company had also formed its Risk Management Committee ("RMC") to closely monitor the Group's risk profile. The RMC will review and recommend to the Board the type and level of business risks of the Group and the appropriate framework and policies for managing such risks.

6.2 Internal Audit Function

The Group has engaged the services of an independent professional firm to provide much of the assurance it requires regarding the effectiveness as well as the adequacy and integrity of the Group's systems of internal control. The internal auditors report directly to the Audit Committee on its activities based on the approved annual Internal Audit Plans. Its principal role is to provide independent assurance on the adequacy and effectiveness of governance, risk management and internal control processes.

In the first quarter of 2016, the Group has successfully set up its own Internal Audit Department ("Internal IA") to work hand in glove with the Outsourced IA to enhance the effectiveness and thoroughness of its field work audit. The Board believes that the Internal IA will strengthen the effectiveness of the Group's system of internal controls. Nevertheless, the Group will continue to engage the Outsourced IA to train (by way of on-the-job training), guide and advice the Internal IA until they are ready to fully take up the important task of Internal Control.

The Statement on Internal Control set out on pages 33 to 34 of this Annual Report provides an overview of the state of risk management and internal controls within the Group.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

7. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

7.1 Corporate Disclosure Policy

The Board is mindful on the importance of maintaining a proper corporate disclosure procedures with the aim to provide shareholders and investors with comprehensive, accurate and quality information on a timely basis. Personnel and working team for preparing the disclosure will conduct due diligence and proper verification, as well as coordinate the efficient disclosure of material information to the investing public.

The Board exercise close monitoring of all price sensitive information potentially required to be released to Bursa Securities and makes material announcements to Bursa Securities in a timely manner as required. In line with best practices, the Board strives to disclose price sensitive information to the public as soon as practicable through Bursa Securities and the company's website.

7.2 Leverage on information technology for effective dissemination of information

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

- Quarterly announcements
- Annual reports
- Circular to shareholders
- Other important announcements

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

8. STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

8.1 Encourage shareholder participation at general meetings

DUFU dispatches its notice of AGM to shareholders at-least 21-days before the AGM. The adequate time given to shareholders allows them to make necessary arrangements to attend and participate either in person, by corporate representative, by proxy or by attorney.

The Company allows a member to appoint a proxy who may be a member of the Company. If the proxy is not a member of the Company, he/she need not be an advocate, an approved company auditor or a person approved by the Companies Commission of Malaysia. The Company has also removed the limit on the number of proxies to be appointed by an exempt authorised nominee with shares in the Company for Omnibus account to allow greater participation of beneficial owners of shares at general meetings of the Company. The AA of the Company further accord proxies the same rights as members to speak at the general meeting. Essentially, a corporate representative, proxy or attorney is entitled to attend, speak and vote both on a show of hands and on a poll as if they were a member of the Company.

The Board will consider adopting electronic voting to facilitate greater shareholder participation at general meetings, and to ensure accurate and efficient outcomes of the voting process.

8.2 Encourage poll voting

At the 13th AGM of the Company held on 18 June 2015, all resolutions had put forth for poll voting.

An announcement of the detailed results of the poll voting had been made to the public accordingly.

Moving forward, the Company intends to carry out poll voting for all resolutions put forth for voting at its forthcoming general meeting.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

8. STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS (cont'd)

8.3 Effective Communication and proactive engagement

During the General Meetings of the Company, the Chairman of Meeting will invite shareholders to raise questions pertaining to the Company's financial statements and other items for adoption at the meeting, before putting a resolution to vote. The Directors, Management and external auditors were in attendance to respond to the shareholders' queries.

In addition to the above, the Company will look into allocation of time during AGM for dialogue with shareholders to address the issues concerning the Group and to make arrangement for Officers of the Company to present and handle other face-to-face enquiries from shareholders.

This statement was made in accordance with a resolution of the Board dated 18 April 2016.

AUDIT COMMITTEE REPORT

The Committee comprises of the following:

Chairman

Ang Siak Keng
(Re-designated w.e.f. 2 Jan 2016)

Khoo Lay Tatt
(Resigned w.e.f. 2 Jan 2016)

Members

Sung, Cheng-Hsi
(Appointed w.e.f. 23 Nov 2015)

Joyce Wong Ai May
(Appointed w.e.f. 3 Mar 2016)

Ong Choon Heng
(Resigned w.e.f. 3 Mar 2016)

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 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 among 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.

AUDIT COMMITTEE REPORT (CONT'D)

TERM OF REFERENCE OF AUDIT COMMITTEE (cont'd)

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.
- 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 at least four times annually. The quorum of two (2) independent members shall constitute a valid meeting.

Attendance of the Meetings

- a) A meeting with external auditors shall be held at least twice a year without the presence of executive Directors and key management.
- b) 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.
- c) 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);

AUDIT COMMITTEE REPORT (CONT'D)

TERM OF REFERENCE OF AUDIT COMMITTEE (cont'd)

5. Duties and Responsibilities (cont'd)

- 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 of 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 confirmed by the Chairman of the meeting and circulated to all members of the Audit Committee. Subsequently, the said minutes shall be tabled to the Board for notation.

7. Attendance at Meetings

The information on the attendance of each member at the Audit Committee's meetings held during the financial year ended 31 December 2015 is as follows:-

Director	No. of meetings attended
Ang Siak Keng	6/8
Khoo Lay Tatt (<i>Resigned w.e.f. 2 Jan 2016</i>)	8/8
Ong Choon Heng (<i>Resigned w.e.f. 3 Mar 2016</i>)	8/8
Sung, Cheng-Hsi (<i>Appointed w.e.f. 23 Nov 2015</i>)	-
Joyce Wong Ai May (<i>Appointed w.e.f. 3 Mar 2016</i>)	-

ACTIVITIES OF THE AUDIT COMMITTEE

The activities carried out by the Committee during the financial year ended 31 December 2015 in 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 Main Market Listing Requirements, Malaysian Code on Corporate Governance 2012 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.

AUDIT COMMITTEE REPORT (CONT'D)

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 :

- 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 December 2015 was RM24,000. During the financial year, the Internal Auditors have assisted the Audit Committee to plan and conduct the internal audit for financial year ended 2016 and review the state of internal control of various operating cycle within the Group.

In the first quarter of 2016, the Group has successfully set up its own Internal Audit Department ("Internal IA") to work hand in glove with the Outsourced IA to enhance the effectiveness and thoroughness of its field work audit. The Board believes that the Internal IA will strengthen the effectiveness of the Group's system of internal controls. Nevertheless, the Group will continue to engage the Outsourced IA to train (by way of on-the-job training), guide and advise the Internal IA until they are ready to fully take up the important task of Internal Control.

Information pertaining to the Company's internal control is shown in the Statement on Risk Management and Internal Control set out on page 33 to 34 of this Annual Report.

This statement was made in accordance with a resolution of the Board dated 18 April 2016.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Introduction

This Statement on Risk Management and Internal Control is made pursuant to paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) and is guided by the Statement on Risk Management and Internal Control - Guidelines for Directors of Listed Issuers.”

Board Responsibilities

The Board is responsible for the adequacy and effectiveness of the Group’s risk management and internal control system. The Board recognises that for the Group to achieve its business objectives and sustain success, it is vital that the risk management and internal control processes of the Group are effective.

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.

The Board confirms that these processes have been in place for the financial year under review and up to the date of the approval of this statement for inclusion in the Annual Report of the Company.

Assurance From The Management

The Board has received assurance from the Acting Chief Executive Officer and the Chief Financial Officer that the Group’s risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group.

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 internal auditors and by the management. In the process, it 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 to update the risk profile and controls which are in place. 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 effectively manage the principal risks.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

Internal Control System

The Board is satisfied that the systems of internal control are adequate.

The internal audit function is being outsourced to an independent firm of professionals appointed by the Board. The total cost incurred for the internal audit function for the financial year ended 31 December 2015 was RM24,000. As an important part of the scope of their work, the internal auditors are to evaluate whether adequate systems of internal controls exist and to assist the management to address operational, financial and compliance risks.

Recommendations for improvement on internal controls were received from the internal auditors and implemented.

The following key elements of internal controls are embedded within the Group's operations:

- 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 are being shared and discussed;
- Management accounts and reports are prepared and distributed to Executive Directors and key management personnel every month; and
- Employees attend 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 system of risk management and internal control of the Group that had a material impact on the operations of the Group for the financial year ended 31 December 2015. The Board remains committed to a sound system of risk management and internal control and to progressively enhance the system to support the Group's operations.

Review of The Statement By External Auditors

The External Auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the Annual Report in the financial year ended 31 December 2015 pursuant to Recommended Practice Guide 5 (revised) issued by the Malaysian Institute of Accountants. Based on their review, nothing has come to their attention that causes them to believe that the Statement intended to be included in the annual report is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed issuers to be set out, nor is factually inaccurate.

This statement was made in accordance with a resolution of the Board dated 18 April 2016.

DISCLOSURE REQUIREMENTS PURSUANT TO THE BURSA MALAYSIA SECURITIES BERHAD MAIN MARKET LISTING REQUIREMENTS

Utilisation of Proceeds

On 16 July 2013, the Company raised RM11,094,074 via issuance of 55,470,370 new Ordinary Shares of RM0.50 each pursuant to the renounceable Two-Call Rights Issue exercise. As at 31 December 2015, the proceeds has been fully utilized by the Group in the following manner:-

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance RM'000	Timeframe for use
Purchase of plant and equipment	3,000	3,000	-	Within 2 years
Working Capital	7,586	7,586	-	Within 2 years
Estimated share issue expenses	508	508	-	Within 6 months
Total	11,094	11,094	-	

Share Buybacks

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

Options, Warrants or Convertible Securities

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

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

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

Imposition of Sanctions and/or Penalties

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

Non-Audit Fees

The amount of non-audit fees incurred for services rendered to Dufu Group for the financial year by the Company's Auditors, or a firm or corporate affiliated to the Auditors' firm is RM18,500.

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 26 February 2016.

Profit Guarantee

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

DISCLOSURE REQUIREMENTS PURSUANT TO THE BURSA MALAYSIA SECURITIES BERHAD MAIN MARKET LISTING REQUIREMENTS (CONT'D)

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 2015 or entered into since the end of the previous financial year.

