DUFU TECHNOLOGY CORP. BERHAD
(581612-A)

Diversifying into SUCCESS

2017

ANNUAL REPORT

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Corporate Information

Board of Directors

Lee, Hui-Ta also known as Li Hui Ta
Executive Chairman

Wu, Mao-Yuan
Executive Director

Sung, Cheng-Hsi
Independent Non-Executive Director

Joyce Wong Ai May
Independent Non-Executive Director

Yin, Chih-Chu also known as Laurence Yin
Independent Non-Executive Director

Lee Yoke Khay
Independent Non-Executive Director

Audit Committee

Chairman
Joyce Wong Ai May

Members
Sung, Cheng- Hsi
Yin, Chih-Chu also known as Laurence Yin
Lee Yoke Khay

Nominating Committee

Chairman
Lee Yoke Khay

Members
Sung, Cheng- Hsi
Joyce Wong Ai May
Yin, Chih-Chu also known as Laurence Yin

Remuneration Committee

Chairman
Lee Yoke Khay

Members
Joyce Wong Ai May
Sung, Cheng- Hsi
Yin, Chih-Chu also known as Laurence Yin

Investment Committee

Chairman
Yin, Chih-Chu also known as Laurence Yin

Members
Joyce Wong Ai May
Wu, Mao-Yuan
Lee Yoke Khay

Company Secretaries

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

Auditors

Baker Tilly Monteiro Heng
Chartered Accountants (AF0117)
Baker Tilly MH Tower
Level 10, Tower 1, Avenue 5,
Bangsar South City
59200 Kuala Lumpur, Malaysia
Tel : 603-22971000
Fax : 603-22829980

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 Milenium
Jalan Damanlela,
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Tel : 603-20849000
Fax : 603-20949940

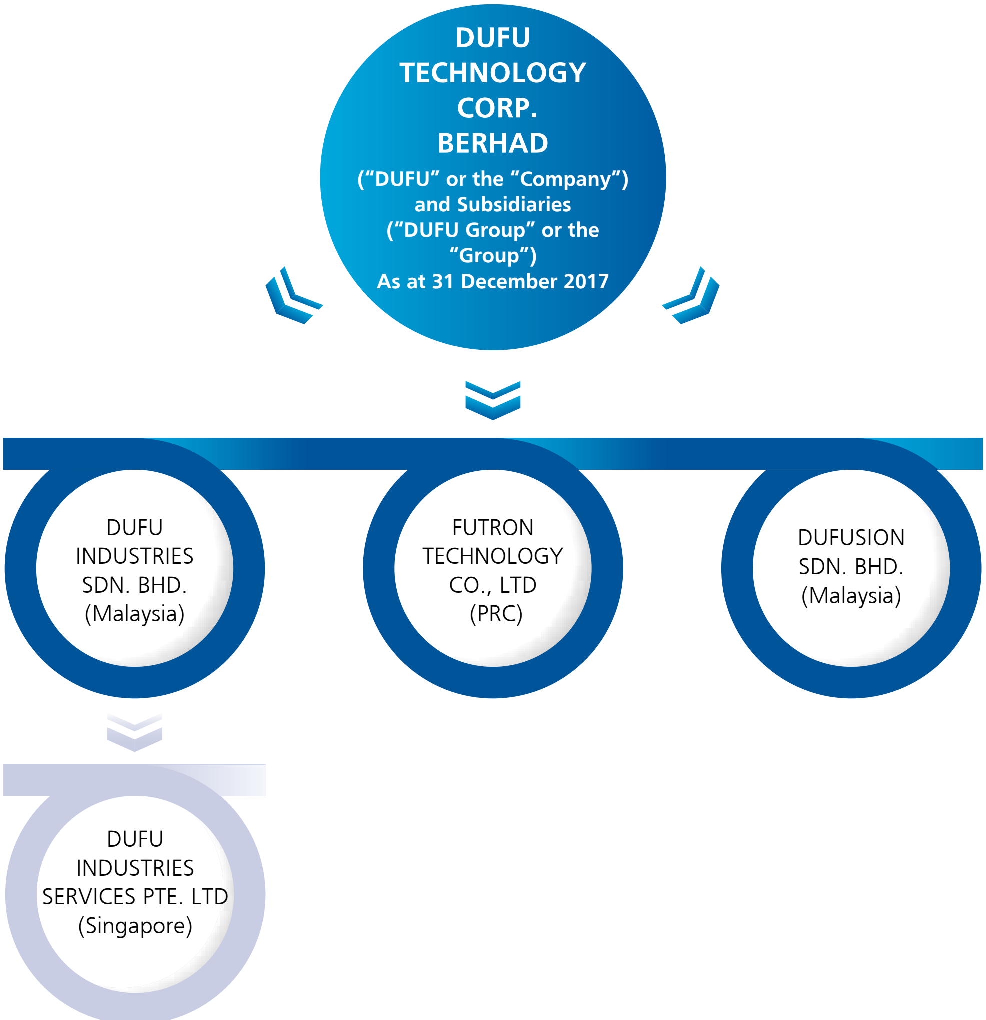
Principal Bankers

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



Principal Activities

Dufu Technology Corp. Berhad (581612-A)("DUFU") is principally involved in investment holding. The subsidiaries of DUFU as at 31 December 2017 are as follows: -

Subsidiary	Country of Incorporation	Ownership Interest	Principal Activity
Dufu Industries Sdn. Bhd. (165467-T)	Malaysia	100%	Design, development, manufacture, assembly and trading 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.

* A Wholly-Owned Subsidiary of Dufu Industries Sdn. Bhd.

Chairman's Statement

Group Revenue

RM181.21 MILLION

Revenue Growth of

6.4%

Non-HDD segment

grew by more than **30%**

On behalf of the Board of Directors of Dufu Technology Corp. Berhad ("Dufu"), it gives me great pleasure to present to you the Annual Report of the Company and the Group for the financial year ended 31 December 2017 ("FY2017")

Financial Performance

FY2017 proved to be another fruitful year for Dufu despite the ongoing challenging business environment. Our Group revenue increased by 6.4% to RM181.21 million in FY2017 from RM170.31 million registered in the financial year ended 31 December 2016 ("FY2016"). The Group's Profit After Taxation slightly dropped to RM26.04 million in FY2017 from RM27.03 million in FY2016 where profitability of the previous year 2016 was aided by one-off events such as dissolution of subsidiaries and compensation received of RM3.71 million and RM2.75 million respectively.

Our Promise to Shareholders

In line with our performance, Dufu has declared a total dividend of 6.5 sen per share for FY2017, compared to 4.5 sen per share in FY2016. These single-tier dividends represent a potential dividend payout of RM10.8 million, consistent with our commitment to return no less than 50% of the Group's Operating Profit After Tax. As at the end of FY2017, the Company is giving out a dividend yield of 5.56% based on its share price of RM1.17.

Changes in the Board Composition

On 3 April 2017, Mr Lee Yoke Khay was appointed to the Board as Dufu's Independent Non-Executive Director. He is a lawyer by profession and his appointment was taken into consideration after Mr Ang Siak Keng, also a lawyer by profession announced his resignation on 16 March 2017. We believe we continued to remain ideal and balance in terms of board composition where the present six (6) Directors on Board comprises of majority Independent Non-Executive Directors.

Corporate Developments

On 20 March 2017, following the recommendation of our principal adviser, Affin Hwang IB, the Board has decided not to proceed with the consolidation and increase in ordinary shares, and the executives' share option scheme which was originally announced on 6 October 2016. Our share performance has since improved in terms of price and liquidity and we have devised an incentive scheme to reward our employees based on the Group's profitability.

Chairman's Statement (Cont'd)

Looking Ahead 2018

We expect to achieve our goals through our continued focus on driving profitable volume performance, applying pricing discipline and controlling costs. We still believe in driving a profitable volume growth. Despite the declining unit sales of global shipment of Hard Disk Drives ("HDD"), the demand for HDD storage has not. In fact, total capacity shipments continue to set records with average capacities of HDDs have almost been skyrocketing in recent years. The long-term future of HDDs likely rests with high capacity HDDs, especially in data centers and in particular for the growing mass content in the clouds. Today, the robust growth in the net storage capacity for high capacity HDDs that serve primarily the cloud storage applications is made possible by adding the number of disks and heads.

This bodes well for Dufu considering that the anticipated volume growth of HDD spacers correlates with the trends in number of disks required in a single HDD.

We're reducing costs across all areas of our enterprise, with an increased focus on continuous improvement activities to drive waste, cost, and inefficiencies out of our business. In Manufacturing, we have improved on labour efficiency per machine, enhanced raw material usage and optimized the design of facility layout to improve on efficiency and wastages.

At the Corporate level, our recent investment of RM6.14 million for a 19.6% stake in a newly set-up surface treatment company in Thailand is seen as a strategic acquisition where one third of the Group's sales are concentrated in Thailand and coincidently in Logistics, we have been monitoring our process work route efficiency efforts and optimizing our third-party warehousing to provide total customer satisfaction. In Operations, recent capital investments and the disposal of non-core old machines mean our plants are well positioned to meet our customers' needs, and that our employees will have the means to do their work safely and more efficiently.

And in Sales, 2017 has been a rewarding year for us in our effort to diversify the Group's revenue stream from the non-HDD segment. The non-HDD segment grew by more than 30% in FY2017. We are also planning our move towards the automotive industry where we are excited at the continuing trend in automobile sector where tech-industry driven initiatives are driving the agenda for today's carmakers. This provide opportunities for us to capitalize on our expertise in the precision machining of those highly sensitive sensors, hydraulic, automation and other electronics parts that are considered key ingredients in the continue evolution of the auto market today. But first, our team at Engineering and Production are working hard towards achieving the International Automotive Task Force ("IATF") 16949:2016 certification which is a prerequisite requirement for any organization operating in the global automotive supply chain. We are working vigilantly towards IATF 16949:2016 accreditation. If all goes according to plan, we hope this will further boost the effort made by the Group to diversify its revenue stream in the near future.

We remain confident we are building a strong foundation for future success.

I would like to recognize and thank our employees for another year of hard work and selfless contributions toward that goal. Pure and simple, we are "previsioning" ourselves to be an advanced one-stop manufacturing facility offering superior quality manufacturing, engineering capabilities and services that we aspire to be, and I thank you, our stockholders, for investing in us. Last but not least, I would like to express my heartfelt thanks to my fellow colleagues on the Board of Directors for their advice and contributions during the past year.

LEE, HUI-TA ALSO KNOWN AS LI HUI TA
Executive Chairman

Board of Directors' Profile

LEE, HUI-TA ALSO KNOWN AS LI HUI TA

Executive Chairman
Taiwanese, Male, Age 59 years

Mr. Lee, Hui-Ta also known as Li Hui Ta was appointed as the Executive Director and Chief Financial Officer of Dufu Technology Corp. Berhad ("Dufu" or "Company") on 1 September 2006. On 18 June 2015, he was appointed as Executive Chairman of the Group and subsequently, he relinquished his position as the Chief Financial Officer on 4 November 2016. He graduated with a Diploma in Mechanical Engineering from St. John's & St. Mary's Institute of Technology Taiwan in 1979. He also obtained a Degree in Business Administration from National Taipei University in 1988 and a Master of Business Administration from American California Miramar University in 2009.

Mr. Lee 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 ("DISB") in Malaysia to manufacture precision tooling and precision machining parts for computer-related components. He has more than twenty-six (26) 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.

On 25 July 2017, Mr. Lee was awarded with Darjah Johan Negeri ("DJN") to signify recognition for his continuous effort to reinforce a strong investor stance to buttress the business community in the northern state.

Mr. Lee is the spouse of Mdm Wang, Kuei-Hua, a major shareholder of the Company. He has no conflict of interest with the Group has not been convicted of any offences, other than traffic offences (if applicable) within the past five (5) years and no public sanction or penalty imposed by the relevant regulatory bodies on him during the financial year.

WU, MAO-YUAN

Executive Director
Taiwanese, Male, Age 61 years

Mr. Wu, Mao-Yuan was appointed as a Non-Independent Non-Executive Director of Dufu on 19 December 2012 and was re-designated as an Executive Director on 27 August 2015. Mr. Wu currently serves as Managing Director of Futron Technology Co., Ltd, a subsidiary of the Group. He is a member of the Investment Committee of the Company.

Mr. Wu graduated from Taiwan Zhen Xin University in 1977 with a Diploma in Mechanical Engineering. Upon graduation, he started his career in 1979 as an Engineering Assistant responsible for the design and manufacturing of production jig and fixture with Da Di Ling Company. Subsequently, he joined Jin Feng Corp. in 1981 as a supervisor leading the production team to manufacture motorcycle components. From 1988 to 1992, he was with Lee Bai Corp Ltd. as a production manager where his accomplishment was forming and commercializing a new precision machining group for the Company. In 1993, Mr. Wu worked in DISB where he was responsible for overseeing its operations as well as technology evolvement. He left Malaysia in 2002 to personally set-up and established Futron Technology Co., Ltd in Guang Zhou, China to manufacture and produce production parts for computer related components. He is also a Compliance Officer of Superior Plating Technology Co. Ltd., a company listed in Taipei Exchange.

Throughout his career spanning more than 31 years, not only had he demonstrated his high technical skill, he has also proven his management capability by bringing success after success to many of the companies he had served.

Mr. Wu has no family relationship with other Directors and/or major shareholders of the Company, nor any conflict of interest with the Group. He has not been convicted of any offences, other than traffic offences (if applicable) within the past five (5) years and no public sanction or penalty imposed by the relevant regulatory bodies on him during the financial year.

Board of Directors' Profile (Cont'd)

SUNG, CHENG-HSI

Independent Non-Executive Director
Taiwanese, Male, Age 39 years

Mr. Sung, Cheng-Hsi, was appointed as an Independent Non-Executive Director of Dufu on 9 October 2015. He is also a member of the Audit Committee, Nominating Committee and Remuneration Committee of the Company.

Mr. Sung graduated from University of Reading, United Kingdom with a Master of Science in 2005. He obtained his 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 the analytical research on some of the Taiwanese listed companies namely in sectors involving steel, petrochemical, and automotive part. His job also involved formulating financial models for interpretation and simulation to support the needs of internal departments. He joined Superior Plating Technology Co. Ltd which is listed in the Taipei Exchange in 2008 as Chief Financial Officer. His position requires him to be responsible in managing the financial risk, financial planning, and financial reporting and he directly assists the Chief Executive Officer and Board Chairman on all strategic and tactical matters.

Mr. Sung has no family relationship with any director and/or major shareholder of the Company nor does he have any conflict of interest with the Company. He has not been convicted of any offences, other than traffic offences (if applicable) within the past five (5) years and no public sanction or penalty imposed by the relevant regulatory bodies on him during the financial year.

JOYCE WONG AI MAY

Independent Non-Executive Director
Malaysian, Female, Age 42 years

Ms. Joyce Wong Ai May was appointed as an Independent Non-Executive Director of Dufu on 23 May 2016. She is the Chairman of the Audit Committee and a member of the Remuneration Committee, Nominating Committee and Investment Committee of the Company.

She graduated from the University of Tasmania with a Bachelor of Commerce, majoring in Accounting and Finance. She is an Accountant by profession and a member of the Malaysian Institute of Accountants and Certified Practicing Accountants, Australia. She started her career with Smith Zain Securities Sdn. Bhd as an Accounts Executive in 1999 and later became the Head of Finance in 2002 under BBMB Securities Sdn Bhd, Penang Branch (BBMB Securities Sdn Bhd took over the business of Smith Zain Securities Sdn Bhd). Ms. Joyce joined Hwang-DBS Securities Berhad in 2004 and then left the company to join an international accounting firm in 2005 and become their Director in 2015, before setting up her own consultancy firm where she is the Founder and also a Director of JWC Consulting Sdn. Bhd.

She also sits on the Industry Advisory Panel of the School of Business for Disted College, Penang. She is the Members' State Representative for CPA Australia, a member of the Finance Committee of a non-profit organisation and also an Independent Director of Grand-Flo Berhad.

Ms. Joyce Wong has no family relationship with other Directors and/or major shareholders of the Company, nor any conflict of interest with the Group. She has not been convicted of any offences, other than traffic offences (if applicable) within the past five (5) years and no public sanction or penalty imposed by the relevant regulatory bodies on her during the financial year.

Board of Directors' Profile (Cont'd)

YIN, CHIH-CHU ALSO KNOWN AS LAURENCE YIN

Independent Non-Executive Director
Taiwanese, Male, Age 56 years

Mr. Yin, Chih-Chu also known as Laurence Yin was appointed as an Independent Non-Executive Director of Dufu on 11 November 2016. He is the Chairman of the Investment Committee and a member of the Audit Committee, Nominating Committee and Remuneration Committee of the Company.

Mr. Yin graduated from National Taipei College of Business in Taiwan with a Diploma in Account in 1982 and subsequently, obtained his Executive Master of Business Administration in National Cheng Chi University in 2012. He commenced his career as an Executive Staff with Chailease Finance Co., Ltd., Taiwan in 1987 dealing with financing and accounts. He was transferred to Malaysia as an Administrative and Financial Manager in 1991 where he was responsible for the daily operations of the company's administrative and financial affairs. In 1997, he was promoted to Executive Manager where he was responsible for the affairs of two plastic compounding factory, a label sticker factory as well as a trading company in Kuala Lumpur. In 2001, Mr. Yin co-set up CITC Enterprise (Thai) Co., Ltd in Thailand to manufacture plastic coloring and compounding. He has more than twenty (20) years of working experience in the plastic compounding and label sticker industries. He also sits on the board of several private limited companies.

Mr. Yin has no family relationship with other Directors and/or major shareholders of the Company, nor any conflict of interest with the Group. He has not been convicted of any offences, other than traffic offences (if applicable) within the past five (5) years and no public sanction or penalty imposed by the relevant regulatory bodies on him during the financial year.

LEE YOKE KHAY

Independent Non-Executive Director
Malaysian, Male, Age 67 years

Mr. Lee Yoke Khay was appointed as an Independent Non-Executive Director of Dufu on 3 April 2017. He is the Chairman of the Nominating and Remuneration Committee. He is also a member of the Audit Committee and Investment Committee of the Company.

Mr. Lee graduated from Council of Legal Education, London, United Kingdom with a Barrister-at-Law. Thereafter, he qualified as a Barrister (Lincoln's Inn, United Kingdom) in 1978 and was called to the Malaysian Bar on 1 December 1979. He is a practicing advocate & solicitor and is currently a partner of Messrs. Ooi Lee & Co., a legal firm in Penang.

Mr. Lee sits on the Board of Directors of several Chinese Primary and Secondary Schools and also in the Board of Directors of the Clan Association. He also holds Honorary Legal Advisor position in Lee Association and other trade and commercial companies and associations in Penang.

He was awarded with Darjah Johan Negeri ("DJN"), Pingat Kelakuan Terpuji ("PKT") and Pingat Jasa Masyarakat ("PJM").

Mr. Lee has no family relationship with other Directors and/or major shareholders of the Company, nor any conflict of interest with the Group. He has not been convicted of any offences, other than traffic offences (if applicable) within the past five (5) years and no public sanction or penalty imposed by the relevant regulatory bodies on him during the financial year.