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 2015 are as below:-

No.	Related Parties		Nature of Transactions	Actual Amount (RM)	Interested Related Party
	Buyer	Seller			
1.	KENS	DISB	Sales of medical parts to KENS	13,524	<p><u>Interested Director & Shareholder</u> Hsu, Chin-Shui is a former Director* of DUFU. He is also Director of KENS and major shareholder of KENS (by virtue of Section 6A of the Act, holding 50% of equity interest in CFSB as at 31 December 2015).</p> <p><i>(Mr. Hsu retired as a Director of DUFU on 18 June 2015)</i></p>
2.	DISB	SESB	Purchase of goods from SESB	422,256	<p><u>Interested Director & Shareholder</u> Lee, Hui-Ta also known as Li Hui Ta is a common Director of DISB and SESB. He is also a major shareholder holding 99.99% of the equity interest in SESB.</p> <p><u>Interested Person Connected to Director</u> Hsu, Yin-Lin, the daughter of Hsu, Chin-Shui* is also a Director and Shareholder of SESB.</p> <p><i>(Mr. Hsu retired as a Director of DUFU on 18 June 2015)</i></p>
3.	DISB	HPSB	HPSB is providing plating services to DISB	111,291	<p><u>Interested Director & Shareholder</u> Lee, Hui-Ta is a common Director of DISB and HPSB. He is also a shareholder holding 29% of the equity interest in HPSB as at 31 December 2015.</p>
4.	KENS	DUFUSION	Sales of medical parts to KENS	51,164	<p><u>Interested Director & Shareholder</u> Hsu, Chin-Shui* is a former Director of DUFU. He is also Director of KENS and major shareholder of KENS (by virtue of Section 6A of the Act, holding 50% of equity interest in CFSB as at 31 December 2015).</p> <p><i>(Mr. Hsu retired as a Director of DUFU on 18 June 2015)</i></p>

DISCLOSURE REQUIREMENTS PURSUANT TO THE BURSA MALAYSIA
SECURITIES BERHAD MAIN MARKET LISTING REQUIREMENTS (CONT'D)

Recurrent Related Party Transactions (cont'd)

No.	Related Parties		Nature of Transactions	Actual Amount (RM)	Interested Related Party
	Buyer	Seller			
5.	Futron Ltd	GCLPT	Purchase of Tools from GCLPT	9,374	<u>Interested Director & Shareholder</u> Hsu, Chin-Shui* is a Director of GCLPT and DUFU (and not Director of Futron Ltd). (Mr. Hsu retired as a Director of DUFU on 18 June 2015)
6.	DISB	TASB	Professional Fees for GST	120,000	<u>Interested Director</u> Ong Choon Heng, a Director of DUFU is also a Director and major shareholder of TASB.
7.	DUFUSION	TASB	Professional Fees for GST	32, 000	<u>Interested Director</u> Ong Choon Heng, a Director of DUFU is also a Director and major shareholder of TASB.
8.	DISB	AASB	Provision of Consultation Service	160,000	<u>Interested Director</u> Yong Poh Yow, a former Director of DUFU is also a Director and major shareholder of AASB. (Mr. Yong resigned as a Director of DUFU on 27 August 2015)

Notes:

AASB- Aspire Ambience Sdn Bhd
 SESB – Seraimas Electronics Sdn. Bhd.
 HPSB – Hightec Plating Sdn Bhd
 GCLPT –Guangzhou Ching Lian Precision Technology Pte Ltd (China)
 Futron Ltd –Futron Technology Co., Limited
 TASB-Trinity Avenue Sdn Bhd
 Dufusion-Dufusion Sdn Bhd
 KENS-Kens FineMedTech Sdn. Bhd.
 CFSB - Crest Focus Sdn. Bhd.

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 Financial Reporting Standards ("FRSs") and the Companies Act 1965 in Malaysia and the relevant provisions of the Bursa Malaysia Securities Berhad Main Market 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 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 2015 had been approved by the Board on 4 April 2016.

This statement was made in accordance with a resolution of Board dated 18 April 2016.



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DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and the Company for the financial year ended 31 December 2015.

PRINCIPAL ACTIVITIES

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

RESULTS

	Group RM	Company RM
Profit for the financial year	<u>10,942,580</u>	<u>11,153,430</u>

DIVIDENDS

In December 2015, the Company declared a single tier special interim dividend of 2 sen per share amounting to RM3,509,407 in respect of the financial year ended 31 December 2015. The dividend was paid in January 2016.

The directors do not propose any final dividend in respect of the financial year ended 31 December 2015.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES OR DEBENTURES

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

OPTIONS GRANTED OVER UNISSUED SHARES

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

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there were no known bad debts and that adequate allowance had been made for doubtful debts.

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

CURRENT ASSETS

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

DIRECTORS' REPORT (CONT'D)

CURRENT ASSETS (cont'd)

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

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

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

DIRECTORS OF THE COMPANY

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

Lee, Hui-Ta also known as Li Hui Ta	
Wu, Mao-Yuan	
Khoo Lay Tatt	
Ang Siak Keng	
Hsu, Chin-Shui	(Retired on 18.6.2015)
Yong Poh Yow	(Resigned on 27.8.2015)
Ong Choon Heng	(Resigned on 3.3.2016)
Sung, Cheng-Hsi	(Appointed on 9.10.2015)
Joyce Wong Ai May	(Appointed on 3.3.2016)

DIRECTORS' REPORT (CONT'D)

DIRECTORS OF THE COMPANY (cont'd)

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

Name of Director	Number of Ordinary Shares of RM0.50 Each					
	Direct Interest			Deemed Interest		
	Balance at 1.1.2015/*	Bought	(Sold)	Balance at 31.12.2015	Balance at 1.1.2015/*	Balance at 31.12.2015
Lee, Hui-Ta also known as Li Hui Ta	15,757,365	0	0	15,757,365	0	16,844,648
Wu, Mao-Yuan	4,612,500	0	0	4,612,500	0	0
Khoo Lay Tatt	5,000,000	200,000	(5,000,000)	200,000	0	0
Sung, Cheng-Hsi	*1,751,900	0	0	1,751,900	*0	0

* *Date of appointment*

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than the directors' remuneration disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to have arisen by virtue of those related party transactions as disclosed in Note 20 to the financial statements.

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

AUDITORS

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

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS DATED 4 APRIL 2016

Lee, Hui-Ta also known as Li Hui Ta

Wu, Mao-Yuan

STATEMENT BY DIRECTORS

We, Lee, Hui-Ta also known as Li Hui Ta and Wu, Mao-Yuan, being two of the directors of Dufu Technology Corp. Berhad, do hereby state that in the opinion of the directors, the financial statements set out on pages 46 to 82 give a true and fair view of the financial position of the Group and the Company as at 31 December 2015 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

In the opinion of the directors, the supplementary information set out on page 83 is prepared, in all material respects, in accordance with Guidance on Special Matter No. 1 *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

**SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
DATED 4 APRIL 2016**

Lee, Hui-Ta also known as Li Hui Ta

Wu, Mao-Yuan

STATUTORY DECLARATION

I, Lee, Hui-Ta also known as Li Hui Ta, being the director primarily responsible for the financial management of Dufu Technology Corp. Berhad, do solemnly and sincerely declare that the financial statements set out on pages 46 to 82 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by
Lee, Hui-Ta also known as Li Hui Ta
at Georgetown in the State of
Penang on this 4 April 2016

Lee, Hui-Ta also known as Li Hui Ta

Before me

Mok Cheng Yoon
No. P140
Commissioner for Oaths

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 statements of financial position as at 31 December 2015 of the Group and the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 46 to 82.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2015 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

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:-

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

The supplementary information set out on page 83 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants ("the MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Horwath

Firm No: AF 1018
Chartered Accountants

Date: 4 April 2016

Penang

Chan Kheng Hoe

Approval No: 2979/03/18(J)
Chartered Accountant

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Note	2015 RM	2014 RM
NON-CURRENT ASSETS			
Property, plant and equipment	4	63,513,821	70,039,735
Goodwill on consolidation	5	0	0
Investments in club memberships, at cost		61,000	61,000
Deferred tax assets	7	529,349	444,316
		<u>64,104,170</u>	<u>70,545,051</u>
CURRENT ASSETS			
Inventories	8	26,396,612	30,027,927
Trade and other receivables	9	52,135,188	49,220,695
Prepayments		577,155	311,515
Current tax assets		41,109	42,491
Cash and bank equivalents	10	25,255,077	14,840,168
		<u>104,405,141</u>	<u>94,442,796</u>
CURRENT LIABILITIES			
Trade and other payables	11	24,693,610	26,317,234
Loans and borrowings	12	13,813,015	22,024,216
Current tax liabilities		4,125,569	841,096
		<u>42,632,194</u>	<u>49,182,546</u>
NET CURRENT ASSETS		61,772,947	45,260,250
NON-CURRENT LIABILITIES			
Loans and borrowings	12	10,191,621	15,827,341
Deferred tax liabilities	7	243,000	0
		<u>10,434,621</u>	<u>15,827,341</u>
NET ASSETS		<u>115,442,496</u>	<u>99,977,960</u>
EQUITY			
Share capital	13	87,735,185	87,735,185
Currency translation reserve		11,627,051	3,595,688
Reverse acquisition reserve		(24,110,002)	(24,110,002)
Retained profits		40,190,262	32,757,089
TOTAL EQUITY		<u>115,442,496</u>	<u>99,977,960</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	2015 RM	2014 RM
Revenue	14	178,271,050	136,023,251
Other income		5,564,425	12,575,369
Changes in work-in-progress and finished goods		(4,481,812)	6,944,282
Raw materials consumed		(45,646,392)	(44,751,987)
Purchase of work-in-progress and finished goods		(27,081,778)	(22,577,690)
Depreciation		(12,867,261)	(12,790,038)
Employee benefits expense	15	(37,941,200)	(34,143,721)
Finance costs		(1,679,186)	(2,292,551)
Other expenses		(38,155,926)	(31,770,492)
Profit before tax	16	<u>15,981,920</u>	<u>7,216,423</u>
Tax expense	17	(5,039,340)	(953,053)
Profit for the financial year		<u>10,942,580</u>	<u>6,263,370</u>
Other comprehensive income:-			
<i>Item that may be reclassified subsequently to profit or loss:-</i>			
- Currency translation differences for foreign operations		8,031,363	2,005,154
Other comprehensive income for the financial year		<u>8,031,363</u>	<u>2,005,154</u>
Total comprehensive income for the financial year		<u>18,973,943</u>	<u>8,268,524</u>
Earnings per share:-	18		
- Basic (sen)		<u>6.24</u>	<u>3.57</u>
- Diluted (sen)		<u>6.24</u>	<u>3.57</u>

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Share capital RM	Non-distributable		Distributable	Total equity RM
		Currency translation reserve RM	Reverse acquisition reserve RM	Retained profits RM	
Balance at 1 January 2014	87,735,185	1,590,534	(24,110,002)	26,493,719	91,709,436
Profit for the financial year	0	0	0	6,263,370	6,263,370
Currency translation differences for foreign operations (representing other comprehensive income for the financial year)	0	2,005,154	0	0	2,005,154
Total comprehensive income for the financial year	0	2,005,154	0	6,263,370	8,268,524
Balance at 31 December 2014	87,735,185	3,595,688	(24,110,002)	32,757,089	99,977,960
Profit for the financial year	0	0	0	10,942,580	10,942,580
Currency translation differences for foreign operations (representing other comprehensive income for the financial year)	0	8,031,363	0	0	8,031,363
Total comprehensive income for the financial year	0	8,031,363	0	10,942,580	18,973,943
Single tier special interim dividend of 2 sen per share (representing total transactions with owners)	0	0	0	(3,509,407)	(3,509,407)
Balance at 31 December 2015	87,735,185	11,627,051	(24,110,002)	40,190,262	115,442,496