Board of Directors' Profile (Cont'd)

The number of Board meetings attended by the respective Directors during the financial year ended 31 December 2017 ("FY2017") are as follows:-

Director	No. of meetings attended
Lee, Hui-Ta also known as Li Hui Ta	6/6
Wu, Mao-Yuan	5/6
Sung, Cheng Hsi	5/6
Joyce Wong Ai May	6/6
Yin, Chih-Chu also known as Laurence Yin	5/6
Lee Yoke Khay (Appointed w.e.f. 3 April 2017)	3/3

During the FY2017, the training programmes and seminars attended by the Directors (save for Mr. Yin, Chih-Chu also known as Laurence Yin) are as follows:-

Director	Date	Description
Lee, Hui-Ta also known as Li Hui Ta	26 April 2017	Securities Commission Malaysia – Malaysian Code on Corporate Governance
	6 September 2017	Advocacy Session on Corporate Disclosure for Directors And Principal Officers of Listed Issuers
Wu, Mao-Yuan	4 August 2017	Taiwan Corporate Governance Association – Tax Law
	6 November 2017	Taiwan Corporate Governance Association – Insider Trading and Market Manipulation
Sung, Cheng-Hsi	5 July 2017	Taipei Exchange – Insider Ownership Advocacy Seminar
	4 August 2017	Taiwan Corporate Governance Association – Tax Law
	11 September 2017	Taiwan Academy of Banking and Finance – Corporate Governance Series Forum
	6 November 2017	Taiwan Corporate Governance Association – Insider Trading and Market Manipulation
Joyce Wong Ai May	21 August 2017	Malaysia Code of Corporate Governance – A New Dimension
	6 September 2017	Advocacy Session on Corporate Disclosure for Directors And Principal Officers of Listed Issuers
Lee Yoke Khay *(Appointed w.e.f. 3 April 2017)*	21 August 2017	Malaysia Code of Corporate Governance – A New Dimension

Mr. Yin did not attend any training during the FY2017 as he is residing overseas most of the time due to his business commitments. Nevertheless, he continues to keep himself abreast with the recent regulatory and corporate governance developments by studying the relevant reading materials published at various professional websites and newsletters from the authorities forwarded by the Management and Company Secretary from time to time.

Board of Directors' Profile (Cont'd)

Details of Directors' remuneration for the FY2017 are 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					
Lee, Hui-Ta also known as Li Hui Ta					
- Company	36,000	-	-	9,000	45,000
- Subsidiaries	-	579,040	391,507	6,000	976,547
	36,000	579,040	391,507	15,000	1,021,547
Wu, Mao-Yuan					
- Company	36,000	-	-	6,000	42,000
- Subsidiaries	-	409,192	1,043,282	-	1,452,474
	36,000	409,192	1,043,282	6,000	1,494,474
Khoo Lay Tatt^					
- Company	9,000	-	-	-	9,000
- Subsidiaries	-	52,890	312,983	11,486	377,359
	9,000	52,890	312,983	11,486	386,359
Total Executive Directors					
- Company	81,000	-	-	15,000	96,000
- Subsidiaries	-	1,041,122	1,747,772	17,486	2,806,380
	81,000	1,041,122	1,747,772	32,486	2,902,380
Non-Executive Directors					
- Company					
Sung, Cheng- Hsi	36,000	-	-	6,000	42,000
Joyce Wong Ai May	51,000	-		15,500	66,500
Yin, Chih-Chu also known as Laurence Yin	24,000	-	-	7,500	31,500
Lee Yoke Khay	18,000	-	-	6,000	24,000
Ang Siak Keng^	15,000	-	-	2,500	17,500
	144,000	-	-	37,500	181,500
Total					
- Company	225,000	-	-	52,500	277,500
- Subsidiaries	-	1,041,122	1,747,772	17,486	2,806,380
	225,000	1,041,122	1,747,772	69,986	3,083,880

^ Directors who resigned during the year.

II. The number of Directors in the office at the end of financial year and their total remuneration from the Group categorized into various bands are as follows:-

Range of Remuneration	Number of Directors^	
	Executive	Non-Executive
Up to RM50,000	-	4
RM50,001 to RM100,000	-	1
RM350,001 to RM400,000	1	-
RM1,000,001 to RM1,050,000	1	-
RM1,450,001 to RM1,500,000	1	-

^ Inclusive of Directors' Remuneration paid to Directors who resigned during the financial year.

Key Senior Management Team

YEOH BENG HOOI

Chief Executive Officer
Malaysian, Male, Age 54 years

Mr. Yeoh Beng Hooi was appointed as acting Chief Executive Officer of the Group on 27 August 2015. Thereafter, he was re-designated as Chief Executive Officer of the Group effective 29 August 2016. Mr. Yeoh holds a Diploma in Electronic Engineering from Institute Technology. In 1989, he started his career in Advance Micro Devices Inc., a U.S. based semiconductor company as Assistant Engineering and became Senior Reliability Laboratory in 1990. Mr. Yeoh joined Read-Rite Malaysia as QA Engineer in 1992 and later he 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 was the Chief Operating Officer in Dufu Industries Sdn Bhd since 2004 before he assumed his current position.

He has no family relationship with other Directors and/or major shareholders of the Company, nor any conflict of interest with the Group. He has not been convicted of any offences, other than traffic offences (if applicable) within the past five (5) years and no public sanction or penalty imposed by the relevant regulatory bodies on him during the financial year.

WONG SER YIAN

General Manager
Singaporean, Male, Age 60 years

Mr. Wong Ser Yian graduated with a Bachelor of Engineering from Nanyang Technology University of Singapore in 1985. He started his career with Seagate Technology International, Singapore in 1986 as Supplier Quality Engineer and was promoted to Senior Engineer in 1988. Subsequently, he left the company as the Head of Section of Source (a managerial position) in 1990 to join Microplis Limited, Singapore as Senior Quality Engineer where he was responsible for developing and improving the suppliers' quality and to communicate with the suppliers in terms of their quality. Subsequently, in the same year, he moved to X Factor Pte Ltd as the Chief Executive Officer. On 2 September 2002, he joined Dufu Industries Services Pte. Ltd ("DISPL") and took up the position of General Manager and his primary responsibilities are sales, marketing and customers service support and subsequently, on 27 August 2015, Mr. Wong was appointed as Director of DISPL.

Mr. Wong has no family relationship with any director and/or major shareholder of the Company nor does he have any conflict of interest with the Company. He has not been convicted of any offences, other than traffic offences (if applicable) within the past five (5) years and no public sanction or penalty imposed by the relevant regulatory bodies on him during the financial year.

TEOH CHIEW HONG

General Manager
Malaysian, Male, Age 41 years

Mr. Teoh holds a Degree in Science (Mathematics) from Universiti Sains Malaysia. He started his career with DISB in 2000 as a Production Control Officer. He was appointed as the Material Planning Manager in 2006 to spearhead the implementation of the Group's integrated application designed to address the business needs of the organization for its logistics and manufacturing system. He is also responsible for the Group's capacity planning, material and inventory management.

On top of this, Mr. Teoh expanded his role in 2007 to oversee the Computer Numerical Control ("CNC") Auto Lathe Manufacturing Division. Subsequently in 2011, he was promoted as the Senior Manager in Planning & Logistics Department before assuming his current position as the General Manager since 1 September 2016 where his primary task is to drive and optimize the entire CNC manufacturing division and other business operations to improve their operational excellence.

Mr. Teoh has no family relationship with other Directors and/or major shareholders of the Company, nor any conflict of interest with the Group. He has not been convicted of any offences, other than traffic offences (if applicable) within the past five (5) years and no public sanction or penalty imposed by the relevant regulatory bodies on him during the financial year.

Key Senior Management Team (Cont'd)

TAY LON @ TAY TONG LOON

Director (Business Development)
Malaysian, Male, Age 67 years

Mr. Tay graduated with a Diploma in Mechanical Engineering from Ngee Ann Technical College, Singapore, jointly certified by the Polytechnic of Central London in 1974. He started his career as Design Technician with Hitachi Zosen Robin Dockyard Pte Ltd in 1974. His primary responsibilities were ship design and preparation of drawings for ship repair. In 1978, he joined Prime Electrical Products Pte Ltd as Factory Engineer where his primary responsibilities were product development and technical support on thermoplastic and thermosetting moulding.

Subsequently in 1979, Mr. Tay joined Northern Telecom Industries Sdn Bhd as Quality Engineer. He was then promoted to Quality Manager in 1982 and subsequently in 1994, he was appointed as Production Manager to lead the manufacturing team to meet their manufacturing objectives on quality, delivery and productivity. He left in 2002 and joined IPG Metal (M) Sdn Bhd (a former subsidiary of Dufu Group) in 2003 as General Manager. Mr. Tay expanded his role and assumed the position of Director of Business Development in DISB since1 February 2011 where he is entrusted to lead the metal stamping & sheet metal business division which includes sales, design, manufacturing, quality and human resources to meet the overall company objectives.

Mr. Tay has no family relationship with other Directors and/or major shareholders of the Company, nor any conflict of interest with the Group. He has not been convicted of any offences, other than traffic offences (if applicable) within the past five (5) years and no public sanction or penalty imposed by the relevant regulatory bodies on him during the financial year.

HUSRI BIN HUSSAIN

Director (Human Resource)
Malaysian, Male, Age 52 years

En. Husri Bin Hussain was appointed as Director (Human Resource) of DISB on 1 August 2014. He graduated with a Bachelor of Science in Electrical Engineering from University of Miami, Florida, United States of America ("USA") in 1988. Upon graduating, he worked as Incoming Quality Assurance ("IQA")/Supplier Quality Engineering ("SQE") / First Article Engineer with Sony Electronics, Penang. He later joined Seagate Technology, Penang in 1991 as SQE Engineer and was promoted to Senior SQE Engineer in the same year. He was responsible for the actuator components and was heading the gimbal and stack assemblies. En. Husri was promoted to Staff Engineer in 1996. His accomplishments include developing one of the key suppliers to acclaimed as Top-Quality Supplier for several quarters.

In 2001, he joined Finisar Malaysia Sdn Bhd, Perak ("Finisar") as IQA/SQE Manager after Seagate Technology closed down its plant in Penang. At Finisar, he was responsible for setting up the IQA Lab and SQE work-related functions which includes developing local suppliers and ensuring the successful product migration from its plant in USA.

At the end of 2001, he joined Wong Engineering Corporation Bhd, a company specializing in precision machining and stamping, as Quality Manager where he was responsible for all quality aspects for a low-cost actuator product for consumer electronics. The aspects included incoming, in process, outgoing/customer quality and document control. In 2002, he joined Solectron Technology, Penang as SQE Manager. He was responsible for SQE activities ranging from IC components, passive parts, printed circuit boards and mechanical parts. He joined DISB in August 2005 as Corporate QA Manager before assuming his current position. He leads and manage all matters pertaining to Human Resource activities, Facilities and Security, Safety, Health and Environment and Quality System and documentation of processes. He is also Management Representative for Quality, Safety, Health and Environment and Certified Safety Officer from Department of Occupational Safety and Health.

En. Husri has no family relationship with other Directors and/or major shareholders of the Company, nor any conflict of interest with the Group. He has not been convicted of any offences, other than traffic offences (if applicable) within the past five (5) years and no public sanction or penalty imposed by the relevant regulatory bodies on him during the financial year.

DAVID KHOO CHONG BENG

Senior Financial Controller
Malaysian, Male, Age 44 years

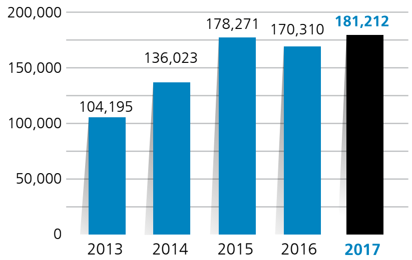
Mr. David Khoo joined DISB on 1 March 2017 as a Senior Financial Controller. He holds a professional accountancy qualification from Association of Chartered Certified Accountants ("ACCA") and is a Chartered Accountant registered with the Malaysian Institute of Accountants ("MIA") since September 2002. In June 2012, he obtained a Commonwealth Executive Masters of Business Administration from Wawasan Open University.

Mr. David started his career in BDO Binder Penang, an audit firm in June 1995 before moving to KPMG Penang in July 1997. He joined NTPM Holdings Berhad ("NTPM") as an Accountant in April 2000 and worked his way to be the Financial Controller of NTPM in January 2009. He left NTPM in February 2017 to assume his current position where he is entrusted to lead the finance, corporate and management information functions of DISB.

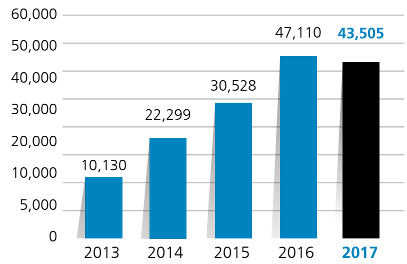
Mr. Khoo has no family relationship with other Directors and/or major shareholders of the Company, nor any conflict of interest with the Group. He has not been convicted of any offences, other than traffic offences (if applicable) within the past five (5) years and no public sanction or penalty imposed by the relevant regulatory bodies on him during the financial year.

Group Financial Highlights

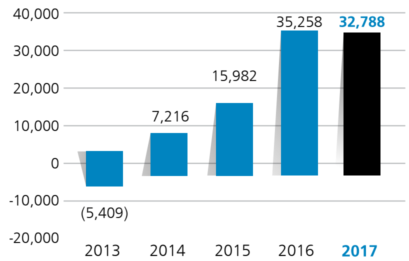
	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000
Revenue	104,195	136,023	178,271	170,310	181,212
Earnings Before Interest, Depreciation & Taxation ("EBITA")	10,130	22,299	30,528	47,110	43,505
Profit/ (Loss) Before Taxation ("PBT")	(5,409)	7,216	15,982	35,258	32,788
Profit/ (Loss) After Taxation	(5,539)	6,263	10,943	27,033	26,042
Shareholders' Fund / Net Assets	91,709	99,978	115,442	129,465	141,728
Weighted Average Number of Shares in issue	146,417	175,470	175,470	171,313	166,795
Number of Shares in issue	175,470	175,470	175,470	175,470	175,470
Net Assets Per Shares (sen)	52.26	56.98	65.79	73.78	80.77
Earnings Per Share (Sen)	(3.78)	3.57	6.24	15.78	15.61
Dividend Per Share (Sen)	-	-	3.10	4.50	6.50



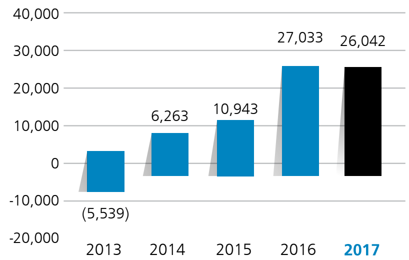
Revenue (RM '000)



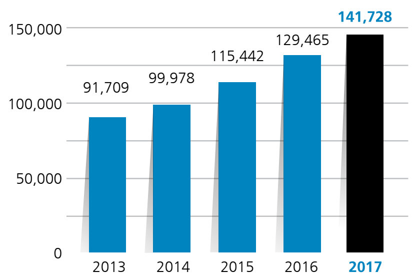
Earnings Before Interest, Depreciation & Taxation (EBITA) (RM '000)



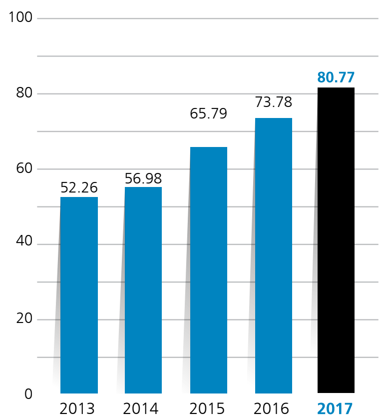
Profit/(Loss) Before Taxation (PBT/(L)) (RM '000)



Profit/(Loss) After Taxation (PAT/(L)) (RM '000)



Shareholders' Fund/Net Assets (RM '000)



Net Assets Per Share (sen)

Management Discussion and Analysis

Business Overview

Incorporated in Malaysia, Dufu Technology Corp. Berhad ("Dufu" or "the Group") with 30 years of experience specializes in the manufacturing of precision machining parts and components for the Hard Disk Drive ("HDD"), industry safety and sensor, telecommunication, consumer electronics, medical and office equipment. It started in 1990 where Dufu managed to acquire a leading HDD maker for the manufacture of 5.25- inch HDD disk spacers. Since then, we have grown steadily to be a reputable supplier of preferred choice of HDD and other precision components where we are exporting our products to countries in Asia, Asia Pacific, Europe, Oceania and North America.

Overview of Performance

a) Revenue

For the Financial Year Ended 31 December 2017 ("FY 2017"), the Group's revenue was up by 6.40% or RM10.90 million from RM170.31 million registered in the Financial Year Ended 31 December 2016 ("FY2016") to RM181.21 million for the current year. The increase in revenue was mainly due to the robust growth of more than 30% in the non-HDD segment. The exchange rate due to the strengthening of United States Dollar ("USD") against the Ringgit by an average of approximately 3.1% year-on-year also works in favour of the rise in revenue.

The significant increase in revenue in non-HDD segment was mainly driven by strong customer demand in line with our continuous effort to push sales in the industry safety and sensor components. Revenue from HDD segment slightly contracted by 2% mainly due to changes in product mix. Notwithstanding this, revenue from HDD remained the largest contributor, amounting to 70% of the total Group's revenue.

b) Profit Before Taxation ("PBT")

Despite the increase in revenue, the Group's PBT slightly declined from RM35.26 million in FY2016 to RM32.79 million in FY2017, a decrease of RM2.47 million or 7.0%. The contributing factors that led to the decrease in the PBT were mainly due to the one-off gains recorded in FY2016 such as RM3.71 million realized from the dissolution of subsidiaries and compensation received amounted to RM2.75 million. The decline in PBT was also attributed by the unrealized exchange loss of RM1.99 million in FY2017 compared to an unrealized exchange gain of RM0.45 million in FY2016.

c) Other Income

Other income decreased from RM11.86 million in FY 2016 to RM4.39 million in FY 2017 mainly due to the one-off gains in FY2016 as outlined above.

d) Financial Cost

The Group incurred finance cost of RM0.52 million for FY2017 which was RM0.36 million lower compared to RM0.88 million in FY2016. The finance charges primarily meant for term loans and hire purchase obligations have been reduced as Dufu continued to pay down these financial obligations.

e) Other Operating Expenses

The Group's other expenses have increased from RM24.82 million in FY2016 to RM38.89 million in FY2017. The increase was mainly due to unrealized loss on foreign exchange amounting to RM1.99 million in FY2017 compared to an unrealized gain of RM0.45 million in FY2016, impairment loss of trade receivables of RM1.28 million and as well as higher repair cost incurred to enhance the running condition of some machineries as a result from stronger customer demand in FY2017.

f) Profit After Taxation ("PAT")

The Group's PAT for FY 2017 was RM26.04 million, a slight decrease of RM0.99 million against FY2016 of RM27.03 million. The decrease in PAT was attributed to the reasons outlined above as well as reversal of deferred tax liability.