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	2015 RM	2014 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		15,981,920	7,216,423
Adjustments for:-			
Depreciation		12,867,261	12,790,038
Gain on disposal of property, plant and equipment		(71,270)	(73,975)
Gain on disposal of subsidiary		0	(6,932,731)
Impairment loss on loans and receivables		2,868,478	0
Interest expense		1,679,186	2,292,551
Interest income		(108,984)	(134,374)
Inventories written down		2,512,397	4,242,969
Property, plant and equipment written off		1,719,052	2,479
Reversal of inventories written down		(3,354,616)	(288,787)
Unrealised gain on foreign exchange		(31,517)	(1,367,469)
Operating profit before working capital changes		<u>34,061,907</u>	<u>17,747,124</u>
Changes in:-			
Inventories		4,473,534	(6,871,095)
Receivables and prepayments		(6,016,811)	(14,955,305)
Payables		(5,144,202)	17,038,451
Financial instruments at fair value through profit or loss		0	(448,930)
Cash generated from operations		<u>27,374,428</u>	<u>12,510,245</u>
Tax paid		(1,656,387)	(372,725)
Tax refunded		94,661	4,096
Net cash from operating activities		<u>25,812,702</u>	<u>12,141,616</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Disposal of subsidiary, net of cash disposed of		0	5,563,928
Interest received		108,984	134,374
Proceeds from disposal of available-for-sale financial assets		0	320,926
Proceeds from disposal of property, plant and equipment		74,500	390,547
Purchase of property, plant and equipment	19	<u>(5,001,450)</u>	<u>(7,413,447)</u>
Net cash used in investing activities		<u>(4,817,966)</u>	<u>(1,003,672)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(1,679,186)	(2,292,551)
Net (decrease)/increase in short-term loans and borrowings		(7,309,925)	771,533
Repayment of hire purchase obligations		(3,785,894)	(2,427,117)
Repayment of term loans		<u>(3,217,098)</u>	<u>(4,693,574)</u>
Net cash used in financing activities		<u>(15,992,103)</u>	<u>(8,641,709)</u>
Currency translation differences		5,689,128	1,482,895
Net increase in cash and cash equivalents		10,691,761	3,979,130
Cash and cash equivalents brought forward		14,134,681	10,155,551
Cash and cash equivalents carried forward	10	<u>24,826,442</u>	<u>14,134,681</u>

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

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Note	2015 RM	2014 RM
NON-CURRENT ASSETS			
Investments in subsidiaries	6	51,644,719	55,351,525
CURRENT ASSETS			
Receivables	9	50,860,577	35,935,769
Cash and cash equivalents	10	5,555,664	3,715,736
		<u>56,416,241</u>	<u>39,651,505</u>
CURRENT LIABILITIES			
Payables	11	5,439,807	25,900
Current tax liabilities		269,680	269,680
		<u>5,709,487</u>	<u>295,580</u>
NET CURRENT ASSETS		50,706,754	39,355,925
NET ASSETS		<u>102,351,473</u>	<u>94,707,450</u>
EQUITY			
Share capital	13	87,735,185	87,735,185
Retained profits		14,616,288	6,972,265
TOTAL EQUITY		<u>102,351,473</u>	<u>94,707,450</u>

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	2015 RM	2014 RM
Revenue	14	24,167,051	219,720
Other income		0	2,905,569
Employee benefits expense	15	(435,500)	(416,500)
Other expenses		(12,578,121)	(155,082)
Profit before tax	16	11,153,430	2,553,707
Tax expense	17	0	(389,106)
Profit for the financial year		11,153,430	2,164,601
Other comprehensive income for the financial year		0	0
Total comprehensive income for the financial year		11,153,430	2,164,601

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

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Share capital RM	Retained profits RM	Total equity RM
Balance at 1 January 2014	87,735,185	4,807,664	92,542,849
Profit (representing total comprehensive income) for the financial year	0	2,164,601	2,164,601
Balance at 31 December 2014	<u>87,735,185</u>	<u>6,972,265</u>	<u>94,707,450</u>
Profit (representing total comprehensive income) for the financial year	0	11,153,430	11,153,430
Single tier special interim dividend of 2 sen per share (representing total transactions with owners)	0	(3,509,407)	(3,509,407)
Balance at 31 December 2015	<u>87,735,185</u>	<u>14,616,288</u>	<u>102,351,473</u>

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	2015 RM	2014 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		11,153,430	2,553,707
Adjustments for:-			
Dividend income		(24,076,808)	0
Gain on disposal of subsidiary		0	(2,904,005)
Impairment loss on investments in subsidiaries		3,706,806	0
Impairment loss on loans and receivables		8,282,366	0
Interest income		(90,243)	(99,720)
Operating loss before working capital changes		(1,024,449)	(450,018)
Changes in:-			
Receivables		369,634	(381,281)
Payables		4,500	5,450
Cash absorbed by operations		(650,315)	(825,849)
Tax paid		0	(120,280)
Net cash used in operating activities		(650,315)	(946,129)
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received		24,076,808	0
Interest received		90,243	99,720
Net advance to subsidiaries		(21,676,808)	(7,257,297)
Proceeds from disposal of available-for-sale financial assets		0	320,926
Proceeds from disposal of subsidiary		0	5,904,005
Net cash from/(used in) investing activities		2,490,243	(932,646)
Net increase/(decrease) in cash and cash equivalents		1,839,928	(1,878,775)
Cash and cash equivalents brought forward		3,715,736	5,594,511
Cash and cash equivalents carried forward	10	5,555,664	3,715,736

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

1. GENERAL INFORMATION

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

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

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

The consolidated financial statements set out on pages 46 to 49 together with the notes thereto cover the Company and its subsidiaries ("the Group"). The separate financial statements of the Company set out on pages 50 to 53 together with the notes thereto cover the Company solely.

The presentation currency of the financial statements is Ringgit Malaysia ("RM").

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 4 April 2016.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation of Financial Statements

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

The following MFRSs became effective for the financial year under review:-

MFRS	Effective for annual periods beginning on or after
Amendments to MFRS 119 <i>Defined Benefit Plans: Employee Contributions</i>	1 July 2014
Amendments to MFRSs contained in the document entitled " <i>Annual Improvements to MFRSs 2010 - 2012 Cycle</i> "	1 July 2014
Amendments to MFRSs contained in the document entitled " <i>Annual Improvements to MFRSs 2011 - 2013 Cycle</i> "	1 July 2014

The adoption of the above MFRSs did not result in any significant changes in the accounting policies of the Group and the Company.

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

MFRS (Issued as at the end of the reporting period)	Effective for annual periods beginning on or after
MFRS 9 <i>Financial Instruments</i> (IFRS 9 <i>Financial Instruments</i> as issued by IASB in July 2014)	1 January 2018
MFRS 14 <i>Regulatory Deferral Accounts</i>	1 January 2016
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

MFRS (Issued as at the end of the reporting period)	Effective for annual periods beginning on or after
Amendments to MFRS 10, MFRS 12 and MFRS 128 <i>Investment Entities: Applying the Consolidation Exception</i>	1 January 2016
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred
Amendments to MFRS 11 <i>Accounting for Acquisitions of Interests in Joint Operations</i>	1 January 2016
Amendments to MFRS 101 <i>Disclosure Initiative</i>	1 January 2016
Amendments to MFRS 116 and MFRS 138 <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
Amendments to MFRS 116 and MFRS 141 <i>Agriculture: Bearer Plants</i>	1 January 2016
Amendments to MFRS 127 <i>Equity Method in Separate Financial Statements</i>	1 January 2016
Amendments to MFRSs contained in the document entitled " <i>Annual Improvements to MFRSs 2012 - 2014 Cycle</i> "	1 January 2016

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

MFRS 9 Financial Instruments

MFRS 9 *Financial Instruments*, which replaces MFRS 139 *Financial Instruments: Recognition and Measurement*, sets out the requirements for recognising and measuring financial instruments. The major changes introduced by MFRS 9 (that are relevant to the Group and the Company) relate to the classification and measurement of financial assets. Under MFRS 9, financial assets are classified as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both the business model within which they are held and their contractual cash flow characteristics. Management foresees that the adoption of these new classifications will not result in any significant changes in the existing measurement bases of financial assets of the Group and the Company.

2.2 Basis of Consolidation

A subsidiary is an entity that is controlled by another entity. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Basis of Consolidation (cont'd)

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

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

Goodwill is recognised as an asset at the aforementioned amount less accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.6. When the above (b) exceeds (a), the excess represents a bargain purchase gain and, after reassessment, is recognised in profit or loss.

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

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

2.3 Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.6.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Investments in Subsidiaries

As required by the Companies Act 1965, the Company prepares separate financial statements in addition to the consolidated financial statements. In the separate financial statements of the Company, investments in subsidiaries are stated at cost less impairment losses, if any. The impairment policy is disclosed in Note 2.6.

2.5 Investments in Club Memberships

Investments in club memberships are stated at cost less impairment losses, if any. The impairment policy is disclosed in Note 2.6.

2.6 Impairment of Non-financial Assets

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

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

2.7 Inventories

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

2.8 Financial Assets

Financial assets of the Group and the Company consist of receivables and cash and cash equivalents.

Recognition and Measurement

A financial asset is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument. A financial asset is initially recognised at fair value plus directly attributable transaction costs. After initial recognition, the financial asset is measured at amortised cost using the effective interest method. Any gain or loss is recognised in profit or loss when the financial asset is derecognised or impaired as well as through the amortisation process.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.8 Financial Assets (cont'd)

Impairment

At the end of each reporting period, the Group and the Company assess whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted using the asset's original effective interest rate. The asset's carrying amount is reduced through the use of an allowance account and the impairment loss is recognised in profit or loss. The gross carrying amount and the associated allowance are written off when there is no realistic prospect of future recovery.

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

2.9 Financial Liabilities

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

Recognition and Measurement

A financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is initially recognised at fair value less directly attributable transaction costs. After initial recognition, all financial liabilities, except for financial guarantee contracts, are measured at amortised cost using the effective interest method. Any gain or loss is recognised in profit or loss when the financial liability is derecognised as well as through the amortisation process. After initial recognition at fair value, if any, financial guarantee contracts are measured at the higher of the amount initially recognised less appropriate amortisation and the estimate of any probable obligation.

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

2.10 Leases

Finance Lease

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

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

Operating Lease

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.11 Foreign Currency Transactions and Translation

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

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

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

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

2.12 Share Capital

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

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

2.13 Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The valuation techniques used include the following:-

- (i) Market approach - which uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities.
- (ii) Cost approach - which reflects the amount that would be required currently to replace the service capacity of an asset.
- (iii) Income approach - which converts future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.13 Fair Value Measurement (cont'd)

The inputs to valuation techniques used to measure fair value are categorised into the following levels of fair value hierarchy:-

- (i) Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- (ii) Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- (iii) Level 3 - unobservable inputs for the asset or liability.

Any transfers between the levels of fair value hierarchy are deemed to have occurred at the end of the reporting period.

Financial Assets and Financial Liabilities

The carrying amounts of receivables, cash and cash equivalents, payables and loans and borrowings which are short-term in nature or repayable on demand are reasonable approximations of fair values. The fair values of long-term loans and borrowings are measured using present value technique by discounting the expected future cash flows using observable current market interest rates for similar liabilities (i.e. Level 2).

2.14 Income Recognition

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

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

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

Interest income is recognised using the effective interest method.

2.15 Employee Benefits

Short-term Employee Benefits

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

Defined Contribution Plans

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

2.16 Borrowing Costs

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.17 Income Taxes

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

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

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

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

2.18 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, term deposits that are withdrawable on demand and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

3. JUDGEMENTS AND ESTIMATION UNCERTAINTY

Judgements Made in Applying Accounting Policies

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

Sources of Estimation Uncertainty

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

Allowance for inventories

Reviews are made periodically by management on inventories for excess inventories, obsolescence and decline in net realisable value below cost. These reviews require the use of judgements and estimates. Possible changes in these estimates may result in revisions to the valuation of inventories. The carrying amounts of inventories are disclosed in Note 8.