Management Discussion and Analysis (Cont'd)

Capital Expenditure, Capital Structure and Capital Resources

We manage prudent capital spending to support our business growth plans and upgrading of existing machines. Capital expenditures to support capacity expansion, innovation and cost efficiencies were RM5.27 million in FY2017 compared to RM3.18 million incurred in FY2016. The capital outlay in FY2017 was mainly due to the purchase of CNC Auto Lathe Machines to cater for the growth in the volume of anticipated sales.

In order to ensure Dufu Group does not fall into a mis-match of funding, the Group usually undertakes long term financing to purchase major assets such as buildings and equipment. For example, the main building of the Group is financed by a term loan up to 15 years whereas major plant and machineries are financed using three to five years hire-purchase arrangements with various financial institutions. There were no additional financing arrangement for the purchase of plant and machineries in FY2017 as the Group is currently in a net cash surplus position.

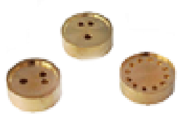
We maintain debt levels we consider appropriate after evaluating a number of factors, including cash flow expectations, cash requirements for ongoing operations, investment and financing plans and the overall cost of capital. The excellent results achieved by the Group in the last three financial years have seen the transformation from the Group’s net borrowing position of RM23.01 million in the beginning of FY2015 to a net cash surplus position of RM31.61 million as at 31 December 2017. This is a remarkable achievement considering that we have paid out a total of RM16.28 million as dividends, purchase of own shares amounted to RM5.35 million and invested RM6.14 million in a newly set-up surface treatment company over the last two financial years ended FY2016 and FY2017.

Nevertheless, the Group aims to maintain a prudent financial structure to ensure that it will be able to access adequate capital at favourable terms. We have banking facilities with local, regional and international banks and view each of them as our core business partner to ensure Dufu has adequate liquidity to finance its operations and exposure to various financial instruments at competitive rates to finance the Group’s operations and investments.

Key Risk and Mitigation

Given the turbulent nature of the foreign exchange markets over recent times, the impact of currency volatility on businesses that trade internationally or have operations overseas can be significant. We remain cognisant of the risks we face in this regard, as close to 90% of the Group’s revenue are generated in USD. We try to leverage the reliance of USD by naturally hedging our cashflow as much as possible. Another way the Group mitigates its foreign exchange impact is by enhancing its top line, increasing its capacity and venturing into new markets. The weakening ringgit has resulted in higher sales proceeds which has improved our operating margin in FY2017. Nevertheless, the Ringgit has gradually appreciated since September 2017 against the greenback, and this will impact our operating margin in the coming financial year.

Presently, we are still dependent on the machining of HDD related parts and components. Thus, the expected decline in global unit shipments of HDD year-on-year could potentially impact the Group’s business. Our key risk mitigation efforts include continuously striving to not only maintain our existing products but to also keep building and enhancing our product capabilities in the non-HDD segment. In this respect, we have managed to bring down HDD dependency from 76% in FY2016 to 70% of our Group’s revenue in FY2017.



Management Discussion and Analysis (Cont'd)

Trends, Outlook, Future Challenges & Strategy

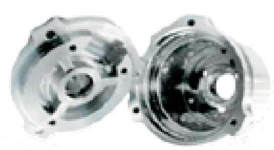
Data storage requirements have been on the rise over the last few years. Although Solid State Drive (“SSD”) is taking over the role of the primary drive in client computing ecosystem, HDD continue to prevail in areas requiring bulk storage in the data center. The main reason lies in the ‘Cost per Gigabyte’ metric with HDD currently cost around one fifth or 20% of the low cost SSDs. However, in the long run, prices of SSDs are likely to drop further and thus, posing a threat to HDD makers.

Nevertheless, in the medium term with SSDs far from achieving the low “Cost per Gigabyte” metric required by both large-scale vendors in the cloud and enterprise markets segments, HDD remains the priority for data centers looking to optimize their “Total Cost of Ownership” by cramming as many petabytes as possible in a single rack and to home consumers who opt for 10 Terabyte plus of data.

And all this is made possible by the continual trend of HDD makers increasing the numbers of disk media to drive up hard drive capacities using various platform such as “helium filled enclosure” HDD. Thankfully for us, orders from our customers involved in the HDD industry remain strong as our spacers grew in tandem with the increase in the number of disk media required in a single HDD. This recent development enforces our belief that mechanical hard drives are here to stay and we shall continue to invest in capex and time in supportive of our customers’ strategy to develop products that serve the HDD market which we believe our revenue stream in this segment will continue to grow moderately in the coming years.

Market expectation is that the US Dollar will continue underperforming in 2018 attributable to improving global market outlook, continued momentum growth in the Asia ex-Japan region alongside the start of policy normalization in some countries. In line with this, Ringgit has gradually appreciated against the USD since September last year. The local currency has strengthened by almost 10% over the past six months and is poised to stay positive throughout 2018. Favourable macro data such as better than expected economic growth supported by domestic activities such as private expenditure and broad base supply growth and exports; and improving domestic fundamentals such as healthier external reserves and improving commodity prices such as crude oil fueled the rise in Ringgit. Given the fact that almost 90% of our revenue is derived in US Dollar, the weak US currency would translate to less Ringgit for the Group and this phenomenon is going to hurt the growth and earnings prospects of the Group in the coming financial year.

We believe it is critical for our business to prudently manage operating expenses to offset the impact of foreign exchange and other external factors in order to achieve operational excellence, which is one of the initiatives we have identified for the coming year. Obviously, we have put in place multiple platforms for cost containment and avenues for future growth. For further details on the strategy that we have executed and future challenges, please refer to the segment on “Looking Ahead 2018” in our Chairman's Statement on pages 4 to 5 of this Annual Report.



Sustainability Statement

Sustainability and Our Business

Dufu Technology Corp. Berhad ("Dufu", or the "Group") recognises that the stability and growth of our business is interconnected with the sustainability of the economies, the natural environment, work place and the communities in which we operate and vice versa. Therefore, we are committed to being a responsible company and making a positive contribution to society and the environment.

The core of sustainability of our business at Dufu is founded on ethical business practices and effective governance. In this respect, we vowed to work with customers and suppliers to manufacture and operate responsibly and create an engaging workplace for our employees. This helps us inspire trust in our products and services, develop strong relationships with our stakeholders, and create long-term value for society and our business.

Of course, there are challenges having sustainability as part of our key business priority but we continue to work on the on-going challenges and constantly in talk with our stakeholders to understand their views and regularly in touch with the latest legislative and regulative updates.

The scope of our Sustainability Statement covers the period from 1 January 2017 to 31 December 2017 and the reporting boundary for the time being is mainly focused on the Malaysian operations. Dufu's business operations in China and Singapore are not included at this juncture.

Sustainability Governance

Dufu's Enterprise Risk Management ("ERM") framework provides the necessary policies, structure, targets and reporting systems to address the material risks and opportunities and we have been systematically embedding sustainability principles throughout our operations. The ERM is headed by Dufu's Chief Executive Officer and its committee comprises representatives from various Department Heads. On a quarterly basis, the findings and discussion of the ERM meeting is reported to the Board of Directors.

In order to ensure that our manufacturing operations are always following the best practices of the industry, we have developed a sustainable manufacturing process which includes the programmes on achieving a high-performance production chain and also established a green manufacturing practice. In doing so, our sustainability programmes are modelled on various international certifications and accreditations that we have achieved in our sustainability journey. The certifications are as follows:

a) Environmental Management System in line with the requirements of ISO14001;
b) Quality Management System in line with the requirements of ISO9001;
c) Occupational Health and Safety Management in line with the requirements of OHSAS18001;
d) Managing the social, environmental and ethical responsibility of electronics industry supply chain in line with the requirements of Responsible Business Alliance ("RBA")

We have yet to formalise a Sustainability Committee at the date of this report. But we shall be working towards this and shall compile and incorporate the sustainability-related risk into our corporate risk register by end of the financial year ending 31 December 2018 ("2018"). Nevertheless, from the various accreditations that we have achieved over the years, it is obvious that we have indeed started our sustainability journey which is divided into three (3) key areas:

Sustainability Statement (Cont'd)

Stakeholder Engagement

We believe that maintaining a good degree of communication and understanding with all the internal and external stakeholders involved is highly essential in our journey to be a good corporate governance and reputable sustainable business entity. Hence, the Company recognizes the need to conduct a continuous dialogue and information sharing with the relevant stakeholders in a timely, effective and transparent manner. A summary of the stakeholder groups, the sustainability topics, and the type of engagement with frequency are listed in the following table.

Customers	• Production quality and improvement • Product quality and performance • Sustaining long term relationship • Operation in compliance with applicable laws and standards	• Customer satisfaction survey • On-site visits at Dufu's premises • Customer audit • Early supplier involvement • Business Review	Annually On-going On-going On-going As required
Employees	• Health and safety • Communication and engagement • Working condition and welfare • Career development and training • Business performance review • Operation in compliance with applicable laws and standards	• Social events with employees • Appraisal and performance review • Training and development • Formal meeting and discussion	On-going Semi-Annually On-going On-going
Investors/ Shareholders	• Business performance • Operation in compliance with applicable laws and regulations • Strategic plans	• Interim results • Regular meetings and correspondence • Annual Report • Feedback to media enquiries • Corporate website and investor relationship channel	Quarterly On-going Annually As required On-going
Suppliers	• Forging strategic partnership • Supplier performance review • Product quality	• Key supplier audits • Supplier selection via pre-qualification • Regular meetings and correspondence • Supplier rating	On-going As required On-going Quarterly
Media	• Timely and accurate information	• Press release	As required
Government and Regulators	• Government and Regulators	• Site visit and meeting • Participating in program organised by government bodies	As required As required
Community	• Environment protection • Operation in compliance with applicable laws and regulations • Local community activities involvement	• Participation in local community and activities • Sponsorship • Informal communication through email and phone calls	On-going On-going On-going

Type of Engagement **Sustainability Topics** **Frequency**

Sustainability Statement (Cont'd)

Economic

Our key initiatives for business sustainability within the economic space are focused on the following key areas:

Financial Performance

We believe financial strength and sustainability go hand in hand. Hence, we are committed to strengthening our financial position and enhancing our competitiveness through adopting good and ethical business practices, corporate governance as well as effective capital management. On top of that, our generous dividend policy serves to demonstrate our good faith with the investing shareholders.

Dufu Group Financial Performance Highlights for FY2017

Revenue

FY2017 RM181.2 m
FY2016 RM170.3 m

RM181.2 million ↑ 6.4%

Profit After Tax

FY2017 RM26.0 m
FY2016 RM27.0 m

RM26.0 million ↓ 3.7%

Return on Equity

FY2017 18.4%
FY2016 20.9%

18.4 % ↓ 2.5%

Dividend Distributed

FY2017 RM9.2
FY2016 RM7.1

RM9.2 million ↑ 29.6%

Dividend Payout Rate

FY2017 41.6%
FY2016 28.5%

41.6 % ↑ 13.1%

We shall continue to strive towards long-term business profitability and growth as well as maintaining our preferred supplier status by providing a one-stop manufacturing facility offering quality machining parts and solutions in driving sales, while being in compliance with the relevant laws, regulations, government policies and guidelines.

Our Code of Conduct and Ethics

The Code of Conduct and Ethics ("CCE") of Dufu states the standards of responsibility and obligations and promotes fair dealing, integrity and ethical conduct in the way we conduct our business. The CCE, which is subject to periodic review, is our way to set the tone and standards in articulating acceptable practices and guide of behaviours expected from Directors, Management and employees that integrates into Dufu's company-wide management practices.

We have established and implemented the policies and procedures on whistleblowing to facilitate the stakeholders of Dufu to report genuine concerns or allegations to a senior or independent member of the management of the Group about alleged unethical behaviour, actual or suspected fraud within the Group, or improper business conduct affecting the Group. By encouraging a whistle blowing culture, we hope to achieve a desirable organisation of transparent structure and effective, clear communication.

Corporate Governance and Compliance

We recognise the importance of adopting good corporate governance and acknowledge the importance of the principles set out in the Malaysian Code on Corporate Governance 2017 and is committed to ensure high standards of good corporate governance are in place and practiced within our Group in order to safeguard the shareholders and relevant stakeholders' interests as well as enhancing shareholders' value.

Dufu has since came a long way, particularly in instituting the necessary reforms and check and balance with regard to its corporate governance activities. Learning from our past mistake, it is an undeniable fact that the Board of Directors has been making a concerted effort and push for better corporate governance. We have re-assessed the Board's mixture, roles of Senior Management and improved on internal control procedures. As a result of these reforms, the fundamental of the Company remain resilient and our ability to safeguard our financial and other stakeholders vested interest remains uncompromised. Details of our corporate governance framework and practices are elaborated in the Corporate Governance Overview Statement contain in this Annual Report.

Commitment to Quality

Having the ISO 9001:2015 certification is a testament that we continue to uphold a consistent quality standard of our products. A comprehensive quality management system framework has been established to ensure customers that quality assurance policies and procedures are in place to address our product quality and reliability on a regular basis, as well as improving our work efficiency.

We have stringent quality controls in our entire operations. Our quality practices involve various stages of design, tooling, process and control while adopting well known quality work standardisation techniques such as Poka Yoke, Six Sigma, Design for Manufacturability ("DFM"), Failure Mode Effect Analysis ("FMEA"), Statistical Process Control and etc. Incoming material inspection is conducted to ensure raw materials and components comply with documented standards before mass production whereas the in-process quality audit detects abnormalities in our manufacturing process, thus enhancing production efficiency and consistency. And in between that, all our products go in-depth monitoring and quality control checks during different stages of production using sophisticated measurement, metrology and laboratory equipment. Our finished goods quality assessment helps to verify the reliability and compliance of our products, other than ensuring our products meet the required specification and are free from defects at the time of delivery. Thereafter, we ensure that every product that we deliver is consistently on-time. This way, we ensure our products meet customers' expectations, along with that – we build their confidence and trust.

Environmental

We recognise and consider the environmental impact our daily business activities have on the environment. Environmental stewardship is our top priority in safeguarding health and safety of the public as we continue to monitor and minimise any potential adverse effects of our business operations that may impact the community, environment and natural resources.

Sustainability Statement (Cont'd)

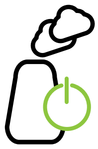
Environmental (Cont'd)

The adoption of the internationally-recognised ISO 14001 management system underlies our commitment to safeguarding the environment which can be seen from our effort on obtaining the environment permit, pollution prevention and resource reduction of hazardous substances, waste water, air emission and to adhere to product content restrictions, storm water management and minimise the energy consumption and greenhouse gas emissions.

The Group strives to conduct its business operations according to pragmatic principles and sustainable practices comprising 8 main aspects:

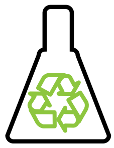
Environmental Permits and Reporting

All required environmental permits (e.g. discharge monitoring), approvals and registrations are obtained, maintained and kept current and their operational and reporting requirements are strictly being adhered to.



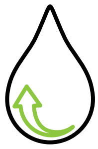
Pollution Prevention and Resource Reduction

The use of resources and generation of waste of all types, including water and energy, are kept to minimum or eliminated at the source or by practices such as thorough monitoring and engineering control in production, maintenance and facility processes; materials substitution; conservation, recycling and re-using materials.



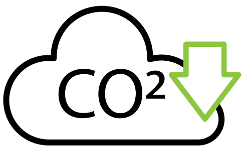
Hazardous Substances

All hazardous chemicals and other materials harmful to the environment are identified and appropriately managed to ensure their safe handling, movement, storage, use, recycling or reuse and disposal.



Wastewater and Solid Waste

Wastewater and solid waste generated from operations, industrial processes and sanitation facilities are characterized, monitored, controlled and treated as required by local law prior to discharge or disposal.



Air Emissions

Air emissions of volatile organic chemicals, aerosols, corrosives, particulates, ozone depleting chemicals and combustion by-products generated from operations are characterized, monitored, controlled and treated as required prior to discharge.

Materials Restrictions

Adherence to all applicable laws, regulations and customer requirements regarding prohibition or restriction of specific substances in products and manufacturing, including labelling for recycling and disposal.

Storm Water Management

Preventive measures are in place at all times to prevent storm water contamination including discharge and spills from entering public drain.

Energy Consumption and Greenhouse Gas Emissions

Energy consumption and greenhouse gas emissions are tracked and documented while continuing to look for cost-effective methods to improve energy consumption and greenhouse gas emissions.

Sustainability Statement (Cont'd)

Environmental (Cont'd)

In Environmental Permits and Reporting, we are proud that throughout FY2017, the wastewater and industrial effluents monthly monitoring data submitted to Department of Environment ("DOE") and the monthly schedule waste generated and dispose at Dufu premises such as mixed contaminated rags, paper and filter, spent lubricating and hydraulic oil are in compliance to the Environmental Quality (Industrial Effluent) Regulations 2009 and Environmental Quality (Schedule Waste) Regulations 2005 respectively.

In Pollution Prevention and Resource Reduction, maximising resources efficiency is pivotal to our sustainability causes and we intend to achieve this by the way we handle the materials throughout the manufacturing process by reducing wastages, increasing the recycling rate and deploying usage of reusable materials. We keep track of our material usage with the intention to eliminate unnecessary waste from incoming raw material design, downsize metal bar end wastages from machining turning process and reduce usage of packaging materials.

Like most metal working facilities, Dufu produces an overwhelming quantity of scrap metal chips and turnings that are saturated with cutting oils. Over the years, Dufu's engineering team continues to find ways to minimise the bar ends wastages while working on reclamation equipment that spin the cutting oils out of the metal chips. Because the used cutting oils are deemed a recyclable substance, a large percentage is removed not only as a cost savings measure for us to extract the fluids and reuse the oils in our machining process but also a source of business value to turn our sustainability efforts into a driver of competitive advantage. Our scrap steel, aluminium and titanium are then compacted at our factory site before they are disposed to a licensed local scrap metal recycler.

In Wastewater and Solid Waste management, we are in the midst of improving the efficiency of our Waste Water Treatment Plant ("WWTP") which shall be completed in the coming FY2018. The improvement includes expanding the Equalisation Tank volume to $9m^3/hr$ and also to increase the Chemical Preparation Tank storage capability by threefold. We shall be adding-in a Filter Press to improve both the volume and quality of the waste water treatment effluent.

We always work on improving our water efficiency by reducing water wastage by measuring the amount of water required for a particular purpose and the amount of water used or delivered. In FY2017, we managed to do this by simply putting 1 litre of water filled bottle container inside the flush tank and by doing so, each time our employee uses the flush toilet, we reduce water usage by 1 litre per flush without impairing the efficiency of flushing out the waste. We have also started to modify the lavatory fixtures by installing the self-push button taps to avoid unnecessary water wastage.

In Material Restrictions, we only source our materials from suppliers who are Restriction of Hazardous Substances ("ROHS") compliance. By doing so, we continued to ensure our entire supply chain including our manufacturing and sub-contractor operation are free from restricted materials that poised not only hazardous to the environment and pollution of landfills, but also dangerous in terms of occupational exposure to our employees.

In Storm Water Management, we performed random sampling after a heavy rainfall where surface water runoff from precipitation are being collected and sent to external lab for analysis purposes. This initiative is our effort to contaminate sensitive water resources where rainwater remain kept at the chemical containment areas until tested and found to be uncontaminated. Based on the test conducted in FY2016 and FY2017, the results have been satisfactory where no chemical solvents were found or spilled into the storm water system.

Sustainability Statement (Cont'd)

Environmental (Cont'd)

In Energy Consumption and Greenhouse Gas Emissions, Dufu is committed to reduce its energy consumption and utilising the natural resources in a more sustainable manner. As part of our commitment to reduce carbon footprint, we have initiated a project to progressively roll out light emitting diode (“LED”) technology in our plants to replace the conventional fluorescent lights. The project was first initiated in FY2016 at Wire Cut Fabrication Department which we have found and proven from our assessment that the LED technology consume lesser electricity and have a longer product life span. In FY2017, we installed about 500 units of LED lights in addition to the 200 units installed in FY2016. We are projecting to install another 250 units in the coming year. Each of the LED lights will save an estimated of 22 Watt of electricity per unit and with about 700 installed units, we estimate that our total savings of 31,000 kilowatt of power usage in lighting alone per year.

In Air Emissions, our existing control measures such as fume hood and internal air circulation system coupled with yearly comprehensive training and proper use of Personal Protective Equipment (“PPE”) forms the backbone to mitigate the risk in faulty air emissions. All our air emission monitoring (such as chemical exposure via oil mist) readings conducted at the production area throughout FY2017 are in compliance with Occupational Safety and Health (Use and Standards of Exposure of Chemicals Hazardous to Health) Regulations 2000 where the results are well below the eight (8) hours’ time Permissible Exposure Limit (“PEL”) weighted average airborne concentration of $5mg/m^3$.

Work place

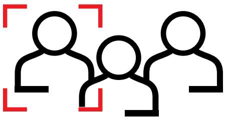
Dufu aims to provide a supportive, pleasant and healthy workplace for our employees, and to foster a caring community in our working environment. We care for our employees and recognise that having good staff relations and a motivated workforce are crucial to our success. They are our partners in delivering and maintaining products and services of the highest quality standards to our customers. We acknowledge, our people are the foundation of our business. As such, we support life-long learning and development of our people via our yearly training and development programmes. We also place importance on the safety and well-being of our employees, and we are committed to providing and maintaining a safe and healthy work environment.

Respect of Labour and Human Rights

Dufu is committed to uphold the human rights of workers, and to treat them with dignity and respect as understood by the international community with RBA and OHSAS18001 as the recognised standards used as our reference. This applies to all workers including temporary, migrant, student, contract, direct employees, and any other type of worker. Our written policy is aimed to:

1. Attain the highest standard of employment practice in compliance with the enacted laws
2. Uphold the culture and principles of equal opportunities in employment
3. Create a working environment where every member of our team is treated fairly and without fear of reprisal, intimidation or harassment.

We are committed to respecting the labour and human rights of all our staff through the following principles, which are clearly stated in our human resources management policies:

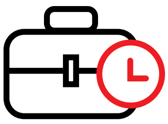


Freely Chosen Employment

We do not use forced, bonded (including debt bondage), indentured or involuntary prison labour. Neither, do we exploit persons working for us by means of slavery or trafficking by means of threat, coercion or fraud. At Dufu, our terms of employment are voluntary and workers are free to leave anytime or terminate their employment upon reasonable notice under the terms of their labour contracts. We only hire foreign workers with legal work permits and they have free access to their passports at all times with reasonable accommodation provided.

Young Workers

Child labour is not to be used in any stage of business processes as we strictly adhere to the various restrictions on the employment of child labour imposed by both the local and international regulations.



Working Hours

Workweeks are not to exceed the maximum set by local law. We encourage work hours not more than 60 hours per week, including overtime, except in emergency or unusual situations. However, overtime is voluntary and employees are paid in accordance with statutory order.

Respect of Labour and Human Rights (Cont'd)

Non-Discrimination

Dufu embrace a workforce free of harassment and unlawful discrimination such as race, colour, age, gender, sexual orientation, ethnicity, disability, pregnancy, religion, political affiliation, union membership or marital status in hiring and employment practices such as promotions, rewards, and access to training. Hiring and remuneration is determined with reference to job related factors such as performance, qualifications and experience. In addition, employees are not subjected to medical tests that could be used in a discriminatory way. We accommodate workers religious practices disregarding their race and religious as we understand and respect each individual's faith by taking extra steps to provide space, time, and flexibility to allow employees to meet their religious obligations.

Freedom of Association

We respect the rights of workers to associate freely, join or not to join labour unions, seek representation, and join workers' councils in accordance with local laws. We adopt open communication and direct engagement between workers and Management as we believe they are the most effective ways to resolve workplace and compensation issues. Our doors are always open for employees to communicate and share grievances with Management regarding working conditions and Management practices without fear of reprisal, intimidation or harassment.

Humane Treatment

Across our organisation, we have embedded a culture of no harsh and inhumane treatment including any sexual harassment, sexual abuse, corporal punishment, mental or physical coercion or verbal abuse of workers; nor is there to be the threat of any such treatment. We have put in place clearly defined disciplinary policies and procedures in support of these requirements with multiple communication channels broadcast to all level of employees to ensure effective implementation throughout the Company.

Wages and Benefits

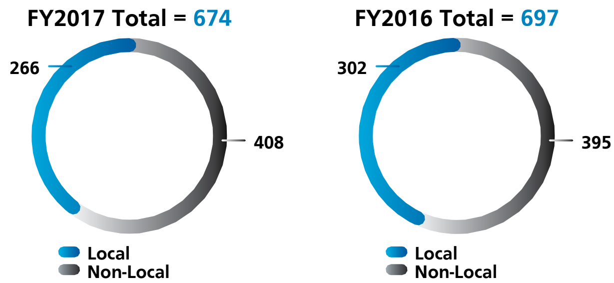
Compensation and benefits paid to employees shall comply with all applicable wage laws, including those relating to minimum wages, overtime hours and legally mandated benefits. We do not impose wage deduction as a disciplinary measure.

Sustainability Statement (Cont'd)

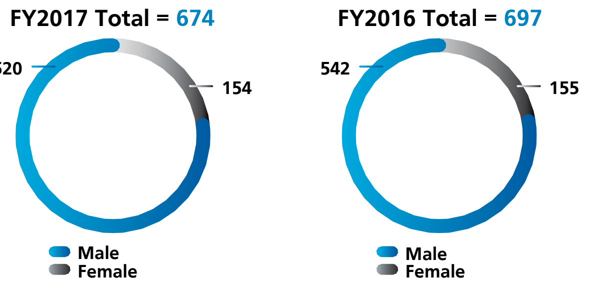
Employee Profile

As at 31 December 2017, our workforce totalled 674 in Malaysia. Our emphasis has and will always be – to hire local talent to support the local communities we operate in. Nevertheless, our workforce in Malaysia is still predominantly made up of foreign nationalities who were recruited to work as direct labour to bulk up our production lines. As with majority of the export-oriented contract manufacturers, we are struggling to cope with local labour shortages as demand grow. Despite vigorous efforts being put in through multiple channels over the years, the latest being our participation in the "Open Interview Workshop Carnival" held at Vistana Hotel on 27 January 2018, our attempts to attract local labour have so far proved futile.

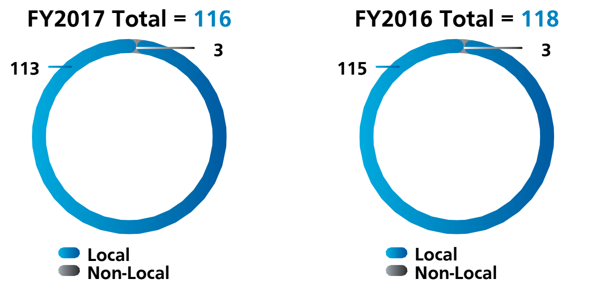
Employees by Local and Non-Local



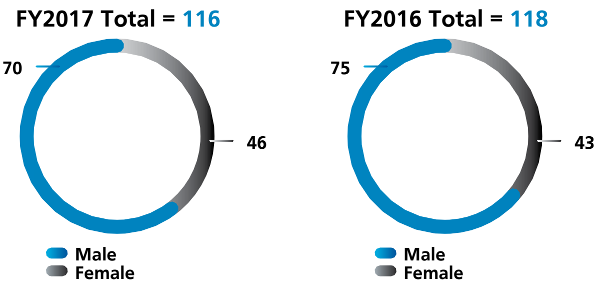
Employees by Gender



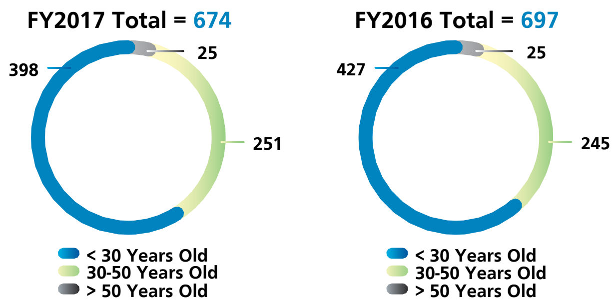
Employees in Executive Position by Local and Non-Local



Employees in Executive Position by Gender



Employees by Age



Employee Turnover Rate

FY2017 Turnover Rate (month)	FY2016 Turnover Rate (month)
1.26%	1.00%

Employee Development and Talent Management

Dufu's human capital is developed and strengthened through its investment in our People. Continuous training and professional development programmes have helped to boost the hard and soft skills of our employees, positioning them in good stead to alleviate the performance standard quality to enable us to stay on the forefront of the everchanging needs from our customers. Newly recruited employee will undergo orientation program to help the new employee feel welcomed and to understand the culture and background of the organisation. Each new employee will also be exposed to on-job structured training program tailored to their respective roles. The aim is to solidify the new employee's relationship with the people in the organisation as studies have shown that this will fuel their enthusiasm and guide their steps into a long term positive relationship with the Company.

On yearly basis, Department Heads are required to review the training needs of their staff, evaluate the content and result of training courses and develop training programmes that are not limited to meeting Dufu's business needs, but also to enhance individuals' knowledge and skills. The training includes general training courses such as administrative business skills and knowledge, effective communication skills, information technology related and leadership courses.

In this respect, Dufu Toastmaster Club was formed in September 2016 to encourage employees to boast their confidence at public speaking, workplace communication and sharpen their organization and leadership skill. The membership fee is fully sponsored by the Company and the meeting takes place every fortnightly during office hour. Members of other toastmaster clubs were often invited to bring their insights to alleviate the skills and improve the performance of Dufu's toastmaster which comprise solely our employees.

At Dufu, our employees' development programme is categorised into internal and external. Both have its own distinctive merits. The internal training uses real-life examples, problems and challenges that participants encounter every day at work. It is often shorter in duration and thus creates more focus and is presented in terminology that participants understand and can relate to. We organised a total of 60 in-house training programmes in FY2017. The type of internal training provided to the employees were as follows:

Internal Training Frequency By Type

	FY2017 No. of Training	FY2016 No. of Training
Environmental, Health and Safety	15	28
Manufacturing	2	5
Quality	32	49
Machinery	11	3
Total No. of Internal Training	**60**	**85**

Dufu also offers external programmes to employees of all job levels to allow them to hone skills necessary for their career advancement. Some of the notable training and development courses made available to employees this year were:

- Statistical Process Control Using Minitab
- Microsoft Powerpoint (Advance)
- International Automotive Task Force ("IATF") 16949 Consulting Training
- Managing Absenteeism, Motivating & Effective Counselling Skills
- Effective Technical Report Writing Skills Training
- ISO 9001:2015, ISO 14001:2015 & OHSAS 18001: 2017 Internal Auditing

Employee Development and Talent Management (Cont'd)

All in all, we invested a total of 6,004 external training hours and registered 9 average hours of external training per employee in FY2017. The type of training that our employees participated in were as follows:

External Training Hours By Type

	FY2017 No. of Hours	FY2016 No. of Hours
Administrative Skills	680	169
Engineering and Maintenance	200	34
Industrial Safety and Environmental Management	1,901	2,690
Information Technology	440	248
Management and Performance Development	783	910
Quality System and Productivity Improvement	2,000	2,224
Total	**6,004**	**6,275**
Average hours of external training per employee per year	9	9

Developing Stronger Team Bonding and Leaders

With the aim of enhancing Dufu's work culture, the Company once again conducted the team building programme. This year's event was themed "Team Building towards Ownership, Relationship and Leadership skills". It was held on 7 October 2017 at Copthorne Orchard Hotel Penang with a total participant of 87 employees divided into 10 groups.

Providing employees with practical skills not just to have a stronger sense of team bonding and ownership but also to enable them to attain leadership skill, this programme encouraged participants to develop a keener sense of self-awareness focusing on many important aspects of team bonding such as building trust, team strategy, segregation of role-play and developing leadership courage. The programme received excellent feedback from participants, who were pleased with the interactive sessions offered.






Sustainability Statement (Cont'd)

Healthier work-life practices

We started off the new year with Dufu's Annual Dinner 2016 which was held at Sunshine Banquette Hall on 14 January 2017. The dinner was attended by 690 people including Directors, suppliers, vendors and employees. The evening's theme "Glamorous Nite" was decked with outstanding performance by our own employees who strut their talent in the singing and group performance competition. A heartfelt award presentation made for each subsequent five-year period of services was given to long serving employees who were with us for more than 10, 15, 20 and 25 years.

We aim to create a healthy workplace that encourages employees to stay well. Simple, fun, and effective programs help them deal with challenges that affect their ability to be focused and productive. On a yearly basis, we collaborated with a private hospital to provide for health screening at the work place to promote the well-being of our employees.

As an initiative to promote cohesiveness and forge a greater sense of belonging amongst our foreign workers, we organised a holiday trip to Melaka in August 2017. The Melaka World Heritage City Tour 2017 organised in 3 batches benefited a total of 267 employees was mainly for our foreign workers to recognise their contribution and relentless effort they have put in driving the growth of the Company.

In order to enhance and promote a healthier work-life in Dufu, we have rolled out various activities in FY2017 for our employees to participate, release stress and foster positive relationship amongst colleagues. Amongst them are:

- (Bi)weekly indoor inter reactive classes such as toastmaster at our plant and outdoor sport events such as badminton
- Yearly sports tournament such as bowling, soccer, futsal and badminton tournament
- Office birthday party is held every two months to celebrate the birthday of employee who falls within the stipulated month
- Light meals and takeaway is provided by Management to employees during labour day and Muslim workers during the Ramadan month; and
- An email blast to inform and congratulate employees of their new-born

The spirit of Ramadan giveaways

Employees' birthday party celebration

Toastmaster's toss of prosperity

160 players, 16 teams, 1 champion

267 employees joined the Melaka World Heritage City Tour 2017

Dufu Badminton Tournament 2017 attracts 160 players

Champion posed by Dufu's keglers

The boys have good reason to smile @ Dufu Futsal 2017

A Safe and Healthy Work Environment

At Dufu, we focus on minimizing the incidence of occupancy injury and illness through occupational safety and emergency preparedness. In view of this, we shall ensure industrial hygiene, physical demanding work, machine safeguarding and workers are able to access to appropriate sanitation, food and living conditions.

We invest in the health, safety, and wellness of our employees and our system and processes are modelled on the internationally recognized OHSAS 18001 standard. Through this process, we have improved our methods for identifying hazards, assessing risk, and applying risk controls consistently across our operations.

Employee health and safety remains our top priority as evidenced from the number of training and hours spent in both our in-house and external trainings as highlighted in the earlier sections of this report. At Dufu, we have an Occupational Safety and Health Management ("OSH") unit to safeguard, manage, discuss and report areas related to Dufu's health, safety and environment ("HSE") performance. The OSH continues to monitor effectiveness, engage with Management, and drive improvement. The team also reports on measures to be taken to prevent or minimise accidents from occurring.

We are proud of the progress our OSH unit has made to comprehend the safety and health of Dufu's employees where we felt proud of HSE performance for FY2017 as follows:

- Zero Fatality cases was recorded in FY2016 and FY2017
- No Occupational Illness was recorded for FY2016 and FY2017.
- There was a reduction of 21.8% for Total Case Incident Rate between 2016 to 2017
- There was a reduction of 21.8% and 89.9% for Total Case Occupational Accident Frequency and Severity Rate respectively between 2016 and 2017

Dufu Health and Safety key data are as follows:

	2017		2016	
	Occupational Accident cases	Occupational, Poisoning and Disease cases	Occupational Accident cases	Occupational, Poisoning and Disease cases
Fatality Rate *	0	0	0	0
Incident Rate *	7.87	0	10.07	0
Frequency Rate **	3.93	0	5.03	0
Severity Rate **	6.29	0	62.55	0

* Fatality and Incident Rate are based on 1,000 employees. Calculation is based on average number of monthly employees.

** Frequency and Severity rate are based on 500 employee / 8hr / 5 days / 50 weeks
Frequency rate is the no. of lost time injuries / illnesses per 1,000,000 exposure hours worked for a year
Severity rate is lost time injuries per 1,000,000 hours work
Note: 1 death = 6,000 lost days

Sustainability Statement (Cont'd)

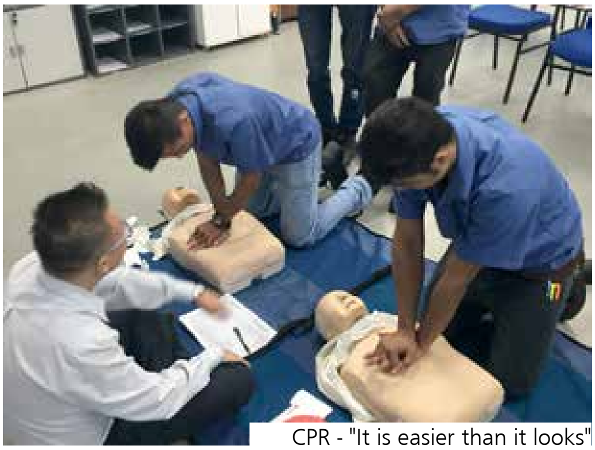
Emergency Response

About 40 people are part of Dufu's Emergency Response Team ("ERT"), ready to respond in emergency situations. They are trained to administer first aid, help evacuate buildings, and provide other assistance. We conduct annual Incident Management Drills to be prepared for a real emergency.

Workplace Fire Safety Training

Dufu conducts Emergency Drill with Fire and Rescue Department

First Aid Training



CPR - "It is easier than it looks"

Community

In November 2017, Penang island and mainland experienced one of the country's worst floods in decades. Many people were displaced from their homes. Some of our employees were among those affected by the floods while there is one employee whose house was totally submerged in water. A token sum was paid by the Company to the severally affected employee. On top of this, the Company contributed RM10,000 to the general community in response to the mishap. In FY2017, we have also donated RM10,000 to a private school in Penang. Our monetary contribution was meant as an aid to the school's campaign to raise funds in support of their daily operating budget.

Corporate Governance Overview Statement

The Board of Directors ("the Board") of Dufu Technology Corp. Berhad ("Dufu" or "the Company") presents this statement to provide shareholders and investors with an overview of the corporate governance practices of the Company under the leadership of the Board during the financial year 2017. This overview takes guidance from the key corporate governance principles as set out in the Malaysian Code on Corporate Governance ("the Code" or "MCCG").