Impairment of loans and receivables

The Group and the Company make allowance for impairment based on an assessment of the recoverability of loans and receivables. Allowance is applied to loans and receivables when there is objective evidence that the balances may not be recoverable. Management specifically analyses historical bad debts, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment. Where expectations are different from previous estimates, the difference will impact on the carrying amounts of loans and receivables as disclosed in Note 9.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONT'D)

4. PROPERTY, PLANT AND EQUIPMENT

Group	Short-term leasehold land	Buildings	Plant and machinery	Furniture, fittings and office equipment			Renovation and electrical installation	Motor vehicles	Capital Work-in-progress	Total
				RM	RM	RM				
	21,520,168	38,448,106	115,280,379	4,001,060	2,348,403	3,085,376	383,877	185,067,369		
Balance at 1 January 2014	0	2,571,607	7,359,402	976,353	135,090	93,418	0	11,135,870		
Additions	0	0	(2,400,949)	(1,606,642)	(1,061,948)	(454,203)	0	(5,523,742)		
Disposals/Write-offs	(10,069,146)	(11,261,814)	(17,190)	(13,328)	0	0	0	(21,361,478)		
Disposal of subsidiary	0	0	0	0	377,311	0	(377,311)	0		
Reclassification										
Currency translation differences	0	79,156	1,041,122	46,271	33,111	28,730	(6,566)	1,221,824		
Balance at 31 December 2014	11,451,022	29,837,055	121,262,764	3,403,714	1,831,967	2,753,321	0	170,539,843		
Additions	0	1,801,379	3,341,253	321,695	0	279,971	0	5,744,298		
Disposals/Write-offs	0	0	(8,228,835)	(301,796)	(1,204,426)	(420,060)	0	(10,155,117)		
Currency translation differences	0	280,256	4,159,505	176,968	99,289	112,551	0	4,828,569		
Balance at 31 December 2015	11,451,022	31,918,690	120,534,687	3,600,581	726,830	2,725,783	0	170,957,593		

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONT'D)

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

	Short-term leasehold land		Buildings		Plant and machinery		Furniture, fittings and office equipment		Renovation and electrical installation		Motor vehicles		Capital Work-in-progress		Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	
<u>Depreciation and Impairment Losses</u>															
Balance at 1 January 2014	2,266,733	14,667,196	70,753,989	2,817,402	2,185,079	2,484,499	0	95,174,898							
Accumulated depreciation	0	0	343,303	0	0	0	0	343,303							
Accumulated impairment losses	2,266,733	14,667,196	71,097,292	2,817,402	2,185,079	2,484,499	0	95,518,201							
Depreciation	408,323	2,116,124	9,576,287	311,659	132,694	244,951	0	12,790,038							
Disposals/Write-offs	0	0	(2,230,700)	(1,471,442)	(1,050,096)	(452,453)	0	(5,204,691)							
Disposal of subsidiary	(817,580)	(2,377,494)	(2,801)	(4,142)	0	0	0	(3,202,017)							
Currency translation differences	0	19,084	520,381	32,057	4,968	22,087	0	598,577							
Balance at 31 December 2014	1,857,476	14,424,910	78,617,156	1,685,534	1,272,645	2,299,084	0	100,156,805							
Accumulated depreciation	0	0	343,303	0	0	0	0	343,303							
Accumulated impairment losses	1,857,476	14,424,910	78,960,459	1,685,534	1,272,645	2,299,084	0	100,500,108							
Depreciation	257,716	1,776,436	10,165,522	352,379	133,136	182,072	0	12,867,261							
Disposals/Write-offs	0	0	(6,564,012)	(270,831)	(1,177,932)	(420,060)	0	(8,432,835)							
Currency translation differences	0	81,196	2,181,715	127,431	28,065	90,831	0	2,509,238							
Balance at 31 December 2015	2,115,192	16,282,542	84,400,381	1,894,513	255,914	2,151,927	0	107,100,469							
Accumulated depreciation	0	0	343,303	0	0	0	0	343,303							
Accumulated impairment losses	2,115,192	16,282,542	84,743,684	1,894,513	255,914	2,151,927	0	107,443,772							
<u>Carrying Amount</u>															
Balance at 1 January 2014	19,253,435	23,780,910	44,183,087	1,183,658	163,324	600,877	383,877	89,549,168							
Balance at 31 December 2014	9,593,546	15,412,145	42,302,305	1,718,180	559,322	454,237	0	70,039,735							
Balance at 31 December 2015	9,335,830	15,636,148	35,791,003	1,706,068	470,916	573,856	0	63,513,821							

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONT'D)

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

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

	2015	2014
	RM	RM
Short-term leasehold land	9,335,830	9,593,546
Buildings	12,550,320	14,015,053
	<u>21,886,150</u>	<u>23,608,599</u>

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

	2015	2014
	RM	RM
Plant and machinery	11,279,894	13,248,601
Motor vehicles	348,399	259,619
	<u>11,628,293</u>	<u>13,508,220</u>

5. GOODWILL ON CONSOLIDATION

Group

	2015	2014
	RM	RM
Cost	0	25,252
Accumulated impairment losses	0	(25,252)
	<u>0</u>	<u>0</u>

6. INVESTMENTS IN SUBSIDIARIES

Company

	2015	2014
	RM	RM
Unquoted shares - at cost	55,351,525	55,351,525
Accumulated impairment losses	(3,706,806)	0
	<u>51,644,719</u>	<u>55,351,525</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONT'D)

6. INVESTMENTS IN SUBSIDIARIES (cont'd)

The details of the subsidiaries are as follows:-

Name of Subsidiary	Principal Place of Business/ Country of Incorporation	Effective Ownership Interest		Principal Activity
		2015	2014	
<u>Direct Subsidiaries</u>				
Dufu Industries Sdn. Bhd.	Malaysia	100%	100%	Design, development, manufacture, assembly and trading of die components and precision machining of vice, computer peripherals and parts, for hard disk drive
Dufusion Sdn. Bhd.	Malaysia	100%	100%	Design, research and development, manufacture, assembly and trading of medical components for orthopaedics
Futron Technology Limited ^(a)	Hong Kong	100%	100%	Dormant
I.P.G. Metal Industry (M) Sdn. Bhd. ^{(b)(c)}	Malaysia	100%	100%	Dormant
Futron Technology Co., Ltd.	People's Republic of China	100%	0%	Manufacture and trading of optics, magnetism driver and parts
<u>Indirect Subsidiaries</u>				
Dufu Industries Services Pte. Ltd. ^(a)	Singapore	100%	100%	Processing and trading of high quality computer disk-drive related components
Futron Technology Co., Ltd.	People's Republic of China	0%	100%	Manufacture and trading of optics, magnetism driver and parts

^(a) Not audited by Crowe Horwath

^(b) In the process of dissolution

^(c) Not required to be audited, and consolidated using unaudited financial statements

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONT'D)

7. DEFERRED TAX ASSETS/(LIABILITIES)

Group

	2015	2014
	RM	RM
Balance at 1 January	444,316	121,097
Deferred tax (expense)/income relating to origination and reversal of temporary differences	(191,759)	207,503
Deferred tax liabilities overprovided in prior year	0	55,000
Disposal of subsidiary	0	51,000
Currency translation differences	33,792	9,716
Balance at 31 December	<u>286,349</u>	<u>444,316</u>
Disclosed as:-		
- Deferred tax assets	529,349	444,316
- Deferred tax liabilities	(243,000)	0
	<u>286,349</u>	<u>444,316</u>
In respect of deductible/(taxable) temporary differences of:-		
- Inventories	626,000	217,000
- Financial instruments	880,267	240,893
- Property, plant and equipment	(1,219,918)	(13,577)
	<u>286,349</u>	<u>444,316</u>

Save as disclosed above, as at 31 December 2015, deferred tax liabilities and deferred tax assets have also effectively been recognised and offset against each other by the Group to the extent of approximately RM416,000 (2014 : RM3,065,000). No further deferred tax assets have been recognised for the excess of the unused capital allowances, unused reinvestment allowances, unused tax losses and deductible temporary differences over the taxable temporary differences as follows:-

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Unused capital allowances	1,160,000	661,000	0	0
Unused reinvestment allowances	0	7,209,000	0	0
Unused tax losses	5,665,000	3,492,000	1,710,000	1,164,000
Deductible/(Taxable) temporary differences of:-				
- Inventories	0	5,476,000	0	0
- Financial instruments	0	(1,169,000)	0	0
- Property, plant and equipment	(1,732,000)	(11,092,000)	0	0
	<u>5,093,000</u>	<u>4,577,000</u>	<u>1,710,000</u>	<u>1,164,000</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONT'D)

8. INVENTORIES

Group	2015 RM	2014 RM
Raw materials	6,004,044	7,059,794
Work-in-progress	2,514,564	6,221,072
Finished goods	17,878,004	15,982,531
Tools and instruments	0	764,530
	<u>26,396,612</u>	<u>30,027,927</u>

9. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Trade receivables:-				
- Related party ^(a)	974,749	367,271	0	0
- Allowance for impairment	(974,749)	0	0	0
	0	367,271	0	0
- Unrelated parties	51,655,333	43,659,523	0	0
- Allowance for impairment	(1,316,245)	0	0	0
	<u>50,339,088</u>	<u>43,659,523</u>	<u>0</u>	<u>0</u>
	50,339,088	44,026,794	0	0
Other receivables:-				
- Subsidiaries	0	0	59,131,296	35,554,488
- Allowance for impairment	0	0	(8,282,366)	0
	0	0	50,848,930	35,554,488
- Other related party ^(b)	31,800	0	0	0
- Unrelated parties	2,341,784	5,193,901	11,647	381,281
- Allowance for impairment	(577,484)	0	0	0
	<u>1,764,300</u>	<u>5,193,901</u>	<u>11,647</u>	<u>381,281</u>
	1,796,100	5,193,901	50,860,577	35,935,769
	<u>52,135,188</u>	<u>49,220,695</u>	<u>50,860,577</u>	<u>35,935,769</u>

^(a) Being a company connected with a former director (please refer to Note 26 for details)

^(b) Being a company connected with a director

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONT'D)

9. TRADE AND OTHER RECEIVABLES (cont'd)

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

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Ringgit Malaysia	2,079,761	5,190,818	50,860,577	35,935,769
Renminbi	3,571,636	4,605,189	0	0
Singapore Dollar	662,148	643,321	0	0
US Dollar	45,155,685	38,407,084	0	0
Others	665,958	374,283	0	0
	<u>52,135,188</u>	<u>49,220,695</u>	<u>50,860,577</u>	<u>35,935,769</u>

Trade Receivables

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

The movements in allowance for impairment are as follows:-

	Group	
	2015 RM	2014 RM
Balance at 1 January	0	0
Impairment loss recognised	2,290,994	0
Balance at 31 December	<u>2,290,994</u>	<u>0</u>

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

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

	Group	
	2015 RM	2014 RM
Not past due	37,844,752	17,804,784
Past due 1 to 30 days	10,003,679	15,800,895
Past due 31 to 120 days	2,260,484	10,379,059
Past due more than 120 days	230,173	42,056
	<u>50,339,088</u>	<u>44,026,794</u>

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONT'D)