This statement is prepared in compliance with Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("Main LR") and it is to be read together with the Corporate Governance Report 2017 of the Company ("CG Report") which is available on the Company's website:

www.dufutechnology.com

The CG Report provides the details on how the Company has applied each Practice as set out in the MCCG during the financial year 2017.

Dufu and its subsidiaries ("Dufu Group") recognises the importance of adopting good corporate governance and acknowledges the importance of the principles set out in the MCCG and is committed to ensure high standards of good corporate governance are in place and practiced within our Group in order to safeguard the shareholders and relevant stakeholders' interests as well as enhancing shareholders' value.

After the introduction of MCCG in April 2017, the Board has reviewed the gap analysis report on comparison between the current corporate governance practices in the Group and the standards as set out in the MCCG in August 2017. The Board then planned and has progressively raised the bar in the Group's corporate governance standards set out in the Code through various measures for implementation from time to time.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

The Board is always mindful of the long-term success of our Company and the delivery of sustainable value to its stakeholders. In discharging its fiduciary duties and leadership functions, the Board govern and set the strategic direction of the Company and exercising oversight on management. The Board will continue playing its role in setting the appropriate tone at the top, providing thought leadership and championing good governance and ethical practices throughout the Company.

Following the top-down strategic planning process adopted by the Group, the Executive Directors will periodically formulate Group's strategy and communicate it down to the organisation for implementation. The Chairman will continue leading the Board in establishing and monitoring good corporate governance practices in the Company by focusing on strategy, governance and compliance.

The Company continue to practice a division of responsibilities between the Chairman and the CEO. Their roles are separated and clearly defined in the Board Charter of the Company. The Board Charter serves as a reference and primary induction literature providing all Board members and Management insights into the fiduciary and leadership functions of the Board. It also clearly sets out the respective roles and responsibilities of the Board, Board Committees, individual directors and management.

The Board has established five (5) Committees, namely the Audit Committee, Nominating Committee, Remuneration Committee, Investment Committee and Risk Management Committee, the primary functions of which are to assist the Board in overseeing the affairs of the Company and these Committees have been entrusted with specific responsibilities and authority. The authorities and functions of these Board committees are properly set out in their respective Terms of Reference.

On 27 November 2017, the Board reviewed the Board Charter to keep it up to date with changes in regulations and best practices and ensure its effectiveness and relevance to the Board's strategic intent as well as relevant standards of corporate governance. Besides, the Board also sets out the Code of Conduct and Ethics ("CCE") of Dufu states the standards of responsibility and obligations and promotes fair dealing, integrity and ethical conduct amongst Dufu's Directors and employees. The policies of the CCE covers areas in managing conflicts of interest, preventing abuse of power, business gifts, insider trading and money laundering. The Board has established, reviewed and implemented the policies and procedures on whistleblowing.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

I. BOARD RESPONSIBILITIES (cont'd)

A copy each of the Board Charter, CCE Policy and Whistle Blowing Policy last reviewed by the Board on 27 November 2017 are available at the Company's website, www.dufutechnology.com.

The Board of Dufu is supported by two (2) Company Secretaries, both have legal credentials, and are qualified to act as Company Secretary under Section 235(2) of the Companies Act 2016.

II BOARD COMPOSITION

In order to achieve the intended outcome of the Code, the Board decisions are made objectively in the best interests of the Company taking into account diverse perspectives and insights, our Group has met most of the good practices recommended by the Code as follows as detailed in the CG Report 2017.

The Board has through its Nominating Committee ("NC") conduct the annual assessment on its size and composition. Based on the assessment, the NC was satisfied that the Board comprises a mixture of qualified and experienced directors with diverse experience, background and expertise. The combination of diverse professionals with varied background, experience and expertise in finance and corporate affairs have also enabled the Board to discharge its responsibilities effectively and efficiently.

The skillsets and diversity of the existing Board are as follows:-

			Industry / Background Experience							By Composition							
										Age				Ethic		Gender	
Directors	Nationality	Designation	Technology	Marketing	Industrial	Corporate	Accounting / Finance	Internal Audit	Law / legal	30 – 39 years	40 – 49 years	50 – 59 years	60 – 70 years	Bumiputra	Chinese	Male	Female
Lee, Hui-Ta also known as Li Hui Ta	*Taiwanese*	*Executive Chairman*	√	√	√	√	√					√			√	√	
Wu, Mao-Yuan	*Taiwanese*	*Executive Director*	√	√	√	√							√		√	√	
Joyce Wong Ai May	*Malaysian*	*Independent Non-Executive Director*		√		√	√	√			√				√		√
Sung, Cheng-Hsi	*Taiwanese*	*Independent Non-Executive Director*		√	√	√	√			√					√	√	
Yin, Chih-Chu also known as Laurence Yin	*Taiwanese*	*Independent Non-Executive Director*	√	√	√	√	√					√			√	√	
Lee Yoke Khay	*Malaysian*	*Independent Non-Executive Director*				√	√		√				√		√	√	

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

II BOARD COMPOSITION (cont'd)

Notwithstanding the recommendation of the MCCG, the Company does not practice any form of gender, ethnicity and age group biasness as all candidates shall be given fair and equal treatment. The Board believes that there is no detriment to the Company in not adopting a formal gender, ethnicity and age group diversity policy as the Company is committed to provide fair and equal opportunities and nurturing diversity within the Company. The Board is of the view that the appointment of Board member or management should be determined based on objective criteria, merit and with due regard for diversity in skills, experience and other qualities regardless of gender but will nevertheless consider appointing more directors of the female gender where suitable to be in line with the Code's target. Besides, the Board has also made progress broadening the diversity of the Board and Senior Management from time to time. Moving forward, this shall be one of the key focus for the Board's Corporate Agenda in 2018.

The activities carried out by the NC during the financial year ended 31 December 2017 ("FY2017") 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 deliberated on the proposed restructuring of Board composition subsequent to the retirement and resignation of former Directors;
- reviewed the profile of proposed candidates;

To facilitate the Directors' time planning, an annual meeting calendar is prepared and circulated to all Directors before the beginning of every year. The time table for the proposed Board meetings in the year 2018 was fixed on 27 November 2017.

III REMUNERATION

The Board has in place policies and procedures to determine the remuneration of Directors and Senior Management, which takes into account the demands, complexities and performance of the Company as well as skills and experience required. The Group's remuneration policies and decisions are made through a transparent and independent process. The policies and procedures are periodically reviewed to ensure it remain competitive and consistent with the Company's business strategy and long-term objectives.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

I Audit Committee

Our Audit Committee ("AC") comprises solely of Independent Non-Executive Directors. The Chairman of the AC is not the Chairman of the Board. This composition of our AC meets the requirements of paragraph 15.09(1)(a) and (b) of the Main LR.

The Board has put in place a policy that requires a former key audit partner to observe a cooling-off period of at least two financial year ends before being appointed as a member of the AC.

The AC has adopted the Policy for the Assessment of the Suitability and Independence of External Auditors, guided by the factor as provided in the Main LR as well as the Auditors Independence Policy.

Risk Management and Internal Control Framework

The Board fulfils its responsibilities in the risk governance and oversight functions through its Risk Management Committee ("RMC") in order to manage the overall risk exposure of the Group. The RMC assessed and monitored the efficacy of the risk management controls and measures taken, whilst the adequacy and effectiveness of the internal controls were reviewed by the AC in relation to internal audit function for the Group. The Board through the AC reviewed the Group's internal control based on the audit test carried out by the Internal Auditors.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd)

I Audit Committee (cont'd)

Risk Management and Internal Control Framework (cont'd)

The Group's RMC is responsible to perform a periodic review, assessment and update of the Risk Register during the RMC meetings. The Group continues to enhance its Enterprise Risk Management ("ERM") system which is an ongoing and systematic process to identify, assess, respond and monitor risks. The RMC consist of the Chief Executive Officer, Senior Financial Controller acting as Secretary and Department Heads.

Further details of the Risk Management and Internal Audit activities are set up in the Statement on Risk Management and Internal Control of this Annual Report.

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. Communication with Stakeholders

Dufu would always ensure there is continuous communication between the Company and stakeholders to facilitate mutual understanding of each other's objectives and expectations. Presently, the Board and Management of the Company communicate regularly with its shareholders and other stakeholders through the following channels of communication:

1. Website of Bursa Malaysia Securities Berhad ("Bursa Securities")
2. Company Website
3. Analyst Briefings and One-to-One Meetings

II. Conduct of General Meetings

Dufu's Annual General Meeting ("AGM") is an important and effective platform for Directors and Senior Management to communicate with the shareholders. Shareholders are able to participate, engage the Board and Senior Management effectively and make informed voting decisions at general meetings.

Dufu dispatches its notice of AGM to shareholders at-least 28-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.

In line with the Practice 12.3 of the MCCG in promoting electronic voting, moving forward the Board will consider adopting electronic voting taking into consideration the advantages of electronic voting versus the costs involved.

This Statement is made in accordance with a resolution of the Board of Directors dated 16 March 2018.

Audit Committee Report

The Board of Directors ("the Board") presents the Audit Committee ("AC") report which provides insights into the manner in which the AC discharged its functions for the Group in the financial year ended 31 December 2017 ("FY2017").

Introduction

The AC was established to assist the Board in fulfilling its responsibilities with respect to its oversight responsibilities. The AC is committed to its role in ensuring the integrity of the Group's financial reporting process, monitoring the management of risk and system of internal control, external and internal audit processes, compliance with legal and regulatory matters and such other matters that may be specifically delegated to the AC by the Board.

Composition and Meeting

The present composition of the AC consists of four (4) members of the Board, all of whom are Independent Non-Executive Directors. This meets the requirements of paragraph 15.09(1)(a) and (b) of the Bursa Malaysia Securities Berhad Main Market Listing Requirements ("Main LR"). The current composition of the AC are as follows: -

Chairman Joyce Wong Ai May

Members Sung, Cheng-Hsi
Yin, Chih-Chu also known as Laurence Yin
Lee Yoke Khay

During the FY2017, the AC was led by Mr. Ang Siak Keng, a lawyer by profession, and currently a partner of Zaid Ibrahim & Co. Following the resignation of Mr. Ang Siak Keng on 16 March 2017, Ms. Joyce Wong Ai May is the appointed Chairman of the Audit Committee in place of Mr. Ang with effect from 3 April 2017. She graduated from University of Tasmania with a Bachelor of Commerce, majoring in Accounting and Finance. She is an Accountant by profession and a member of the Malaysian Institute of Accountants and the Certified Practicing Accountants, Australia. Thus, this meets the requirements of paragraph 15.09(1)(c) of the Main LR, which stipulates that at least one member of the AC must be a qualified Accountant.

Mr. Sung, Cheng-Hsi is the Chief Financial Officer ("CFO") of a TPEx Company, where he primarily manages the financial risk, financial planning as well as financial reporting to higher management whilst Mr. Yin, Chih-Chu also known as Laurence Yin has vast experiences in both financial and wide industrial knowledge. Mr. Lee Yoke Khay, the newly appointment member of the AC is a practicing advocate & solicitor, currently a partner of Messrs. Ooi Lee & Co . All members of the AC are financially literate and believed to be able to analyze and interpret financial statements to effectively discharge their duties and responsibilities as members of the AC.

The Board had on 28 February 2018 assessed the performance of the AC and its members through an annual board committee effectiveness evaluation. The Nominating Committee is satisfied that the AC and its members have discharged their functions, duties and responsibilities in accordance with the AC's Terms of Reference and supported the Board in ensuring the Group upholds appropriate corporate governance standards.

During the FY2017, the AC had convened six (6) meetings and the details of attendance of each member at the AC meetings are as follows:-

AC	No. of AC Meetings held	No. of AC Meetings attended	% of Attendance
Joyce Wong Ai May	6	6	100
Sung, Cheng-Hsi	6	5	83
Yin, Chih-Chu also known as Laurence Yin	6	5	83
Lee Yoke Khay *(Appointed w.e.f. 3 April 2017)*	3	3	100
Ang Siak Keng *(Resigned w.e.f. 16 Mar 2017)*	2	1	50

The AC meetings were of adequate length to allow the AC to accomplish its agenda with sufficient time to discuss emerging issues.

Audit Committee Report (Cont'd)

Composition and Meeting (cont'd)

The AC conducted its meetings in an open and constructive manner and encouraged focused discussion, questioning and expressions of differing opinions. The External Auditors and Internal Auditors attended meetings of the AC to present their reports. As and when necessary, the AC would request the attendance of relevant personnel at its meetings to brief the AC on specific issues. The Senior Financial Controller and/or representative from the Finance Division also attended the AC meetings to present the unaudited quarterly financial statements, as well as other financial reporting related matters for AC's deliberation and recommendation to the Board for approval, where appropriate.

At each meeting, the Chairman of the AC reported the AC's deliberations and recommendations to the Board. Minutes of each AC meeting were recorded and tabled for confirmation at the next following AC meeting and subsequently presented to the Board for notation.

Summary of Activities

In discharging its functions, the AC is guided by the terms of reference, which was approved by the Board and aligned to the provisions of the Main LR, Malaysian Code on Corporate Governance ("MCCG") and other best practices.

The activities carried out by the Committee during the FY2017 in the discharge of its duties and responsibilities are as follows:-

Financial Reporting

The AC reviewed the fourth quarterly financial statements of the Group and the draft financial statements of the Company and the Group for financial year ended 31 December 2017 on 28 February 2018.

The Committee also reviewed the first, second and third quarterly financial statements of the Group for the FY2017 and recommended the same to the Board for approval during its Audit Committee meeting held on 24 May 2017, 28 August 2017 and 27 November 2017 respectively.

The Committee reviewed and was satisfied that the said quarterly financial statements are prepared in compliance with the Malaysian Financial Reporting Standards (MFRS) 134 - Interim Financial Reporting, IAS 34: Interim Financial Reporting issued by International Accounting Standards Board and the Main LR.

External Auditors

On 24 February 2017, the AC met with the External Auditors (Messrs. Crowe Horwath) without the presence of the Executive Directors and Management to understand the Status of Audit of the Financial Statements FY2016 and the outstanding audit areas as summarized in the Audit Review Memorandum. In compliance with ISA 701 Communicating Key Audit Matters ("KAM") in the Independent Auditor's Report, the External Auditors highlighted the identified KAM and the audit procedures in addressing such KAM to be presented in the Independent Auditors Report for AC's notation.

During FY2017, an invitation was send out to various audit firms inviting proposals from the interested firms for the engagement as Auditors of the Company for the ensuing year. On 15 March 2017, Messrs. Baker Tilly Monteiro Heng ("BTMH") was invited to the AC Meeting to table its Client Service Proposal to Dufu Group. After considering the following factors, the Committee recommended to the Board the proposed appointment of BTMH in place of the retiring Auditors of the Group:-

a) Firm's reputation and qualifications of its professionals, including the breadth and depth of resources, expertise and experience of the team members;
b) Networking ability and competency to address audit of overseas subsidiaries; and
c) Independence of the firm.

On 3 April 2017, the AC adopted the Policy for the Assessment of the Suitability and Independence of External Auditors. Accordingly, the Committee has established an Assessment Questionnaire for such an Assessment. The areas assessed were (i) caliber;(ii) quality processes / performance; (iii) audit team; (iv) independence and objectivity; (v) audit scope and planning; (vi) audit fees; and (vii) audit communication.

Audit Committee Report (Cont'd)

External Auditors (con'd)

On 28 August 2017, BTMH, the newly appointed External Auditors tabled the Audit Planning Memorandum prior to the commencement of the audit of the financial statements for FY2017, more particularly outlined the nature and scope of audit, audit timetable, accounting developments, list of management communication term and audit engagement team to the AC.

The AC has also obtained confirmation from the External Auditors that BTMH are not aware of any cause that in their professional judgement, may be thought to impair their independence.

Besides, further to the briefing by the External Auditors, the AC took note on the key amendments of the Main LR and key changes in the financial reporting standards and updates which are applicable to the Group. Further to the concern raised by the External Auditors, the AC deliberated on key areas of the Group that are subject to improvement to facilitate the smooth and effective progress of the audit review of the Group's financial statements.

On 28 February 2018, the incumbent External Auditors, BTMH updated the AC on the status of Audit of the Financial Statements FY2017, key audit findings and the outstanding audit areas as summarized in the Audit Review Memorandum ("ARM") as well as Draft Reports and Financial Statements FY2017 of the Group and Company. In compliance with ISA 701 Communicating Key Audit Matters ("KAM") in the Independent Auditor's Report, the External Auditors highlighted the identified KAM and the audit procedures in addressing such KAM to be presented in the Independent Auditors Report for AC's notation. The AC also deliberated on audit issues raised by the External Auditors and the action plans required to address those issues.

During the Meeting, BTMH informed that other than those highlighted in the ARM, they are not aware of any matter/ concern/issue during the course of audit.

The AC has undertaken an assessment of the suitability and independence of the External Auditors considering the factors which include adequacy of experience and resources of the firm and the professional staff assigned to the audit, independence and the level of non-audit services to be rendered by the External Auditors to the Company, etc. The Board maintains a transparent relationship with External Auditors. Members of the AC met the External Auditors at least twice a year without the presence of the executive Board members to discuss the results and concerns arising from their audit. During the FY2017, a discussion session between the AC and the retired External Auditors (Messrs. Crowe Horwath) was held on 24 February 2017 whilst another discussion session was held on 28 August 2017 with the incumbent Auditors, BTMH.

The AC recommended the re-appointment of BTMH as the External Auditors of the Group for the ensuing year ending 31 December 2018 after having satisfied with its audit independence and the performance of BTMH throughout its course of audit for the FY2017, amongst others:-

- satisfied that the quality processes/ performance of External Auditors;
- able to give adequate technical support when audit issue arise; and
- adequate experience and resources of BTMH and audit engagements.

Internal Audit Function

The AC is responsible to review and monitor the adequacy and effectiveness of the Group's system of internal control. The review and monitoring of the adequacy and effectiveness of the system of internal control are carried out through the internal audit function. The internal audit function assists the AC to achieve the following objectives:-

- ❖ assessing and reporting on the effectiveness of the risk management and internal control systems;
- ❖ assessing and reporting on the reliability of systems and reporting information;
- ❖ assessing and reporting on the operational efficiency of various business units and departments within the Group and identifying cost saving potentials, where practical; and
- ❖ reviewing compliance with the Group policies, standing instructions and guidelines requested by Management, and applicable laws and regulations.

Audit Committee Report (Cont'd)

Internal Audit Function (con'd)

During the financial year under review, the in-house Internal Audit Department of the Group ("IAD") carried out reviews on the following operational processes to assess the adequacy and effectiveness of the internal control system, compliance with regulations and the Group's policies and procedures:-

- Management Information System
- Cash Management
- Scrap Management
- Related Party Transactions

The Head of IAD tendered her resignation as Internal Auditor in October 2017 due to personal reason. On 27 November 2017, the AC performed an exit interview with the Head of Internal Auditor and accepted her resignation. Having failed to identify a suitable replacement for the Head of IAD, the AC decided to outsource the Internal Audit function. On 21 December 2017, the AC met to discuss and interviewed representatives from three distinctive Internal Audit firms. Having taken into consideration the merits and cost of their respective proposals, the AC decided to appoint Eco Asia Advisory Sdn Bhd ("Eco Asia"), a reputable firm with vast exposure and having adequate resources and expertise in internal audit to perform the Internal Audit function for the Group.

Following the engagement of the new Internal Auditors on 21 December 2017, Eco Asia presented their findings on Human Resource Management and Related Party Transactions to the AC on 28 February 2018.

On 28 February 2018, the Internal Audit Plan for year 2018 was tabled for AC's review and approval. The AC reviewed the Internal Audit Plan which was developed based on the methodology practiced by Eco Asia focusing on the core business processes of the Group. The Committee approved the said Plan upon incorporation of the comments from the Committee and advice from the Internal Auditors;

The findings of internal audits including the audit recommendations made by the Internal Auditors and the Management responses to those recommendations are reported directly to the AC. Where appropriate, the AC directed the Management to rectify and improve control and workflow procedures based on the Internal Auditors' recommendations and suggestion for improvements.

Besides, the AC also follow up from time to time the updates and corrective actions by the Management on reported weaknesses reported in the prior quarters.

The cost incurred for the Group's internal audit function for FY2017 was RM107,000.

Risk Management and Internal Control

The AC reviewed the quarterly risk assessment exercise captured in the format of risk registers which is part of the Group's Enterprise Risk Management Framework. The AC were ensured and satisfied that the identified risks and the status of the risk management process implemented to facilitate the identification, assessment, evaluation, monitoring and management of risks are well managed.

On 28 February 2018, the AC reviewed the Statement on Risk Management and Internal Control for inclusion in this Annual Report.

Related Party Transactions

The AC reviewed and discussed the reports of the related party transactions and possible conflict of interest transactions to ensure that all related party transactions were undertaken on an arm's length basis and on normal commercial terms.

The AC also reviewed and discussed the recurrent related party transactions to ensure that they were undertaken on an arm's length basis and on normal commercial terms not more favourable to the related party than those generally available to the public.

This Statement is made in accordance with the resolution of the Board of Directors dated 16 March 2018.

Statement on Risk Management and Internal Control

Introduction

The Malaysian Code on Corporate Governance 2017 requires the Board of Directors ("Board") to establish a sound risk management framework and internal controls system to safeguard shareholders' investments and the assets of the Group. Pursuant to paragraph 15.26 (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia"), the Board of listed issuers is required to include in its Annual Report, a statement on the Group's state of internal control. The Board recognises its responsibilities for and the importance of a sound system of Risk Management and Internal Controls. Set out below is the Board's Statement on Risk Management and Internal Control, which provides an overview of the Group's state of Risk Management and Internal Control system.

Board Responsibility

The Board recognises the importance of the Group's sound internal controls as well as risk management practices, and affirms its overall responsibility of reviewing the adequacy and effectiveness of the Risk Management and Internal Control systems of the Group. The Board has via the Audit Committee ("AC") obtained the necessary assurance on the adequacy and effectiveness of the Group's Risk Management and Internal Control systems through ongoing and independent reviews carried out by the internal audit function.

Due to inherent limitations in any system of internal control, such systems can only manage rather than eliminate all possible risks resulting in the Group's inability to achieve its business objectives. Thus, the system can provide reasonable, and not absolute, assurance against material misstatement or loss.

The Board has also delegated the power/ authority to review, deliberate and approve the acquisition or disposal of investments or assets of the Group to be assumed by the Investment Committee ("IVC") where the composition of the IVC is majority held by Independent Non-Executive Directors.

KEY COMPONENTS OF INTERNAL CONTROL PROCESSES

Risk Management Framework

The Board has put in a risk management framework and ongoing process to assess the various types of risks, which might have an impact on the profitable operations of the Group's business. These include strategic risk, operational risk, financial risk and project risk. The following outlines the Group's risk management objectives:-

(a) to assess the principle risks faced, or potential risk exposure by the Group in its business operations and to implement appropriate internal control systems that will mitigate those risks;

(b) to review the adequacy and integrity of the internal controls in compliance to guidelines, laws and regulations, and to respond to changes of business environment from time to time;

(c) to weigh business decisions against the philosophy that business risks would be necessarily incurred if the associated rewards are expected to enhance the Group's shareholder value;

(d) to ensure risks which may have a significant impact upon the Group are identified in a manner which would result in their expeditious treatment;

(e) to provide an assurance regarding the extent of the Group's compliance with regulatory requirements and the policies and procedures which are in place.

Statement on Risk Management and Internal Control (Cont'd)

KEY COMPONENTS OF INTERNAL CONTROL PROCESSES (cont'd)

Risk Management Framework (cont'd)

The Group's Risk Management Committee ("RMC") is responsible to perform a periodic review, assessment and update of the Risk Register during the RMC meetings held quarterly. The Group continued enhancing its Enterprise Risk Management ("ERM") system which is an ongoing and systematic process to identify, assess, respond and monitor risks. The RMC consist of the Group Chief Executive Officer, Senior Financial Controller acting as Secretary and Department Heads. The RMC is required to identify major business and compliance risks concerning their respective business units, oversees and ensures integration of risk management into their business processes to safeguard the interest of the Group covering fifteen (15) areas such as Purchasing, Sales and Marketing, Conversion and Production, Management Information System, Human Resource Management, Cash Management, Finance and Corporate, Inventory Management, Assets Management, Logistics, General Safety and Security, Intellectual Property, External Environment, Product and Process Development and Quality System. On top of this, four (4) new key risks areas which were identified in the financial year ended 31 December 2017 ("FY2017") under "Product and Process Development" were incorporated into the Risk Register. The risks are identified and assessed by employing the following methodologies:

❖ Identification of risks by the process owners
❖ Assessment of the likelihood and impact of the risks identified
❖ Evaluating the control strategies in relation to the risks
❖ Formulating action plan to address control deficiencies
❖ Setting Key Risk Indicators to monitor the risks

Formal database of risks and controls information arising from the quarterly risk assessment exercise shall be captured in the format of risk registers. The identified risks are assessed and rated from low, moderate, high to significant depending upon the severity of consequence and the likelihood of its occurrence and financial impact on the Group's cash flow and profit. The Risk Management Unit ("RMU") of each business unit reports to the RMC and the RMC will then meet to discuss and evaluate the RMUs' reports for adoption. Thereafter, the Senior Financial Controller, and where applicable the owner of the risk profile shall present the Group's Risk Report and updates the AC every quarter on the status of the Group's ERM process, changes in risk profiles and their controls which are in place.

Board Meetings

The Board meets at least quarterly and has a formal agenda on matters for discussion. The Executive Chairman leads the presentation of board papers while the Executive Director, where applicable provides explanation of pertinent issues. Additionally, the Chief Executive Officer or Executive Director, where applicable updates the Board on key business and operational issues such as key products result and growth, business plan, corporate affairs and prospects. In arriving at any decision, on recommendation by the Management, a thorough deliberation and discussion by the Board is a prerequisite.

Organisational Structure

There exists a clearly defined organisational structure with defined lines of job responsibilities and delegation of authority. This will assist in ensuring that effective communication of risk control objectives as well as establishment of authority and accountability is in accordance with Management criteria.

Internal Policies and Procedures

Internal Policies and Procedures have been developed throughout the Group. The policies and procedures are updated timely to incorporate changes to systems, work environment and guidelines. Testament to our efforts in doing so, the Group's Standard Operating Procedures ("SOP") are aligned and adhered to Electronic Industry Citizenship Coalition ("EICC"), EMS 14001 Environmental Management System, OHSAS 18001 Occupational Health & Safety Management System and ISO 9001 Quality Management System accreditation.

There are also documented Limits of Approving Authority for key aspects of the businesses. This provides a sound framework of authority and accountability within the organisation and facilitates proper corporate decision making at the appropriate level in the organisation's hierarchy. The delegation of limits is subject to periodic review as to its implementation and continuing suitability in meeting the Group's business objectives and operational needs.

Statement on Risk Management and Internal Control (Cont'd)

KEY COMPONENTS OF INTERNAL CONTROL PROCESSES (cont'd)

Performance Management Framework

Management reports are generated on a regular and consistent basis to facilitate the Board, the Company's and the Group's Management to perform financial and operating reviews on its various operating units. The reviews encompass areas such as financial and non-financial Key Performance Index (KPI"), variances between standard and operating results and compliance with laws and regulations. The KPIs meeting is chaired by the Group Chief Executive Officer and attended by, the Senior Financial Controller, all the Department Heads and supporting staff, and is held once a month to assess and measure the performance and risks of various business units. On top of this, the Group also conducted a yearly "Management Review" meeting.

Internal Audit

The AC is responsible for reviewing and monitoring the adequacy and effectiveness of the Group's system of internal control. The review and monitoring of the adequacy and effectiveness of the system of internal control are carried out through the internal audit function. The internal audit function assists the AC to achieve the following objectives:

- assessing and reporting on the effectiveness of the risk management and internal control systems;
- assessing and reporting on the reliability of systems and reporting information;
- assessing and reporting on the operational efficiency of various business units and departments within the Group and identifying cost saving potentials, where practical; and
- reviewing compliance with the Group policies, standing instructions and guidelines requested by Management, and applicable laws and regulations.

The Group had set up its in-house Internal Audit Department ("IAD") during the financial year 2016. As the IAD has just been recently established, an independent consulting firm was engaged on retainer basis effective from 1 August 2016 to complement and advise the Internal Audit team to improvise the effectiveness of the internal audit function. The Internal Auditors' principal responsibility is to evaluate and improve the effectiveness of risk management, control and governance process. This is accomplished through a systematic and disciplined approach of regular reviews and appraisals of internal controls in the key activities of the Group's businesses implemented by the Management.

The findings of the Internal Audit reviews are reported on a quarterly basis directly to the AC. The response from Management on each Internal Audit findings, recommendation and action plans therein, are regularly reviewed and followed up by the Internal Auditor and reported to the AC. During the financial year under review, the Internal Auditor conducted three (3) internal audit reviews on various business processes to assess its adequacy and effectiveness, compliance with regulations and the Group's policies and procedures. Observations arising from the internal audit reviews were presented, together with Management response and proposed action plans, to the AC for its review and approval.

During the financial year under review, the in-house IAD carried out reviews on the following operational processes to assess the adequacy and effectiveness of the internal control system, compliance with regulations and the Group's policies and procedures

- Management Information System
- Cash Management
- Scrap Management
- Related party Transactions

The Head of IAD tendered her resignation as Internal Auditor in October 2017 due to personal reason. On 27 November 2017, the AC performed an exit interview with the Head of Internal Auditor and accepted her resignation. Having failed to identify a suitable replacement for the Head of IAD, the AC has decided to outsource the Internal Audit function. On 21 December 2017, the AC met to discuss and interviewed representatives from three distinctive Internal Audit firms. Having taken into consideration the merits and cost of their respective proposals, the AC decided to appoint Eco Asia Advisory Sdn Bhd ("Eco Asia") to perform the Internal Audit function for the Group. On 28 February 2018, Eco Asia presented their findings on Human Resource Management and Related Party Transactions to the AC.

Statement on Risk Management and Internal Control (Cont'd)

KEY COMPONENTS OF INTERNAL CONTROL PROCESSES (cont'd)

Internal Audit (cont'd)

The scope of review of the IAD is focused on areas of priority according to their annual risk assessment and in accordance with the annual audit plans approved by the AC. The AC holds periodic meetings to discuss findings and recommendations for improvement by both the Internal and External Auditors on the state of the internal control system. Thereafter, the minutes of the AC meetings are tabled to the Board for review.

The total cost incurred for the Internal Audit function for the FY2017 was RM107,000.

REVIEW OF THIS STATEMENT

The Internal Auditor has reported to the AC that all internal control weaknesses identified during the course of its audit assignments for the FY2017 have been, or are being, addressed and that none of the weaknesses have resulted in any material losses, contingencies or uncertainties that require disclosure in the Company's Annual Report.

The Board has received assurance from the Group Chief Executive Officer and the Senior Financial Controller 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 the Internal Control system of the Group.

Pursuant to Paragraph 15.23 of the Bursa Securities's MMLR, the External Auditors have conducted an limited assurance engagement on this Statement for inclusion in the Annual Report for the financial year ended 31 December 2017. Their assurance engagement was performed pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 (Revised): Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control issued by Malaysian Institute of Accountants.

Based on their procedures performed, the External Auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is not prepared, in all material respect, in accordance with disclosure required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidance for Directors of Listed Issuers as set out, nor it is factually inaccurate. RPG 5 does not require the External Auditors to consider whether this Statement covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk and control system.

The Board is of the view that the ERM and system of internal controls in place for the FY2017 and up to the date of approval of this report is sound and sufficient to safeguard the shareholders' investment, interests of customers, regulators, employees and other stakeholders of the Group.

This Statement has been approved by the Board of Directors on 16 March 2018.

Other Disclosure Requirements

Pursuant to the Bursa Malaysia Securities Berhad Main Market Listing Requirements

UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

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

AUDIT AND NON-AUDIT FEES

The amount of audit and non-audit fees incurred for services rendered to the Company and its subsidiaries for the financial year ended 31 December 2017 by the Company's Auditors, or a firm or company affiliated to the Auditors' firm are as follows:-

Category	**Audit Fees (RM)**	**Non-Audit Fees (RM)**
Company	85,000	90,000^
Subsidiaries	95,000	-
Total	180,000	90,000

^ The non-audit fees of RM90,000 was incurred for the engagement of independent financial due diligence review on profit and cash flows forecast in connection to the Company's investment in Superior Plating Technology (Thailand) Co. Ltd..

EMPLOYEE SHARE SCHEME

There was no Employee Share Scheme implemented by the Company during the financial year.

MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST

There were no material contracts entered into by the Company and its subsidiaries involving the Directors, Chief Executive Officer (who is not a director or major shareholders) and Major Shareholders' interests, either still subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year.

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 2016. The financial statements should be prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the Companies Act 2016 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.

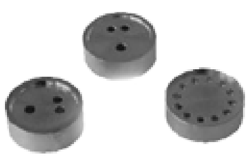
In this regard, the Directors have, with the assistance of the Audit Committee:

- Ensured that suitable accounting policies are used and applied consistently
- Ensured that new and revised Malaysian 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
- Ensured that the accounting estimates included in the financial statements are reasonable and prudent

The financial statements for the year ended 31 December 2017 had been approved by the Board on 16 March 2018.

This statement was made in accordance with a resolution of Board dated 16 March 2018.

FINANCIAL STATEMENTS




Directors' Report

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 7 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM	Company RM
Profit for the financial year	26,042,329	9,418,097

DIVIDENDS

The amount of dividend declared and paid by the Company since the end of the previous financial year were as follows:

	RM
Single tier final dividend of 3.5 sen per share in respect of the financial year ended 31 December 2016, paid on 20 June 2017	5,838,645
Single tier interim dividend of 2 sen per share in respect of the financial year ended 31 December 2017, paid on 12 October 2017	3,336,369
	9,175,014

At the forthcoming Annual General Meeting, a single tier final dividend of 4.5 sen per ordinary share will be proposed for the shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2018.

RESERVES OR PROVISIONS

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

BAD AND DOUBTFUL DEBTS

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

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

Directors' Report (Cont'd)

CURRENT ASSETS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of 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 method of valuation of assets or liabilities of the Group and of 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 of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and

(ii) any contingent liabilities in respect of the Group or of the Company which has arisen since the end of the financial year.

In the opinion of the directors, no contingent or other liability of the Group or of 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 will or may affect the ability of the Group or of 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 the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF MATERIAL AND UNUSUAL NATURE

Except as disclosed in Note 31 to the financial statements, in the opinion of the directors,

(i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

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

ISSUE OF SHARES AND DEBENTURES

During the financial year, no new issue of shares or debentures were made by the Company.

Directors' Report (Cont'd)

TREASURY SHARES

Treasury shares relate to ordinary shares of the Company that are repurchased and held by the Company in accordance with the requirement of Section 127 of the Companies Act 2016 in Malaysia.

The details of the shares purchased during the financial year are disclosed in Note 15 to the financial statements.

As at 31 December 2017, the Company held 8,936,900 treasury shares out of its 175,470,370 issued and paid-up ordinary shares. Such treasury shares are held at a carrying amount of RM5,352,606. Further details are disclosed in Note 15 to the financial statements.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up the unissued shares of the Company during the financial year.

DIRECTORS

The directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

Lee, Hui-Ta also known as Li Hui Ta
Wu, Mao-Yuan
Sung,Cheng-Hsi
Joyce Wong Ai May
Yin, Chih-Chu also known as Laurence Yin
Khoo Lay Tatt (Resigned on 9 March 2017)
Ang Siak Keng (Resigned on 16 March 2017)

Other than as stated above, the names of the directors of the subsidiaries of the Company in office during the financial year and during the period from the end of the financial year to the date of the report are:

Yeoh Beng Hooi
Wong Ser Yian

DIRECTORS' INTERESTS

According to the Register of Directors' shareholdings required to be kept by the Company under Section 59 of the Companies Act 2016 in Malaysia, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

Interest in the Company

		Number of ordinary shares			
		At 1 January 2017	**Bought**	**Sold**	**At 31 December 2017**
Direct interest:-					
Lee, Hui-Ta also known as Li Hui Ta		15,757,365	-	-	15,757,365
Wu, Mao-Yuan		4,612,500	605,500	-	5,218,000
Sung, Cheng-Hsi		700,900	-	(700,900)	-
Indirect interest:					
Lee, Hui-Ta also known as Li Hui Ta	(1)	18,248,048	-	-	18,248,048

(1) Shares held through company in which the director or director's spouse has substantial financial interests.

Directors' Report (Cont'd)

DIRECTORS' INTERESTS (cont'd)

Interest in the Company (cont'd)

By virtue of his interests in the ordinary shares of the Company and pursuant to Section 8 of the Companies Act 2016 in Malaysia, Lee, Hui-Ta also known as Li Hui Ta is deemed to have an interest in the ordinary shares of the subsidiaries to the extent that the Company has an interest.

Other than as stated above, none of the other directors in office at the end of the financial year had any interest in shares of the Company and its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no directors of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable, by the directors as disclosed in Note 20 to 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.

Neither during, nor at the end of the financial year, was the Company a party to any arrangements where the 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.

INDEMNITY TO DIRECTORS AND OFFICERS

During the financial year, the total amount of indemnity coverage and insurance premium paid for the directors and certain officers of the Company were RM10,000,000 and RM22,000 respectively.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 7 to the financial statements.

The available auditors' reports on the accounts of the remaining subsidiaries did not contain any qualification.

AUDITORS' REMUNERATION

The details of the Group and the Company's auditors' remuneration are disclosed in Note 22 to the financial statements.

INDEMNITY TO AUDITORS

The Company has agreed to indemnify the auditors of the Company as permitted under Section 289 of the Companies Act 2016 in Malaysia.

Directors' Report (Cont'd)

AUDITORS

The auditors, Messrs. Baker Tilly Monteiro Heng, have expressed their willingness to continue in office.

This report was approved and signed on behalf of the Board of Directors in accordance with a resolution of the directors:

....

LEE, HUI – TA also known as LI HUI TA
Director

....