9. TRADE AND OTHER RECEIVABLES (cont'd)

Trade Receivables

Management determines credit risk concentrations in terms of counterparties and geographical areas. As at 31 December 2015, there were 3 (2014 : 3) major customers that accounted for 10% or more of the Group's trade receivables and the total outstanding balances due from these major customers amounted to RM36,187,112 (2014 : RM25,750,664). The credit risk concentration profile by geographical areas of trade receivables is as follows:-

	Group	
	2015	2014
	RM	RM
Malaysia	12,423,907	10,866,922
China	11,454,926	9,601,324
Singapore	6,515,874	6,011,178
Thailand	15,135,566	11,910,432
Others	4,808,815	5,636,938
	<u>50,339,088</u>	<u>44,026,794</u>

Other Receivables

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

The movements in allowance for impairment are as follows:-

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Balance at 1 January	0	0	0	0
Impairment loss recognised	577,484	0	8,282,366	0
Balance at 31 December	<u>577,484</u>	<u>0</u>	<u>8,282,366</u>	<u>0</u>

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

10. CASH AND CASH EQUIVALENTS

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Term deposits with licensed bank (fixed rate)	3,266,104	0	0	0
Cash and bank balances	21,988,973	14,840,168	5,555,664	3,715,736
	<u>25,255,077</u>	<u>14,840,168</u>	<u>5,555,664</u>	<u>3,715,736</u>

The effective interest rates of term deposits as at 31 December 2015 ranged from 1.60% to 1.70% per annum.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONT'D)

10. CASH AND CASH EQUIVALENTS (cont'd)

The currency profile of cash and cash equivalents is as follows:-

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Ringgit Malaysia	10,648,956	7,934,450	5,555,664	3,715,736
Renminbi	5,895,832	2,349,379	0	0
Singapore Dollar	1,615,691	1,111,244	0	0
US Dollar	7,060,410	3,359,800	0	0
Others	34,188	85,295	0	0
	<u>25,255,077</u>	<u>14,840,168</u>	<u>5,555,664</u>	<u>3,715,736</u>

For the purpose of statement of cash flows, cash and cash equivalents are presented net of bank overdraft as follows:-

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Cash and cash equivalents	25,255,077	14,840,168	5,555,664	3,715,736
Bank overdraft	(428,635)	(705,487)	0	0
	<u>24,826,442</u>	<u>14,134,681</u>	<u>5,555,664</u>	<u>3,715,736</u>

11. TRADE AND OTHER PAYABLES

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Trade payables:-				
- Related party ^(a)	44,732	70,977	0	0
- Unrelated parties	14,756,799	16,833,903	0	0
	<u>14,801,531</u>	<u>16,904,880</u>	<u>0</u>	<u>0</u>
Other payables:-				
- Director	0	174,392	0	0
- Subsidiary	0	0	1,900,000	0
- Other related party ^(a)	24,380	33,114	0	0
- Unrelated parties	6,358,292	9,204,848	30,400	25,900
	<u>6,382,672</u>	<u>9,412,354</u>	<u>1,930,400</u>	<u>25,900</u>
Dividend payable	3,509,407	0	3,509,407	0
	<u>24,693,610</u>	<u>26,317,234</u>	<u>5,439,807</u>	<u>25,900</u>

^(a) Being companies connected with a director

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONT'D)

11. TRADE AND OTHER PAYABLES (cont'd)

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

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Ringgit Malaysia	11,984,064	10,275,597	5,439,807	25,900
Renminbi	4,243,004	5,680,762	0	0
Singapore Dollar	6,228,555	6,295,699	0	0
US Dollar	1,664,268	2,604,277	0	0
Others	573,719	1,460,899	0	0
	24,693,610	26,317,234	5,439,807	25,900

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

Trade Payables

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

Other Payables

Other payables are unsecured and non-interest bearing. The amounts owing to director and subsidiary are repayable on demand. The amounts owing to other related party and unrelated parties mainly consist of sundry payables and accruals for operating expenses which are generally due within 30 to 90 days.

12. LOANS AND BORROWINGS

Group

	2015 RM	2014 RM
<u>Secured</u>		
Hire purchase payables (fixed rate)	7,195,016	10,238,062
Banker acceptances (fixed rate)	0	1,177,000
Bank overdraft (floating rate)	428,635	705,487
Revolving credit (floating rate)	2,000,000	2,000,000
Term loans (floating rate)	9,065,002	12,282,100
<u>Unsecured</u>		
Banker acceptances (fixed rate)	5,315,983	11,448,908
	24,004,636	37,851,557
Disclosed as:-		
- Current liabilities	13,813,015	22,024,216
- Non-current liabilities	10,191,621	15,827,341
	24,004,636	37,851,557

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONT'D)

12. LOANS AND BORROWINGS (cont'd)

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

The effective interest rates of loans and borrowings as at 31 December 2015 ranged from 4.26% to 7.84% (2014 : 2.50% to 8.64%) per annum.

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

	2015	2014
	RM	RM
Ringgit Malaysia	17,759,948	25,857,243
Renminbi	657,986	1,480,145
US Dollar	5,586,702	10,514,169
	<u>24,004,636</u>	<u>37,851,557</u>

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

Hire Purchase Payables

Hire purchase payables are repayable over 3 to 5 years. The repayment analysis is as follows:-

	2015	2014
	RM	RM
Minimum hire purchase payments:-		
- Within 1 year	3,681,816	4,305,910
- Later than 1 year and not later than 2 years	2,130,153	3,291,865
- Later than 2 years and not later than 5 years	1,986,198	3,718,794
Total contractual undiscounted cash flows	7,798,167	11,316,569
Future finance charges	(603,151)	(1,078,507)
Present value of hire purchase payables:-		
- Within 1 year	3,345,716	3,773,062
- Later than 1 year and not later than 2 years	1,957,874	2,991,063
- Later than 2 years and not later than 5 years	1,891,426	3,473,937
	<u>7,195,016</u>	<u>10,238,062</u>

The fair values of hire purchase payables are measured using present value technique by discounting the expected future cash flows using observable current market interest rates for similar liabilities (i.e. Level 2). The fair values measured are considered to be reasonably close to the carrying amounts reported as the observable current market interest rates also approximate to the effective interest rates of hire purchase payables.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONT'D)

12. LOANS AND BORROWINGS (cont'd)**Term Loans**

Term loans are repayable over 5 to 15 years. The repayment analysis is as follows:-

	2015	2014
	RM	RM
Gross loan instalments:-		
- Within 1 year	3,150,168	3,511,644
- Later than 1 year and not later than 2 years	2,811,510	3,150,168
- Later than 2 years and not later than 5 years	2,999,340	5,771,656
- Later than 5 years	1,397,981	1,822,770
Total contractual undiscounted cash flows	10,358,999	14,256,238
Future finance charges	(1,293,997)	(1,974,138)
Present value of term loans:-		
- Within 1 year	2,722,681	2,919,759
- Later than 1 year and not later than 2 years	2,497,410	2,672,730
- Later than 2 years and not later than 5 years	2,622,303	5,118,335
- Later than 5 years	1,222,608	1,571,276
	<u>9,065,002</u>	<u>12,282,100</u>

The fair values of term loans are measured using present value technique by discounting the expected future cash flows using observable current market interest rates for similar liabilities (i.e. Level 2). The fair values measured are considered to be reasonably close to the carrying amounts reported as the observable current market interest rates also approximate to the effective interest rates of term loans.

13. SHARE CAPITAL

	2015	2014
	RM	RM
Authorised:-		
200,000,000 ordinary shares of RM0.50 each	<u>100,000,000</u>	<u>100,000,000</u>
Issued and fully paid-up:-		
175,470,370 ordinary shares of RM0.50 each	<u>87,735,185</u>	<u>87,735,185</u>

14. REVENUE

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Sale of goods	178,180,807	135,923,531	0	0
Rendering of services	0	0	0	120,000
Dividend income	0	0	24,076,808	0
Interest income	90,243	99,720	90,243	99,720
	<u>178,271,050</u>	<u>136,023,251</u>	<u>24,167,051</u>	<u>219,720</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONT'D)

15. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Short-term employee benefits	36,096,383	32,368,749	435,500	416,500
Defined contribution plans	1,844,817	1,774,972	0	0
	<u>37,941,200</u>	<u>34,143,721</u>	<u>435,500</u>	<u>416,500</u>

16. PROFIT BEFORE TAX

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Profit before tax is arrived at after charging:-				
Auditors' remuneration:-				
- Current year	197,670	211,780	28,000	19,000
- Prior year	39,039	6,000	9,000	2,000
Directors' remuneration:-				
- Fee	339,000	348,000	339,000	348,000
- Other emoluments	1,333,059	1,663,900	96,500	68,500
Fee expense for financial instruments not at fair value through profit or loss	175,004	124,548	178	121
Impairment loss on investments in subsidiaries	0	0	3,706,806	0
Impairment loss on loans and receivables:-				
- Subsidiary	0	0	8,282,366	0
- Other related party	974,749	0	0	0
- Unrelated parties	1,893,729	0	0	0
Interest expense for financial liabilities not at fair value through profit or loss	1,679,186	2,292,551	0	0
Inventories written down	2,512,397	4,242,969	0	0
Property, plant and equipment written off	1,719,052	2,479	0	0
Rental of motor vehicles	14,225	43,261	0	0
Rental of premises	139,792	126,671	0	0

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONT'D)

16. PROFIT BEFORE TAX (cont'd)

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
and crediting:-				
Dividend income from subsidiaries	0	0	24,076,808	0
Gain on disposal of property, plant and equipment	71,270	73,975	0	0
Gain on disposal of subsidiary	0	6,932,731	0	2,904,005
Gain on foreign exchange:-				
- Realised	5,319,216	2,140,383	0	1,564
- Unrealised	31,517	1,367,469	0	0
Interest income for financial assets not at fair value through profit or loss	108,984	134,374	90,243	99,720
Rental of premises	0	350,000	0	0
Reversal of inventories written down	3,354,616	288,787	0	0

17. TAX EXPENSE

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Tax based on results for the year:-				
- Malaysian income tax	3,429,000	324,956	0	0
- Overseas income tax	1,347,729	513,386	0	0
- Real property gains tax	0	389,106	0	389,106
- Deferred tax	191,759	(207,503)	0	0
	<u>4,968,488</u>	<u>1,019,945</u>	<u>0</u>	<u>389,106</u>
Tax under/(over) provided in prior year:-				
- Malaysian income tax	72,436	(42)	0	0
- Overseas income tax	(1,584)	(11,850)	0	0
- Deferred tax	0	(55,000)	0	0
	<u>5,039,340</u>	<u>953,053</u>	<u>0</u>	<u>389,106</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONT'D)

17. TAX EXPENSE (cont'd)

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

	Group		Company	
	2015	2014	2015	2014
	%	%	%	%
Applicable tax rate	25.00	25.00	25.00	25.00
Non-deductible expenses	23.41	6.63	27.95	1.28
Non-taxable income	(14.47)	(24.72)	(54.17)	(0.98)
Increase in unrecognised deferred tax assets	0.81	16.09	1.22	3.13
Effect of differential tax rates	(2.90)	(7.29)	0.00	(13.19)
Tax rebate	(0.76)	(1.58)	0.00	0.00
Average effective tax rate	<u>31.09</u>	<u>14.13</u>	<u>0.00</u>	<u>15.24</u>

The Company may distribute its entire retained profits as tax exempt dividends under the single tier tax system.

18. EARNINGS PER SHARE

Group

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

	2015	2014
Profit for the financial year (RM)	<u>10,942,580</u>	<u>6,263,370</u>
Weighted average number of shares in issue	<u>175,470,370</u>	<u>175,470,370</u>
Basic earnings per share (sen)	<u>6.24</u>	<u>3.57</u>

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

19. NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

Group

Purchase of Property, Plant and Equipment

	2015	2014
	RM	RM
Cost of property, plant and equipment purchased	5,744,298	11,135,870
Amount financed through hire purchase	<u>(742,848)</u>	<u>(3,722,423)</u>
Net cash disbursed	<u>5,001,450</u>	<u>7,413,447</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONT'D)

20. RELATED PARTY DISCLOSURES

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

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Key management personnel compensation:-				
- Short-term employee benefits	1,711,977	1,920,602	435,500	416,500
- Defined contribution plan	68,225	91,298	0	0
	1,780,202	2,011,900	435,500	416,500
Acquisition of subsidiary from subsidiary	0	0	(a) 0	0
Dividends declared from subsidiaries	0	0	24,076,808	0
Management fee charged to subsidiary	0	0	0	120,000
Purchase of goods from other related parties ^(b)	533,547	474,208	0	0
Purchase of goods from other related party ^(c)	9,374	19,330	0	0
Receiving of services from other related party ^(b)	152,000	96,000	0	4,000
Receiving of services from other related party ^(c)	160,000	0	0	0
Sale of goods to other related party ^(b)	0	3,587	0	0
Sale of goods to other related party ^(c)	607,478	557,271	0	0

^(a) The purchase consideration of USD5,700,000 was subsequently waived at no cost to the Company.

^(b) Being companies connected with certain directors

^(c) Being companies connected with certain former directors

21. SEGMENT REPORTING

Group

Operating Segments

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONT'D)

21. SEGMENT REPORTING (cont'd)

Geographical Information

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

	External Revenue		Non-current Assets	
	2015	2014	2015	2014
	RM	RM	RM	RM
Malaysia	38,282,473	33,449,004	47,064,286	53,932,036
China	48,974,220	25,176,102	16,421,728	16,056,066
Singapore	16,095,581	14,761,738	88,807	112,633
Thailand	54,514,007	40,685,286	0	0
Other countries	20,404,769	21,951,121	0	0
	<u>178,271,050</u>	<u>136,023,251</u>	<u>63,574,821</u>	<u>70,100,735</u>

Major Customers

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

	External Revenue	
	2015	2014
	RM	RM
Customer I ^(a)	52,545,336	24,485,217
Customer II ^(a)	35,701,555	33,707,996
Customer III ^(a)	<u>19,120,032</u>	<u>18,871,595</u>

^(a) The identity of the major customer has not been disclosed as permitted by MFRS 8 Operating Segments.

22. COMMITMENT FOR PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

Group

	2015	2014
	RM	RM
Contracted but not provided for	<u>0</u>	<u>3,008,000</u>

23. CONTINGENT LIABILITIES - UNSECURED

Company

The Company has entered into financial guarantee contracts to provide financial guarantees to financial institutions for credit facilities granted to certain subsidiaries up to a total limit of approximately RM92,446,000 (2014 : RM104,435,000). The total utilisation of these credit facilities as at 31 December 2015 amounted to approximately RM51,241,000 (2014 : RM71,747,000).

The aforementioned financial guarantee contracts should have been recognised in the statement of financial position in accordance with the recognition and measurement policies as stated in Note 2.9. After considering that the probability of the subsidiaries defaulting on the credit lines is remote, the financial guarantee contracts have not been recognised as the fair values on initial recognition are not expected to be material.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONT'D)

24. FINANCIAL RISK MANAGEMENT

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

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

Credit Risk

The Group's exposure to credit risk arises mainly from receivables and deposits placed with financial institutions. The maximum credit risk exposure of these financial assets is best represented by their respective carrying amounts in the statement of financial position. The Company is also exposed to credit risk in respect of its financial guarantees provided for credit facilities granted to certain subsidiaries. The maximum credit risk exposure of these financial guarantees is the total utilisation of the credit facilities granted as disclosed in Note 23.

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

Liquidity Risk

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

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

Currency Risk

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONT'D)

24. FINANCIAL RISK MANAGEMENT (cont'd)

Currency Risk (cont'd)

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

	Group	
	Increase/ (Decrease) in Profit	Increase/ (Decrease) in Profit
	2015	2014
	RM	RM
Appreciation of USD against RM by 10%	2,395,962	986,653
Depreciation of USD against RM by 10%	(2,395,962)	(986,653)
Appreciation of USD against RMB by 10%	512,226	433,581
Depreciation of USD against RMB by 10%	(512,226)	(433,581)
Appreciation of SGD against USD by 5%	(149,057)	(175,496)
Depreciation of SGD against USD by 5%	149,057	175,496

Interest Rate Risk

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

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

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

	Group	
	Increase/ (Decrease) in Profit	Increase/ (Decrease) in Profit
	2015	2014
	RM	RM
Increase in interest rates by 100 basis points	(97,629)	(127,219)
Decrease in interest rates by 100 basis points	97,629	127,219

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONT'D)

25. CAPITAL MANAGEMENT

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

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

	Group	
	2015	2014
	RM	RM
Total loans and borrowings	24,004,636	37,851,557
Total equity	115,442,496	99,977,960
Total capital	<u>139,447,132</u>	<u>137,829,517</u>
Debt-to-equity ratio	<u>21%</u>	<u>38%</u>

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

26. SIGNIFICANT EVENTS DURING AND AFTER THE REPORTING PERIOD

On 4 February 2015, the Board of Directors of the Company ("the Board") received an allegation letter against certain senior management of the Group on misappropriation of the Group's funds of approximately RM3.9 million. Consequently, the Board set up an independent committee ("IC") comprising 3 independent directors of the Company to coordinate and oversee the investigation process of the case.

The IC had on 3 March 2015 finalised the appointment of the following professionals:-

- (i) A legal counsel to advise the IC on matters in relation to the investigation; and
- (ii) An investigation auditor to investigate on:-
 - (a) the remittances of funds to foreign companies in the United States of America in 2013 and 2014 ("Matter 1"); and
 - (b) the unbilled delivery orders issued in 2012 and 2013 discovered during the migration of data to new computer accounting software ("Matter 2").

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONT'D)

26. SIGNIFICANT EVENTS DURING AND AFTER THE REPORTING PERIOD (cont'd)

The following were noted from the investigation auditor's report dated 7 July 2015:-

Matter 1

- (i) In 2013 and 2014, approximately USD1.01 million was remitted from the Group to a company incorporated in the United States of America ("USA Company").
- (ii) The remittances were authorised by key members of the senior management of the Group.
- (iii) It appeared that a key member of the senior management of the Group ("Key Member") was connected or related to the USA Company by virtue of his position as a senior management in the USA Company.
- (iv) The remittances of USD1.01 million were ostensibly for two purposes namely, the purchase of assets of USD0.415 million and purported working capital of USD0.595 million including marketing and operating expenses.
- (v) The beneficiary of the remittances appeared to be the USA Company.

Matter 2

- (i) In 2012 and 2013, the Group issued a total of 67 delivery orders to a company related to a former director of the Company ("Related Party"). The former director was still a director of the Company when the transactions occurred.
- (ii) Despite the provision of services to the Related Party, the Group did not issue any invoices for payment. The amounts involved for 2012 and 2013 were RM362,084 and RM181,698 respectively.
- (iii) It appeared that the non-billing was not an oversight but was calculated to benefit the Related Party.

After consultation with the legal counsel, the Board took the following courses of action in addressing the ramifications arising from the findings of the investigation report:-

Matter 1

The Board demanded the Key Member to unconditionally resign and relinquish all his positions in the Group with no claim against the Group. The Board also demanded and claimed the balance sum of USD0.66 million (being the balance sum remitted to the USA Company after the refund of USD0.35 million) from the Key Member.

The Key Member had on 27 August 2015 tendered his resignation as an executive director and chief executive officer of the Group and had relinquished all his positions in the Group with no claim against the Group. All the assets purchased from the USA Company arising from the remittances had been fully written down/impaired as at 31 December 2015. Pursuant to the settlement agreement dated 27 August 2015 with the Key Member, the Group had fully recovered the loss after receiving an amount of RM2,749,071 (equivalent to USD0.66 million) from the Key Member on 29 January 2016.

Matter 2

The Board requested management to issue the relevant invoices totalling RM543,782 to the Related Party to demand for repayment. As the Related Party had defaulted in payments, the total outstanding balance of RM974,749 (Note 9) due from it had been fully impaired as at 31 December 2015. The Group had via its solicitors taken legal actions claiming the said sum from the Related Party.

SUPPLEMENTARY INFORMATION
- REALISED AND UNREALISED PROFITS OR LOSSES

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Total retained profits of the Company and its subsidiaries:-				
- Realised	34,565,968	35,905,294	14,616,288	6,972,265
- Unrealised	2,014,795	3,881,026	0	0
	<u>36,580,763</u>	<u>39,786,320</u>	<u>14,616,288</u>	<u>6,972,265</u>
Consolidation adjustments and eliminations	3,609,499	(7,029,231)	0	0
Total retained profits as per statement of financial position	<u>40,190,262</u>	<u>32,757,089</u>	<u>14,616,288</u>	<u>6,972,265</u>

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

LIST OF PROPERTIES HELD

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 31.12.2015 (RM)	Date of last revaluation	Date of acquisition
Registered Owner: Dufu Industries Sdn. Bhd.						
Land						
P.T. No. 1886 (Resurveyed Lot 12354) held under Title No. H.S. (D) 11985, Mukim 12, Daerah Barat Daya, Penang	60 years leasehold expiring 26.12.2051	Industrial land	177,691 sq. feet	3,263,158	1997	-
Building						
Plot 19 Free Industrial Zone, Phase IV, Bayan Lepas 11900 Penang		Industrial complex		7,896,127		Yr 1997 – 2007
		- 1 Single-Storey office- cum-production building (18 years)	18,209 sq. feet			
		- 1 double-storey office-cum-production building (11 years)	33,793 sq. feet			
		- 1 three-storey production building (9 years)	65,811 sq. feet			
		-1 three-storey office cum production building (8 years)	32,816 sq. feet			
- 16 units of hostel (freehold)	11,200 sq. feet	1,600,000		Yr 2015		
Registered Owner: Futron Ltd						
No. 1, Gao Tin Industrial Zone, Tai Ping Town, Cong Hua City.		- 1 three-storey production building (12 years)	41,383 sq. feet	1,187,891		Yr 2003 – 2014
		- 1 steel production workshop (2 years)	8,092 sq. feet			
		- 1 five-storey hostel (12 years)	21,348 sq. feet	297, 937		Yr 2003

LIST OF PROPERTIES HELD
(CONT'D)

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 31.12.2015 (RM)	Date of last revaluation	Date of acquisition
Registered Owner: Dufusion Sdn Bhd						
Land						
Lot No. 8478 Mukim 12, District of Barat Daya, Penang	60 years leasehold expiring 22.5.2050	Industrial land	51,451 sq. feet	6,072,672		Year 2012
Lot No. 9232 Mukim 12, District of Barat Daya, Penang	60 years leasehold expiring 10.12.2050	Industrial land	66,349 sq. feet			
Building						
Plot No. 160 & 163, Jalan Sungai Keluang, Bayan Lepas Free Industrial Zone, Phase 1, 11900 Bayan Lepas Penang		Industrial complex - 1 Single-Storey office-cum-production building. (4 years)	61,587sq. feet	4,654,193		Year 2012
			TOTAL	24,971,978		

SHARE BUY-BACK STATEMENT

1. Disclaimer Statement

Bursa Malaysia Securities Berhad (“Bursa Securities”) has not perused the contents of this Circular in relation to the Proposed Share Buy-Back (as defined herein) prior to its issuance, takes no responsibility for the contents of the Statement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of the Statement.