WU, MAO-YUAN
Director

Date: 16 March 2018

Statements of Financial Position
As At 31 December 2017

	Note	Group 2017 RM	Group 2016 RM (restated)	Group 2015 RM (restated)	Company 2017 RM	Company 2016 RM
ASSETS						
Non-current assets						
Property, plant and equipment	5	36,573,383	43,242,675	61,867,780	-	-
Investment properties	6	9,639,948	10,189,473	-	-	-
Investment in subsidiaries	7	-	-	-	55,560,890	55,560,890
Investment in club memberships, at cost	8	92,748	61,000	61,000	-	-
Other investments	9	6,144,000	-	-	6,144,000	-
Deferred tax assets	10	1,163,701	521,457	529,349	-	-
Total non-current assets		53,613,780	54,014,605	62,458,129	61,704,890	55,560,890
Current assets						
Inventories	11	33,549,008	20,927,352	26,396,612	-	-
Trade and other receivables	12	50,786,700	54,145,997	52,135,188	30,964,747	30,434,241
Prepayments		446,879	360,451	577,155	-	-
Current tax assets		-	-	41,109	-	-
Other investments	9	1,962,222	4,719,894	-	1,962,222	4,719,894
Cash, bank balances and short term deposits	13	36,014,327	41,841,833	25,255,077	4,851,267	8,885,016
Total current assets		122,759,136	121,995,527	104,405,141	37,778,236	44,039,151
TOTAL ASSETS		176,372,916	176,010,132	166,863,270	99,483,126	99,600,041
EQUITY AND LIABILITIES						
Equity attributable to owners of the Company						
Share capital	14	87,735,185	87,735,185	87,735,185	87,735,185	87,735,185
Treasury shares	15	(5,352,606)	(5,011,619)	-	(5,352,606)	(5,011,619)
Currency translation reserve		4,610,611	8,873,896	11,627,051	-	-
Reverse acquisition reserve		(24,110,002)	(24,110,002)	(24,110,002)	-	-
Retained profits		78,844,706	61,977,391	38,544,221	17,041,047	16,797,964
TOTAL EQUITY		141,727,894	129,464,851	113,796,455	99,423,626	99,521,530
Non-current liabilities						
Loan and borrowings	16	3,596,182	6,039,965	10,191,621	-	-
Deferred tax liabilities	10	14,630	1,331,000	243,000	-	-
Total non-current liabilities		3,610,812	7,370,965	10,434,621	-	-

Statements of Financial Position
As At 31 December 2017 (Cont'd)

		Group			Company	
		2017	2016	2015	2017	2016
	Note	RM	RM	RM	RM	RM
			(restated)	(restated)		
Current liabilities						
Loan and borrowings	16	2,771,897	6,954,524	13,813,015	-	-
Trade and other payables	17	25,665,340	28,128,985	24,693,610	59,500	78,511
Current tax liabilities		2,596,973	4,090,807	4,125,569	-	-
Total current liabilities		31,034,210	39,174,316	42,632,194	59,500	78,511
TOTAL LIABILITIES		34,645,022	46,545,281	53,066,815	59,500	78,511
TOTAL EQUITY AND LIABILITIES		176,372,916	176,010,132	166,863,270	99,483,126	99,600,041

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

Statements of Comprehensive Income

For The Financial Year Ended 31 December 2017

		Group		Company	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
			(restated)		
Revenue	18	181,212,144	170,310,459	10,345,855	286,904
Other income	19	4,392,538	11,861,293	-	6,192,712
Changes in work-in-progress and finished goods		9,913,666	(6,649,999)	-	-
Raw materials consumed		(53,613,264)	(48,503,882)	-	-
Purchase of work-in-progress and finished goods		(12,805,139)	(13,604,036)	-	-
Depreciation and amortisation		(10,194,296)	(10,968,291)	-	-
Employees benefits expense	20	(46,706,409)	(41,487,598)	(277,500)	(296,500)
Other expenses		(38,888,644)	(24,816,350)	(650,258)	(389,038)
Total expenses		(152,294,086)	(146,030,156)	(927,758)	(685,538)
Operating profit		33,310,596	36,141,596	9,418,097	5,794,078
Finance costs	21	(523,090)	(884,088)	-	-
Profit before tax	22	32,787,506	35,257,508	9,418,097	5,794,078
Income tax expense	23	(6,745,177)	(8,224,410)	-	(12,474)
Profit for the financial year		26,042,329	27,033,098	9,418,097	5,781,604
Other comprehensive income, net of tax					
Items that may be reclassified subsequently to profit or loss					
Exchange difference on translation of foreign operations		(4,263,285)	955,296	-	-
Reclassification adjustment on dissolution of foreign operation		-	(3,708,451)	-	-
Other comprehensive income for the year		(4,263,285)	(2,753,155)	-	-
Total comprehensive income for the financial year		21,779,044	24,279,943	9,418,097	5,781,604
Earnings per share attributable to owners of the Company (sen):					
Basic	24	15.61	15.78		
Diluted	24	15.61	15.78		

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

Statements of Changes in Equity
For The Financial Year Ended 31 December 2017

		Attributable to owners of the Company					
				Non-distributable		*Distributable*	
				Currency	**Reverse**		
		Share	**Treasury**	**Translation**	**Acquisition**	**Retained**	**Total**
	Note	**Capital**	**Shares**	**Reserve**	**Reserve**	**Profits**	**Equity**
Group		**RM**	**RM**	**RM**	**RM**	**RM**	**RM**
At 1 January 2016							
- as previously stated		87,735,185	-	11,627,051	(24,110,002)	40,190,262	115,442,496
- retrospective adjustments	**31**	-	-	-	-	(1,646,041)	(1,646,041)
- as restated		87,735,185	-	11,627,051	(24,110,002)	38,544,221	113,796,455
Total comprehensive income for the financial year							
Profit for the financial year		-	-	-	-	27,112,593	27,112,593
- retrospective adjustments	**31**	-	-	-	-	(79,495)	(79,495)
Other comprehensive income for the financial year		-	-	(2,753,155)	-	-	(2,753,155)
		-	-	(2,753,155)	-	27,033,098	24,279,943
Transactions with owners							
Purchases of own shares		-	(5,011,619)	-	-	-	(5,011,619)
Dividends	**25**	-	-	-	-	(3,599,928)	(3,599,928)
		-	(5,011,619)	-	-	(3,599,928)	(8,611,547)
At 31 December 2016		87,735,185	(5,011,619)	8,873,896	(24,110,002)	61,977,391	129,464,851
At 1 January 2017							
- as previously stated		87,735,185	(5,011,619)	8,873,896	(24,110,002)	63,702,927	131,190,387
- retrospective adjustments	**31**	-	-	-	-	(1,725,536)	(1,725,536)
- as restated		87,735,185	(5,011,619)	8,873,896	(24,110,002)	61,977,391	129,464,851
Total comprehensive income for the financial year							
Profit for the financial year		-	-	-	-	26,042,329	26,042,329
Other comprehensive income for the financial year		-	-	(4,263,285)	-	-	(4,263,285)
		-	-	(4,263,285)	-	26,042,329	21,779,044
Transactions with owners							
Purchases of own shares		-	(340,987)	-	-	-	(340,987)
Dividends	**25**	-	-	-	-	(9,175,014)	(9,175,014)
		-	(340,987)	-	-	(9,175,014)	(9,516,001)
At 31 December 2017		87,735,185	(5,352,606)	4,610,611	(24,110,002)	78,844,706	141,727,894

Statements of Changes in Equity
For The Financial Year Ended 31 December 2017 (cont'd)

		Attributable to owners of the Company		Distributable	
	Note	Share Capital	Treasury Shares	Retained Profits	Total Equity
Company		**RM**	**RM**	**RM**	**RM**
At 1 January 2016		87,735,185	-	14,616,288	102,351,473
Total comprehensive income for the financial year					
Profit for the financial year		-	-	5,781,604	5,781,604
Transactions with owners					
Purchase of own shares		-	(5,011,619)	-	(5,011,619)
Dividends	**25**	-	-	(3,599,928)	(3,599,928)
		-	(5,011,619)	(3,599,928)	(8,611,547)
At 31 December 2016		87,735,185	(5,011,619)	16,797,964	99,521,530
Total comprehensive income for the financial year					
Profit for the financial year		-	-	9,418,097	9,418,097
Transactions with owners					
Purchase of own shares		-	(340,987)	-	(340,987)
Dividends	**25**	-	-	(9,175,014)	(9,175,014)
		-	(340,987)	(9,175,014)	(9,516,001)
At 31 December 2017		87,735,185	(5,352,606)	17,041,047	99,423,626

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

Statements of Cash Flows
For The Financial Year Ended 31 December 2017

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
		(restated)		
CASH FLOWS FROM OPERATING ACTIVITIES:-				
Profit before tax	32,787,506	35,257,508	9,418,097	5,794,078
Adjustments for:-				
Depreciation for:-				
- Property, plant and equipment	9,634,410	10,968,291	-	-
- Investment properties	549,525	-	-	-
Amortisation for club memberships	10,361	-	-	-
Gain on dissolution of subsidiaries	-	(3,708,451)	-	(6,192,712)
Impairment loss on:-				
- Trade receivables	1,272,564	86,246	-	-
- Other receivables	8,315	-	-	-
- Club memberships	19,000	-	-	-
- Property, plant and equipment	-	338,881	-	-
Interest expense	523,090	884,088	-	-
Interest income	(704,193)	(616,167)	(345,855)	(286,904)
Inventories written off	446,849	576,502	-	-
(Gain)/Loss on disposal of property, plant and equipment	(539,007)	288,520	-	-
Property, plant and equipment written off	-	19,787	-	-
Reversal of impairment loss on:-				
- Trade receivables	(235,271)	(1,105,263)	-	-
- Other receivables	-	(59,340)	-	-
Reversal of inventories written off	-	(1,216,035)	-	-
Unrealised gain/(loss) on foreign exchange	1,987,936	(447,406)	-	-
Dividend receivable	-	-	(10,000,000)	-
Operating profit/(loss) before changes in working capital	45,761,085	41,267,161	(927,758)	(685,538)
Changes in working capital:-				
Inventories	(13,068,505)	6,108,793	-	-
Trade and other receivables	789,750	(715,748)	(24,559)	11,647
Trade and other payables	(1,823,327)	6,944,782	(19,011)	48,111
Net cash flows generated from/(used in) operations	31,659,003	53,604,988	(971,328)	(625,780)
Income tax paid	(10,061,877)	(7,124,004)	-	(282,154)
Interest paid	(126,082)	(110,080)	-	-
Interest received	261,213	237,279	84,833	-
Net cash flows generated from/(used in) operating activities	21,732,257	46,608,183	(886,495)	(907,934)

Statements of Cash Flows

For The Financial Year Ended 31 December 2017 (Cont'd)

	Note	Group 2017 RM	Group 2016 RM (restated)	Company 2017 RM	Company 2016 RM
CASH FLOWS FROM INVESTING ACTIVITIES:-					
Capital distribution from subsidiaries		-	-	-	376,541
Interest received		442,980	378,888	261,022	286,904
Net repayment from subsidiaries		-	-	9,494,053	20,414,689
Investment in:-					
Club memberships		(60,897)	-	-	-
Other investments		(3,386,328)	-	(3,386,328)	-
Proceeds from disposal of property, plant and equipment		1,604,704	66,314	-	-
Purchase of property, plant and equipment	**(a)**	(5,267,440)	(2,474,981)	-	-
Net cash flows (used in)/generated from investing activities		(6,666,981)	(2,029,779)	6,368,747	21,078,134
CASH FLOWS FROM FINANCING ACTIVITIES:-					
Dividend paid		(9,175,014)	(7,109,335)	(9,175,014)	(7,109,335)
Interest paid		(397,008)	(774,008)	-	-
Net decrease in short terms loans and borrowings		-	(7,315,983)	-	-
Purchase of own shares		(340,987)	(5,011,619)	(340,987)	(5,011,619)
Repayment of finance lease liabilities	**(b)**	(2,080,985)	(3,524,686)	-	-
Repayment of term loans	**(b)**	(2,301,804)	(3,060,663)	-	-
Net cash flows used in financing activities		(14,295,798)	(26,796,294)	(9,516,001)	(12,120,954)
Net change in cash and cash equivalents		769,478	17,782,110	(4,033,749)	8,049,246
Cash and cash equivalents at the beginning of the financial year		39,225,819	24,196,864	8,885,016	835,770
Effects of exchange rate changes on cash and cash equivalents		(4,353,363)	(2,753,155)	-	-
Cash and cash equivalents at the end of the financial year	13	35,641,934	39,225,819	4,851,267	8,885,016

Statements of Cash Flows
For The Financial Year Ended 31 December 2017 (Cont'd)

(a) During the financial year, the Group made the following cash payments to the purchase on property, plant and equipment:-

		Group	
		2017	**2016**
	Note	**RM**	**RM**
Purchase of property, plant and equipment	**5**	5,267,440	3,178,787
Financed by way of finance lease arrangements		-	(703,806)
Cash payments on purchase of property, plant and equipment		5,267,440	2,474,981

(b) Changes in liabilities arising from financing activities:-

		1 January	**Cash**	**Acquisition/**	**31 December**
		2017	**Flows**	**Disposal**	**2017**
	Note	**RM**	**RM**	**RM**	**RM**
Term loans	**16**	6,004,339	(2,301,804)	-	3,702,535
Finance lease liabilities	**16**	4,374,136	(2,080,985)	-	2,293,151
		10,378,475	(4,382,789)	-	5,995,686

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

Notes to the Financial Statements
For The Financial Year Ended 31 December 2017

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at 57-G, Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang. The principal place of business are located at 19, Hilir Sungai Keluang 2, Taman Perindustrian Bayan Lepas, Fasa IV, 11900 Bayan Lepas, Penang.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 7 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 16 March 2018.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The financial statements of the Group and the Company have been prepared in accordance with the Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

2.2 Basis of Measurement

The financial statements of the Group and the Company have been prepared on the historical cost basis, except as otherwise disclosed in Note 3 to the financial statements.

2.3 Use of Estimates and Judgement

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported period. It also requires directors to exercise their judgement in the process of applying the Group’s and the Company’s accounting policies. Although these estimates and judgements are based on the directors’ best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4 to the financial statements.

2.4 Functional and Presentation Currency

The individual financial statements of each entity in the Group are measure using the currency of the primary economic environment in which they operates (“the functional currency”). The consolidated financial statements are presented in Ringgit Malaysia (“RM”), which is also the Company’s functional currency, and has been rounded to the nearest RM, unless otherwise stated.

2.5 Adoption of amendments/improvements to MFRSs

The Group and the Company have adopted the following amendments/improvements to MFRSs that are mandatory for the current financial year:

Amendments/Improvements to MFRSs	
MFRS 12	Disclosure of Interest in Other Entities
MFRS 107	Statement of Cash Flows
MFRS 112	Income Taxes

Notes to the Financial Statements
For The Financial Year Ended 31 December 2017 (Cont'd)

2. BASIS OF PREPARATION (cont'd)

2.5 Adoption of amendments/improvements to MFRSs (cont'd)

The adoption of the above amendments/improvements to MFRSs did not have any significant effect on the financial statements of the Group and of the Company, and did not result in significant changes to the Group's and the Company's existing accounting policies.

2.6 New MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") that have been issued, but yet to be effective

The Group and the Company have not adopted the following new MFRSs, amendments/improvements to MFRSs and new IC Int that have been issued, but yet to be effective:

		Effective for financial periods beginning on or after
New MFRSs		
MFRS 9	Financial Instruments	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
MFRS 16	Leases	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
Amendments/Improvements to MFRSs		
MFRS 1	First-time adoption of MFRSs	1 January 2018
MFRS 2	Share-based Payment	1 January 2018
MFRS 3	Business Combinations	1 January 2019
MFRS 4	Insurance Contracts	1 January 2018
MFRS 9	Financial Instruments	1 January 2019
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 11	Joint Arrangement	1 January 2019
MFRS 112	Income Taxes	1 January 2019
MFRS 123	Borrowings Costs	1 January 2019
MFRS 128	Investments in Associates and Joint Ventures	1 January2018/ 1 January 2019/ Deferred
MFRS 140	Investment Property	1 January 2018
New IC Int		
IC Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
IC Int 23	Uncertainty over Income Tax Treatments	1 January 2019

The Group and the Company plan to adopt the above applicable new MFRSs, amendments/improvements to MFRSs and new IC Int when they become effective. A brief discussion on the above significant new MFRSs, amendments/improvements to MFRSs and new IC Int are summarized below.

2. BASIS OF PREPARATION (cont'd)

2.6 New MFRSs and amendments/improvements to MFRSs that have been issued, but yet to be effective (cont'd)

MFRS 9 Financial Instruments

Key requirements of MFRS 9:-

- MFRS 9 introduces an approach for classification of financial assets which is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments.

  In essence, if a financial asset is a simple debt instrument and the objective of the entity's business model within which it is held is to collect its contractual cash flows, the financial asset is measured at amortised cost. In contrast, if that asset is held in a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets, then the financial asset is measured at fair value in the statements of financial position, and amortised cost information is provided through profit or loss. If the business model is neither of these, then fair value information is increasingly important, so it is provided both in the profit or loss and in the statements of financial position.

- MFRS 9 introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, this Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. The model requires an entity to recognise expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of financial instruments. This model eliminates the threshold for the recognition of expected credit losses, so that it is no longer necessary for a trigger event to have occurred before credit losses are recognised.

- MFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements. In addition, as a result of these changes, users of the financial statements will be provided with better information about risk management and the effect of hedge accounting on the financial statements.

MFRS 15 Revenue from Contracts with Customers

The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:

(i) identify the contracts with a customer;
(ii) identify the performance obligation in the contract;
(iii) determine the transaction price;
(iv) allocate the transaction price to the performance obligations in the contract;
(v) recognise revenue when (or as) the entity satisfies a performance obligation.

MFRS 15 also includes new disclosures that would result in an entity providing users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

2. BASIS OF PREPARATION (cont'd)

2.6 New MFRSs and amendments/improvements to MFRSs that have been issued, but yet to be effective (cont'd)

MFRS 15 Revenue from Contracts with Customers (cont'd)

The following MFRSs and IC Interpretations will be withdrawn on the application of MFRS 15:

MFRS 111	Construction Contracts
MFRS 118	Revenue
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 15	Agreements for the Construction of Real Estate
IC Interpretation 18	Transfers of Assets from Customers
IC Interpretation 131	Revenue – Barter Transactions Involving Advertising Services

MFRS 16 Leases

Currently under MFRS 117 *Leases*, leases are classified either as finance leases or operating leases. A lessee recognises on its statement of financial position assets and liabilities arising from the finance leases.

MFRS 16 eliminates the distinction between finance and operating leases for lessees. All leases will be brought onto its statement of financial position except for short-term and low value asset leases.

Amendments to MFRS 3 Business Combinations and MFRS 11 Joint Arrangements

Amendments to MFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. Amendments to MFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

Amendments to MFRS 9 Financial Instruments

Amendments to MFRS 9 allow companies to measure prepayable financial assets with negative compensation at amortised cost or at fair value through other comprehensive income if certain conditions are met.

The amendments also clarify that when a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss should be recognised in profit or loss.

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures

These amendments address an acknowledged inconsistency between the requirements in MFRS 10 and those in MFRS 128, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business, as defined in MFRS 3. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business.