2. Rationale for the Proposed Renewal of Authority to Dufu Technology Corp. Berhad (“DUFU” or the “Company”) To Purchase Up To 10% of Its Own Ordinary Shares of RM0.50 each (“Shares”) In The Issued and Paid Up Share Capital of DUFU (“Proposed Renewal of Share Buy-Back Mandate”)

The Proposed Renewal of Share Buy-Back Mandate, if implemented, will enable the Company to utilize its financial resources not immediately required for use, to purchase its own Shares. The Proposed Renewal of Share Buy-Back Mandate may enhance the EPS which may have a positive impact on the market price of DUFU Shares. Other potential benefits of the Proposed Renewal of Share Buy-Back Mandate to the Company and its shareholder are as follows:-

- a) To allow the Company to take preventive measures against speculation particularly when DUFU Shares are undervalued which would in turn stabilize the market price of DUFU Shares and hence, enhance investors’ confidence;
- b) To allow the Company flexibility in achieving the desired capital structure, in terms of the debt and equity composition, and the size of equity; and
- c) The Purchased Shares may be held as treasury shares and distributed to shareholders as dividends and/or resold in the open market with the intention of realising a potential capital gain if the Purchased Shares are resold at price(s) higher than their purchase price(s).

3. Retained Profits and Share Premium

Based on the Audited Financial Statements of the Company as at 31 December 2015 the retained profits and share premium accounts of the Company stood at RM14,616,288 and RMNIL respectively.

4. Source of Funding

The Proposed Renewal of Share Buy-Back Mandate will be financed from both internally generated funds and/ or external borrowings as long as the amount of fund for the Share Buy-Back has not exceeded the amount of retained profits or share premium. The Company has sufficient resource to undertake the Proposed Renewal of Share Buy-Back Mandate in view that the Company has net cash and cash equivalent balance of approximately RM5,555,664 based on the Audited Financial Statements of DUFU as at 31 December 2015.

In the event borrowings are used for the purchase of DUFU Shares, the Board will ensure that the Company has the capability to repay the borrowings and that such repayment will not have a material effect on the Company’s cash flow.

Any funds utilized by DUFU for the Proposed Renewal of Share Buy-Back Mandate will consequentially reduce the resources available to DUFU for its operations by a corresponding amount for shares bought back.

SHARE BUY-BACK STATEMENT (CONT'D)

5. Interests of Directors' and Substantial Shareholders' and Persons Connected to Them

Save for the inadvertent increase in the percentage shareholdings and/or voting rights of the shareholders in the Company as a consequence of the Proposed Renewal of Share Buy-back Mandate, none of the Directors and Substantial Shareholders of DUFU nor persons connected to them has any interest, direct or indirect, in the Proposed Renewal of Share Buy-back Mandate and, if any, the resale of the treasury shares.

Based on the Register of Directors' Shareholdings and the Register of Substantial Shareholders of DUFU as at 31 March 2016 and assuming that DUFU implements the Proposed Renewal of Share Buy-back Mandate in full, the effects of the Proposed Renewal of Share Buy-back Mandate on the shareholdings of the Directors and Substantial Shareholders of DUFU are as follows:-

	Existing ^(a)				After the Proposed Share Buy-Back ^(b)			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Directors								
Lee, Hui-Ta also known as Li Hui Ta ⁽¹⁾	15,757,365	8.98	16,983,648*	9.68	15,757,365	9.98	16,983,648*	10.75
Wu, Mao-Yuan	4,612,500	2.63	-	-	4,612,500	2.92	-	-
Khoo Lay Tatt	1,000,000	0.57	-	-	1,000,000	0.63	-	-
Sung, Cheng-Hsi	1,751,900	1.00	-	-	1,751,900	1.11	-	-
Ang Siak Keng	-	-	-	-	-	-	-	-
Joyce Wong Ai May	-	-	-	-	-	-	-	-
Substantial Shareholders								
PCSB	18,110,000	10.32	-	-	18,110,000	11.47	-	-
PFYSB	16,983,648	9.68	-	-	16,983,648	10.75	-	-
Wong Ser Yian	14,275,869	8.14	-	-	14,275,869	9.04	-	-
Ni, Chung-Lin	-	-	18,110,000 [^]	10.32	-	-	18,110,000 [^]	11.47
Wang, Kuei-Lan	-	-	18,110,000 [^]	10.32	-	-	18,110,000 [^]	11.47
Lee, Wen-Jung	-	-	18,110,000 [^]	10.32	-	-	18,110,000 [^]	11.47
Lee, Su Hui-Fen	-	-	18,110,000 [^]	10.32	-	-	18,110,000 [^]	11.47
Wang, Kuei-Hua ⁽²⁾	3,210,200	1.83	16,983,648*	9.68	3,210,200	2.03	16,983,648*	10.75
Person Connected to Director / Substantial Shareholder								
Lee Wai Ling	19,999	0.01	-	-	19,999	0.01	-	-
Teoh Phoy Hoon	60,000	0.03	-	-	60,000	0.04	-	-

Note:

* Indirect Interest by virtue of his/her substantial interest in PFYSB.

[^] Indirect Interest by virtue of his/her substantial interest in PCSB.

^(a) Based on the existing issued and paid up share capital of 175,470,370 Shares, inclusive of 50,000 shares held as Treasury Shares.

^(b) Based on the issued and paid up share capital of 157,923,333 Shares assuming that the Proposed Share Buy-Back is carried out in full and all that shares so purchased are held as treasury shares.

⁽¹⁾ Also Substantial Shareholder of the Company.

⁽²⁾ Spouse of Mr. Lee, Hui-Ta also known as Li Hui Ta.

SHARE BUY-BACK STATEMENT (CONT'D)

6. Potential Advantages and Disadvantages of the Proposed Share Buy Back

6.1 Potential advantages of the Proposed Renewal of Share Buy-Back Mandate

The potential advantages of the Proposed Renewal of Share Buy-Back Mandate are set out in section 2 of the Statement.

6.2 Potential disadvantages of the Proposed Renewal of Share Buy-Back Mandate

The potential disadvantages of the Proposed Renewal of Share Buy-Back Mandate are as follows:-

- a) The Proposed Renewal of Share Buy-Back Mandate if implemented, will reduce the financial resources of DUFU and may result in DUFU foregoing interest income and/or better investment opportunities that may emerge in the future; and
- b) It would also result in the reduction of financial resources available for distribution in the form of cash dividends to shareholders of DUFU in the immediate future.

Nevertheless, the Board is of the view that the Proposed Renewal of Share Buy-Back Mandate is not expected to have any potential material disadvantages to the Company and its shareholders as it will be implemented only after careful consideration of the financial resources of DUFU and the resultant impact on the shareholders of the Company.

7. Material Financial Effect of the Proposed Renewal of Share Buy-Back Mandate

The material financial effect of the Proposed Renewal of Share Buy-Back Mandate on the share capital, consolidated Net Tangible Assets (NTA) working capital, earnings, dividends and the substantial shareholders' shareholdings in DUFU are set out below:

7.1 Share Capital

As at 31 March 2016, the issue and paid-up capital of DUFU was RM87,735,185 comprising 175,470,370 Shares, inclusive of 50,000 shares held as Treasury Shares. In the event that the 17,547,037 Share representing 10% of the issued and paid-up share capital of the Company are purchased and cancelled, the effect on the share capital of the Company are illustrated as follows:-

	No. of Shares
Issued and paid-up share capital as at 31 March 2016, inclusive of 50,000 shares held as Treasury Shares	175,470,370
Less:	
Maximum number of DUFU Shares to be purchased and Cancelled	(17,547,037)
Resultant issued and paid up capital	<u>157,923,333</u>

The Proposed Renewal of Share Buy-Back Mandate will not have any effect on the issued and paid-up share capital of the Company as Shares purchased are to be retained as treasury shares. However, while the purchased Shares are held as treasury shares, Section 67A (3C) of the Companies Act, 1965 states that the rights attached to them as to voting, dividends and participation in other distributions or otherwise are suspended and the treasury shares shall not be taken into account in calculating the number or percentage of shares or of a class of shares for any purposes including without limiting.

SHARE BUY-BACK STATEMENT (CONT'D)

7. Material Financial Effect of the Proposed Renewal of Share Buy-Back Mandate (cont'd)

7.2 NTA

The effects of the Proposed Renewal of Share Buy-Back Mandate on the consolidated NTA of the Group would depend on the purchase price and number of Purchased Shares, the effective funding cost to DUFU to finance the Purchased Shares or any loss in interest income to DUFU.

The Proposed Renewal of Share Buy-Back Mandate will reduce the consolidated NTA per Share at the time of purchase if the purchase price exceeds the consolidated NTA per Share and conversely will increase the consolidated NTA per Share at the time of purchase if the purchase price is less than the consolidated NTA per Share.

Should the Purchased Shares be resold, the consolidated NTA will increase if the Company realizes a capital gain from the resale, and vice-versa. However, the quantum of the increase in NTA will depend on the selling prices of the Purchased Shares and the number of Purchased Shares resold.

7.3 Working Capital

The Proposed Renewal of Share Buy-Back Mandate is likely to reduce the working capital of the Group, the quantum of which would depend on the purchase price of the Purchased Shares, the number of Purchased Shares and any associated costs incurred in making the purchase.

7.4 Earnings

The effects of the Proposed Renewal of Share Buy-Back Mandate on the EPS of the DUFU Group will depend on the purchase price of the DUFU Shares, the number of DUFU Shares purchased and the effective funding cost to DUFU to finance the Purchase Shares or any loss in interest income to the Group.

If the Purchased Shares are to be retained as treasury shares or cancelled subsequently, the number of Shares applied in the computation of the EPS will be reduced, and accordingly, all other things being equal, the Proposed Renewal of Share Buy-Back Mandate will have a positive impact on the EPS of the Group.

In the event the Purchased Shares are resold subsequently, depending on the price at which the said Shares are resold, the Proposed Renewal of Share Buy-Back Mandate may have a positive effect on the EPS of the Group if there is a gain on the disposal and vice-versa.

7.5 Dividends

Assuming the Proposed Renewal of Share Buy-Back Mandate is implemented in full, dividends would be paid on the remaining issued and paid-up share capital of DUFU (excluding the Shares already purchased). The Proposed Renewal of Share Buy-Back Mandate may have an impact on the Company's dividend policy for the financial year ending 31 December 2016 as it would reduce the cash available which may otherwise be used for dividend payments. Nonetheless, the treasury shares purchased may be distributed as dividends to shareholders of the Company, if the Company so decides.

Any dividends to be declared by DUFU in the future would depend on, inter-alia, the profitability and cash flow position of the Group.

7.6 Substantial Shareholders

Shares bought back by the Company under the Proposed Renewal of Share Buy-Back Mandate that are retained as treasury shares will result in a proportionate increase in the percentage shareholdings of the Substantial Shareholders in the Company. Please refer to Section 5 of this Statement for further details.

SHARE BUY-BACK STATEMENT (CONT'D)

8. Implications of the Proposed Share Buy-Back Relating to the Malaysian Code on Take-Overs and Mergers, 2010 (The "Code")

Pursuant to Paragraph 10.1 of Practice Note 9 of the Code, a mandatory offer obligation arises when:-

- (a) a person* obtains controls in a company as a result of a buy back scheme by the company;
- (b) a person* (holding more than 33% but not more than 50% of the voting shares or voting rights of a company), as a result of a buy back scheme by the company, increases his holding of the voting shares or voting rights of the company by more than 2% in any six-month period;
- (c) a person* (holding more than 33% but not more than 50% of the voting shares or voting rights of a company) acquires more than 2% of the voting shares or voting rights of the company when he knows or reasonably ought to know that the company would carry out a buy back scheme.

"a person" includes persons acting in concert.

Pursuant to the Code, the affected Substantial Shareholder and/or the Group of Persons Acting in Concert may apply for a waiver from the obligation to make a mandatory offer from the Securities Commission under the Paragraph 24.1 of Practice Note 9 of the Code. The Board is aware of the requirements of the Code and will be mindful of the requirements when making any purchase of DUFU Shares pursuant to the Proposed Renewal of Share Buy-Back Mandate

9. Purchases Made By the Company of its Own Shares in the Last Financial Year

There was no share buy-back by the Company during the financial year ended 31 December 2015.

10. Public Shareholding Spread

As at 31 March 2016, the public shareholding spread of the Company was approximately 56.80%. In this regard, the Board undertakes to purchase Shares only to the extent that the public shareholding spread of DUFU shall not fall below 25% of the issued and paid-up share capital of the Company (excluding treasury shares) at all times pursuant to the Proposed Renewal of Share Buy-back Mandate, in accordance with Para 8.02(1) and 12.14 of the Bursa Securities Main Market Listing Requirements.

11. Director's Statement

After taking into consideration all relevant factors, the Board is of the opinion that the Proposed Renewal of Share Buy-Back Mandate described above is in the best interest of the Company.

12. Director's Recommendation

The Board recommends that you vote in favour of the ordinary resolution to be tabled at the forthcoming Fourteenth Annual General Meeting to give effect to the Proposed Renewal of Share Buy-Back Mandate.

13. Further Information

There is no other information concerning the Proposed Renewal of Share Buy-Back Mandate as shareholders and other professional advisers would reasonably require and expect to find in the Statement for the purpose of making informed assessment as to the merits of approving the Proposed Renewal of Share Buy-Back Mandate and the extent of the risks involved in doing so.

ANALYSIS OF SHAREHOLDINGS

SHARE CAPITAL AS AT 31 MARCH 2016

Authorized	:	RM100,000,000.00
Issued and Fully paid-up	:	RM87,710,185.00+
Class of Share	:	Ordinary Shares of RM0.50 each with equal voting rights
Number of Shareholders	:	3,074

+ Excluding a total of 50,000 shares purchased and retained as treasury shares.

DISTRIBUTION OF SHAREHOLDERS AS AT 31 MARCH 2016

Holdings	No. of Holders	Total Holdings	%
1 – 99	305	13,474	0.01
100 – 1,000	120	69,918	0.04
1,001 – 10,000	1,382	8,101,810	4.62
10,001 – 100,000	1,123	36,243,518	20.66
100,001 – 8,773,017	140	65,864,768	37.55
8,773,018 and above	4	65,126,882	37.12
Total	3,074	175,420,370	100.00

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT 31 MARCH 2016

Name	Shareholdings	%
1. Perfect Commerce Sdn Bhd	18,110,000	10.32
2. Perfect Full Yen Sdn Bhd	16,983,648	9.68
3. Lee, Hui-Ta @ Li Hui Ta	15,757,365	8.98
4. Wong Ser Yian	14,275,869	8.14
5. Wu, Mao-Yuan	4,612,500	2.63
6. Huang, Yueh-O	4,606,100	2.63
7. Wang, Kuei-Hua	3,210,200	1.83
Amsec Nominees (Asing) Sdn Bhd Qualifier: Pledged Securities Account - AmBank (M) Berhad for Hsu, Chin-Shui (Smart)	2,000,000	1.14
8. Yu, Tsung-Te	1,925,000	1.10
Cimsec Nominees (Asing) Sdn Bhd Qualifier: Exempt An for CIMB Securities Limited Pte Ltd (Foreign Client)	1,857,400	1.06
Public Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Kwek Peng Liak (E-PPG)	1,800,066	1.03
12. Tan Huat Tim	1,800,000	1.03
13. Wu, Te-Kuei	1,800,000	1.03
Cartaban Nominees (Asing) Sdn Bhd Qualifier: Exempt An For Standard Chartered Bank (Hong Kong) Limited (HK PVB CL AC)	1,751,900	1.00
15. Wu, Jung-Chang	1,740,000	0.99
16. Chang, Hsiu-Hsiang	1,561,000	0.89
17. Hsu, Yin-Lin	1,455,063	0.83
18. Khor Bee Kiow	1,300,000	0.74
Public Invest Nominees (Asing) Sdn Bhd Qualifier: Exempt An For Phillip Securities Pte Ltd (Clients)	1,180,700	0.67
19. Chua Ah Tang	1,000,000	0.57

ANALYSIS OF SHAREHOLDINGS
(CONT'D)

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT 31 MARCH 2016 (cont'd)

	Name	Shareholdings	%
21.	Khoo Lay Tatt	1,000,000	0.57
22.	Chen, Ming-Lung	888,000	0.51
23.	Alliancegroup Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account For Tan Oiy Pow (8045795)	800,000	0.46
24.	Chen, Yueh-Hsia	800,000	0.46
25.	Tan Oiy Pow	748,000	0.43
26.	HLB Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account For Oh Kim Sun	679,400	0.39
27.	Phen Say Bah	640,100	0.36
28.	Hsu, Tzu-Hen Also Known As Nick Shu Public Nominees (Tempatan) Sdn Bhd	550,000	0.31
29.	Qualifier: Pledged Securities Account For Jeremy Chia Pei Chai (E-TCS)	550,000	0.31
30.	Tay Tong Eh	550,000	0.31

SUBSTANTIAL SHAREHOLDERS AS AT 31 MARCH 2016

Name	Direct		Indirect	
	No. of shares held	%	No. of shares held	%
1. Perfect Commerce Sdn Bhd (PCSB)	18,110,000	10.32	-	-
2. Perfect Full Yen Sdn Bhd (PFYSB)	16,983,648	9.68	-	-
3. Lee, Hui-Ta @ Li Hui Ta	15,757,365	8.98	16,983,648#	9.68#
4. Wang, Kuei-Hua	3,210,200	1.83	16,983,648#	9.68#
5. Wong Ser Yian	14,275,869	8.14	-	-
6. Ni, Chung-Lin	-	-	18,110,000^	10.32^
7. Wang, Kuei-Lan	-	-	18,110,000^	10.32^
8. Lee, Wen-Jung	-	-	18,110,000^	10.32^
9. Lee, Su Hui-Fen	-	-	18,110,000^	10.32^

Indirect Interest by virtue of his/her substantial interest in PFYSB.

^ Indirect Interest by virtue of his/her substantial interest in PCSB.

DIRECTORS' SHAREHOLDINGS AS AT 31 MARCH 2016

Name	Direct		Indirect	
	No. of shares held	%	No. of shares held	%
1. Lee, Hui-Ta @ Li Hui Ta	15,757,365	8.98	16,983,648#	9.68#
2. Wu, Mao-Yuan	4,612,500	2.63	-	-
3. Khoo Lay Tatt	1,000,000	0.57	-	-
4. Sung, Cheng-Hsi	1,751,900	1.00	-	-
5. Ang Siak Keng	-	-	-	-
6. Joyce Wong Ai May	-	-	-	-

Indirect Interest by virtue of his/her substantial interest in PFYSB.

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 (Proxy 1) _____ (*NRIC No./Passport No. _____)
of _____
and*/ or failing him* (Proxy 2) _____ (*NRIC No./Passport No. _____)
of _____ and*/ or failing him*, the
Chairman of the Meeting as my/our proxy to vote for me/us and on my/our behalf at the Fourteenth Annual General Meeting of
the Company to be held at U Hotel, Room Jupiter, Ground Floor, 676 Jalan Sungai Dua, 11700 Penang, Malaysia on the Thursday,
19 May 2016 at 9.00 a.m. and, at every adjournment thereof to vote as indicated below:-

The proportions of my/our holdings to be represented by our proxy(ies) are as follows:-

Proxy 1 - _____ % In case of a vote by show of hands, Proxy 1*/Proxy 2* shall vote on our behalf.
Proxy 2 - _____ %
_____ 100%

* Strike out whichever is inapplicable

(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 declare a Single Tier Final Dividend of 1.1 Sen per share for the financial year ended December 31, 2015		
2.	To approve the payment of Directors' Fee of up to RM198,000/- for the financial year ending 31 December 2016		
	To re-elect the following Directors retiring under the respective provision of the Articles of Association of the Company and who, being eligible offer themselves for re-election:-		
3.	Mr. Lee, Hui-Ta also known as Li Hui Ta	(Article 97(1))	
4.	Mr. Wu, Mao-Yuan	(Article 97(1))	
5.	Mr. Sung, Cheng-Hsi	(Article 104)	
6.	Ms. Joyce Wong Ai May	(Article 104)	
7.	To re-appoint Messrs. Crowe Horwath as Auditors of the Company for the ensuing year and to authorize the Directors to fix their remuneration.		
	To pass the following resolutions as Special Business :- Ordinary Resolution		
8.	Authority to Issue Shares pursuant to Section 132D of the Companies Act, 1965.		
9.	To approve the proposed renewal of authority to purchase up to ten percent (10%) of its own shares in the issued and paid-up capital of the Company		

Signature of Shareholder(s) _____

Signed this _____ day of _____, 2016.

Notes:-

- This Agenda item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of the shareholders and hence, is not put forward for voting.
- For the purpose of determining a member who shall be entitled to attend and vote at this 14th Annual General Meeting, the Company shall be requesting the Record of Depositors as at 11 May 2016. Only a depositor whose name appears on the Record of Depositors as at 11 May 2016 shall be entitled to attend, speak and vote at the said meeting or appoint proxy(ies) to attend, speak and vote on his/her behalf.

Proxy:-

- A Member of the Company entitled to attend and vote is entitled to appoint up to two (2) proxies to attend and vote in his place. A proxy may but need not be a Member and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
- Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
- Where a member appoints more than one (1) proxy, the appointments shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
- The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
- The instrument appointing a proxy must be deposited at the Registered Office of the Company at 57-G Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang not less than forty-eight (48) hours before the time set for holding of the Meeting or at any adjournment thereof.

fold this flap for sealing

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Affix
stamp

The Company Secretaries
DUFU TECHNOLOGY CORP. BERHAD (581612-A)
57-G Persiaran Bayan Indah
Bayan Bay, Sungai Nibong
11900 Penang

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