Amendments to MFRS 112 Income Taxes

Amendments to MFRS 112 clarify that an entity recognises the income tax consequences of dividends in profit or loss because income tax consequences of dividends are linked more directly to past transactions than to distributions to owners, except if the tax arises from a transaction which is a business combination or is recognised in other comprehensive income or directly in equity.

Notes to the Financial Statements
For The Financial Year Ended 31 December 2017 (Cont'd)

2. BASIS OF PREPARATION (cont'd)

2.6 New MFRSs and amendments/improvements to MFRSs that have been issued, but yet to be effective (cont'd)

Amendments to MFRS 123 Borrowing Costs

Amendments to MFRS 123 clarify that when a qualifying asset is ready for its intended use or sale, an entity treats any outstanding borrowing made specifically to obtain that qualifying asset as part of general borrowings.

Amendments to MFRS 140 Investment Property

Amendments to MFRS 140 clarify that to transfer to, or from, investment properties there must be evidence of a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition of investment property. A change in intention, in isolation, does not provide evidence of a change in use.

The amendments also clarify that the list of circumstances that evidence a change in use is not exhaustive.

IC Int 22 Foreign Currency Transactions and Advance Consideration

IC Int 22 clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

IC Int 23 Uncertainty over Income Tax Treatments

IC Int 23 clarifies that where there is uncertainty over income tax treatments, an entity shall:

(a) assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations.
(b) reflect the effect of uncertainty in determining the related tax position (using either the most likely amount or the expected value method) if it concludes it is not probable that the taxation authority will accept an uncertain tax treatment.

2.6.1 The Group is currently performing a detailed analysis to determine the election of the practical expedients and to quantify the financial effects arising from the adoption of the new MFRSs, amendments/improvements to MFRSs and new IC Int.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently to all the financial years presented in the financial statements of the Group and of the Company.

3.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries and associates used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

(a) Subsidiaries and business combination

Subsidiaries are entities over which the Group is exposed, or has rights, to variable returns from its involvement with the acquirees and has the ability to affect those returns through its power over the acquirees.

The financial statements of subsidiaries are included in the consolidated financial statements from the date the Group obtains control of the acquirees until the date the Group loses control of the acquirees.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 Basis of consolidation (cont'd)

(a) Subsidiaries and business combination (cont'd)

The Group applies the acquisition method to account for business combinations from the acquisition date.

For a new acquisition, goodwill is initially measured at cost, being the excess of the following:-

- the fair value of the consideration transferred, calculated as the sum of the acquisition-date fair value of assets transferred (including contingent consideration), the liabilities incurred to former owners of the acquiree and the equity instruments issued by the Group. Any amounts that relate to pre-existing relationships or other arrangements before or during the negotiations for the business combination, that are not part of the exchange for the acquiree, will be excluded from the business combination accounting and be accounted for separately; plus
- the recognised amount of any non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date (the choice of measurement basis is made on an acquisition-by-acquisition basis); plus
- if the business combination is achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree; less
- the net fair value of the identifiable assets acquired and the liabilities assumed at the acquisition date.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

If the business combination is achieved in stages, the Group remeasures the previously held equity interest in the acquiree to its acquisition-date fair value, and recognises the resulting gain or loss, if any, in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss or transferred directly to retained earnings on the same basis as would be required if the acquirer had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Group uses provisional fair value amounts for the items for which the accounting is incomplete. The provisional amounts are adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date, including additional assets or liabilities identified in the measurement period. The measurement period for completion of the initial accounting ends as soon as the Group receives the information it was seeking about facts and circumstances or learns that more information is not obtainable, subject to the measurement period not exceeding one year from the acquisition date.

Upon the loss of control of subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any gain or loss arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an associate, joint venture, an available-for-sale financial asset or a held for trading financial asset.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the Group's share of net assets before and after the change, and the fair value of the consideration received or paid, is recognised directly in equity.

(b) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 Basis of consolidation (cont'd)

(b) Transactions eliminated on consolidation (cont'd)

Unrealised gains arising from transactions with equity-accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 Separate financial statements

In the Company's statement of financial position, investments in subsidiaries and associates are measured at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs. The policy for the recognition and measurement of impairment losses shall be applied on the same basis as would be required for impairment of non-financial assets as disclosed in Note 3.10(b) to the financial statements.

3.3 Foreign currency transactions

(a) Translation of foreign currency transactions

Foreign currency transactions are translated to the respective functional currencies of the Group entities using the exchange rates prevailing at the dates of the transactions.

At the end of each reporting date, monetary items denominated in foreign currencies are retranslated at the exchange rates prevailing at the reporting date.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the dates the fair values were determined. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated at the historical rates as at the dates of the initial transactions.

Foreign exchange differences arising on settlement or retranslation of monetary items are recognised in profit or loss except for monetary items that are designated as hedging instruments in either a cash flow hedge or a hedge of the Group's net investment of a foreign operation. When settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences are recognised in profit or loss in the separate financial statements of the parent company or the individual financial statements of the foreign operation. In the consolidated financial statements, the exchange differences are considered to form part of a net investment in a foreign operation and are recognised initially in other comprehensive income until its disposal, at which time, the cumulative amount is reclassified to profit or loss.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e.translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

(b) Translation of foreign operations

The assets and liabilities of foreign operations denominated in the functional currency different from the presentation currency, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated at exchange rates at the dates of the transactions.

Exchange differences arising on the translation are recognised in other comprehensive income. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.3 Foreign currency transactions (cont'd)

(b) Translation of foreign operations (cont'd)

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in foreign exchange translation reserves related to that foreign operation is reclassified to profit or loss. For a partial disposal not involving loss of control of a subsidiary that includes a foreign operation, the proportionate share of cumulative amount in foreign exchange translation reserve is reattributed to non-controlling interests. For partial disposals of associates or joint ventures that do not result in the Group losing significant influence or joint control, the proportionate share of the cumulative amount in foreign exchange translation reserve is reclassified to profit or loss.

3.4 Financial instruments

Financial instruments are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contract provisions of the financial instrument.

Financial instruments are recognised initially at fair value, except for financial instruments not measured at fair value through profit or loss, they are measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instruments.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

(a) Subsequent measurement

The Group and the Company categorise the financial instruments as follows:-

(i) Financial assets

Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss when the financial assets are either held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or are designated into this category upon initial recognition.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value with the gain or loss recognised in profit or loss.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at costs.

Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.10(a) to the financial statements. Gains and losses are recognised in profit or loss through the amortisation process.

Notes to the Financial Statements
For The Financial Year Ended 31 December 2017 (Cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.4 Financial instruments (cont'd)

(a) Subsequent measurement (cont'd)

The Group and the Company categorise the financial instruments as follows:- (cont'd)

(i) Financial assets (cont'd)

Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.10(a) to the financial statements. Gains and losses are recognised in profit or loss through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets comprise investment in equity and debt securities that are designated as available-for-sale or are not classified in any of the three preceding categories.

Subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair values hedges which are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group’s and the Company’s right to receive payment is established.

Unquoted equity instruments carried at cost

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.10(a) to the financial statements.

(ii) Financial liabilities

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities designated into this category upon initial recognition.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value with the gain or loss recognised in profit or loss.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

Other financial liabilities

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss through the amortisation process.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.4 Financial instruments (cont'd)

(b) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

(c) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting (i.e. the date the Group and the Company themselves purchase or sell an asset). Trade date accounting refers to:

(i) the recognition of an asset to be received and the liability to pay for it on the trade date; and

(ii) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(d) Derecognition

A financial asset or a part of it is derecognised when, and only when, the contractual rights to receive the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(e) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

3.5 Property, plant and equipment

(a) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition of measurement of impairment losses is in accordance with Note 3.10(b) to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.5 Property, plant and equipment (Cont'd)

(a) Recognition and measurement (Cont'd)

Cost of assets includes expenditures that are directly attributable to the acquisition of the asset and any other costs that are directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes cost of materials, direct labour, and any other direct attributable costs but excludes internal profits. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs in Note 3.15 to the financial statements.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(b) Subsequent cost

The cost of replacing a part of an item of property, plant and equipment is included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the part will flow to the Group or the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss as incurred.

(c) Depreciation

Leasehold land is depreciated on straight-line basis over the lease terms of 38 to 57 years. All other property, plant and equipment are depreciated on 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 values, depreciation method and useful lives of property, plant and equipment are reviewed, and adjusted as appropriate. Any changes in expectations from previous estimates are accounted for prospectively as changes in accounting estimates.

Fully depreciated assets are retained in the accounts until the assets are no longer in use.

(d) Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognised in profit or loss.

3.6 Investment properties

Investment properties are properties held to earn rental income or for capital appreciation or both.

Investment properties are initially measured at cost, including transaction costs. The Group uses the cost model to measure its investment properties after initial recognition. Accordingly, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.10(b) to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.6 Investment properties (cont'd)

Leasehold land is depreciated on a straight-line basis over the lease term of 38 years. Buildings are depreciated on a straight-line basis over their estimated useful lives of 15 years.

Cost includes purchase price and any directly attributable costs incurred to bring the property to its present location and condition intended for use as an investment property. The cost of a self-constructed investment property includes the cost of material, direct labour and any other direct attributable costs. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs in Note 3.15 to the financial statements.

An investment property is derecognised on their disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gains and losses arising from derecognition of the asset is recognised in the profit or loss.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property carried at fair value to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, any difference arising on the date of change in use between the carrying amount of the item immediately prior to the transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment.

3.7 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases that do not meet this criterion are classified as operating leases.

(a) Lessee accounting

If an entity in the Group is a lessee in a finance lease, it capitalises the leased asset and recognises the related liability. The amount recognised at the inception date is the fair value of the underlying leased asset or, if lower, the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that assets.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are charged as expenses in the periods in which they are incurred.

The capitalised leased asset is classified by nature as property, plant and equipment.

For operating leases, the Group does not capitalise the leased asset or recognise the related liability. Instead lease payments under an operating lease are recognised as an expense on the straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

Any upfront lease payments are classified as land use rights within intangible assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.7 Leases (cont'd)

(b) Lessor accounting

If an entity in the Group is a lessor in a finance lease, it derecognises the underlying asset and recognises a lease receivable at an amount equal to the net investment in the lease. Finance income is recognised in profit or loss based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

If an entity in the Group is a lessor in an operating lease, the underlying asset is not derecognised but is presented in the statements of financial position according to the nature of the asset. Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

3.8 Investment in club memberships

Investments in club memberships are stated at cost less impairment losses, if any. The impairment policy is disclosed in Note 3.10(b) to the financial statements.

3.9 Inventories

Inventories of materials and goods are measured 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 the estimated costs necessary to make the sale.

3.10 Impairment of assets

(a) Impairment and uncollectibility of financial assets

At each reporting date, all financial assets (except for financial assets categorised as fair value through profit or loss and investment in subsidiaries) are assessed whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognised.

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

<u>Loans and receivables and held-to-maturity investments</u>

The Group and the Company first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If there is no objective evidence for impairment exists for an individually assessed financial asset, whether significant or not, the Group and the Company include the financial asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Financial assets that are individually assessed for impairment for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.10 Impairment of assets (cont'd)

(a) Impairment and uncollectibility of financial assets (cont'd)

Loans and receivables and held-to-maturity investments (cont'd)

The amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced through the use of an allowance account and the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases due to an event occurring after the impairment that was recognised, the previously recognised impairment loss is then reversed by adjusting an allowance account to the extent that the carrying amount of the financial asset does not exceed what the amortised cost would have been had the impairment not been recognised.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group and the Company. If a write-off is later recovered, the recovery is credited to the profit or loss.

Available-for-sale financial assets

In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment. The Group and the Company use their judgement to determine what is considered as significant or prolonged decline, evaluating past volatility experiences and current market conditions.

Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognised. The amount of cumulative loss that is reclassified from equity to profit or loss shall be the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss.

Impairment losses on available-for-sale equity investments are not reversed through profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss, is recognised in other comprehensive income.

For available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to a loss event occurring after the recognition of the impairment loss in profit or loss.

Unquoted equity instruments carried at cost

In the case of unquoted equity instruments carried at cost, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.10 Impairment of assets (cont'd)

(b) Impairment of non-financial assets

The carrying amounts of non-financial assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the Group and the Company make an estimate of the asset's recoverable amount.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of non-financial assets or cash-generating units ("CGUs").

The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Where the carrying amount of an asset exceed its recoverable amount, the carrying amount of asset is reduced to its recoverable amount.

Impairment losses are recognised in profit or loss.

For other assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

3.11 Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand, bank balances and deposits and other short-term, highly liquid investments with a maturity of three months or less, that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are presented net of bank overdrafts.

3.12 Share capital

(a) Ordinary shares

Ordinary shares are equity instruments. An equity instrument is a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(b) Treasury shares

When share capital recognised as equity is repurchased, the amount of consideration paid is recognised directly in equity. Repurchased shares that have not been cancelled including any attributable transaction costs are classified as treasury shares and presented as a deduction from total equity.

Notes to the Financial Statements
For The Financial Year Ended 31 December 2017 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.12 Share capital (cont'd)

(b) Treasury shares (cont'd)

When treasury shares are sold or reissued subsequently, the difference between the sales consideration and the carrying amount is presented as a movement in equity.

3.13 Employee benefits

(a) Short-term employee benefits

Short-term employee benefit obligations in respect of wages, salaries, social security contributions, annual bonuses, paid annual leave, sick leave and non-monetary benefits are recognised as an expense in the financial year where the employees have rendered their services to the Group.

(b) Defined contribution plans

As required by law, the Group and the Company contribute to the Employees Provident Fund ("EPF"), the national defined contribution plan. The Group's foreign subsidiaries make contributions to their respective countries' statutory pension schemes. Such contributions are recognised as an expense in the profit or loss in the period in which the employees render their services.

3.14 Revenue and other income

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of discounts, rebates, returns and taxes.

(a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Dividend income

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

(d) Rental income

Rental income from investment property is recognised on a straight-line basis over the term of the lease. Lease incentive granted is recognised as an integral part of the total rental income, over the term of the lease.

3.15 Borrowing costs

Borrowing costs are interests and other costs that the Group incurs in connection with borrowing of funds.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.15 Borrowing costs (cont'd)

The Group and the Company begin capitalising borrowing costs when the Group and the Company have incurred the expenditures for the asset, incurred related borrowing costs and undertaken activities that are necessary to prepare the asset for its intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

3.16 Taxes

(a) Income tax

Income tax expense in profit or loss comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

(i) Current tax

Current tax is the expected taxes payable or receivable on the taxable income or loss for the financial year, using the tax rates that have been enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

(ii) Deferred tax

Deferred tax is recognised using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the statements of financial position. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unutilised 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 is not recognised if the temporary differences arise from the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal timing of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Notes to the Financial Statements
For The Financial Year Ended 31 December 2017 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.16 Taxes (cont'd)

(a) Income tax (cont'd)

(ii) Deferred tax (cont'd)

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle their income tax recoverable and income tax payable on a net basis or their tax assets and liabilities will be realised simultaneously.

(b) Goods and services tax

Revenues, expenses and assets are recognised net of amount of goods and services tax ("GST") except:

- where the GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

3.17 Operating segment

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. Chief Executive Officer of the Group, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief operating decision-maker that makes strategic decisions.

3.18 Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as 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 measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For a non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.18 Fair value measurements (cont'd)

When measuring the fair value of an asset or a liability, the Group and the Company use observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:-

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group and the Company can access at the measurement date.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Unobservable inputs for the asset or liability.

There were no transfer between levels of the fair value hierarchy as of the date of the event or change in circumstances.

3.19 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group and of the Company.

Contingent liability is also referred as a present obligation that arises from past events but is not recognised because:-

(i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities and assets are not recognised in the statements of financial position.

3.20 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect in determining the amount recognised in the financial year include the following:

Impairment of trade receivables

At the end of each reporting period, the Group and the Company assess whether there is any objective evidence that trade receivables is impaired. Individually significant receivables are tested for impairment separately by estimating the cash flows expected to be recoverable. All others are grouped into credit risk classes and tested for impairment collectively, using the Group's and the Company's past experience of loss statistics, ageing of past due amounts and current economic trends. The actual eventual losses may be different from the impairment made and this may affect the Group's and the Company's financial position and results.

The carrying amounts of the Group's and the Company's receivables are disclosed in Note 12 to the financial statements.

Notes to the Financial Statements
For The Financial Year Ended 31 December 2017 (Cont'd)

5 PROPERTY, PLANT AND EQUIPMENT

Group	Note	Short-term leasehold land RM	Buildings RM	Plant and machinery RM	Furniture, fittings and office equipment RM	Renovation and electrical installation RM	Motor vehicles RM	Total RM
2017								
Cost								
At 1 January 2017		4,800,000	26,841,533	121,693,954	4,169,136	1,096,569	3,576,768	162,177,960
Additions		-	-	4,764,172	320,129	183,139	-	5,267,440
Disposals/Write-offs		-	-	(7,624,264)	(253,152)	-	-	(7,877,416)
Currency translation differences		-	(99,426)	(1,352,459)	(72,860)	(47,658)	(105,434)	(1,677,837)
At 31 December 2017		4,800,000	26,742,107	117,481,403	4,163,253	1,232,050	3,471,334	157,890,147
Accumulated Depreciation								
At 1 January 2017								
- as previously stated		1,621,052	17,171,471	92,881,093	2,331,671	476,775	2,045,503	116,527,565
- retrospective adjustments	31	-	125,196	1,525,267	32,413	6,585	36,075	1,725,536
At 1 January 2017		1,621,052	17,296,667	94,406,360	2,364,084	483,360	2,081,578	118,253,101
Depreciation charge for the financial year		84,210	1,530,931	7,172,950	377,712	198,223	270,384	9,634,410
Disposals/Write-offs		-	-	(6,558,567)	(253,152)	-	-	(6,811,719)
Currency translation differences		-	3,100	(342,939)	(44,618)	(22,208)	(34,547)	(441,212)
At 31 December 2017		1,705,262	18,830,698	94,677,804	2,444,026	659,375	2,317,415	120,634,580
Accumulated Impairment Loss								
At 1 January 2017/ 31 December 2017		-	-	682,184	-	-	-	682,184
Net carrying amount								
At 31 December 2017		3,094,738	7,911,409	22,121,415	1,719,227	572,675	1,153,919	36,573,383

5 **PROPERTY, PLANT AND EQUIPMENT (cont'd)**

Group	Note	Short-term leasehold land RM	Buildings RM	Plant and machinery RM	Furniture, fittings and office equipment RM	Renovation and electrical installation RM	Motor vehicles RM	Total RM
2016								
Cost								
At 1 January 2016		11,451,022	32,471,743	126,761,590	3,686,467	777,505	2,804,782	177,953,109
Additions		-	12,000	1,150,121	521,949	306,086	1,188,631	3,178,787
Disposals/Write-offs		-	-	(5,726,199)	(55,041)	-	(464,930)	(6,246,170)
Transfers to investment properties		(6,651,022)	(5,601,523)	-	-	-	-	(12,252,545)
Currency translation differences		-	(40,687)	(491,558)	15,761	12,978	48,285	(455,221)
At 31 December 2016		4,800,000	26,841,533	121,693,954	4,169,136	1,096,569	3,576,768	162,177,960
Accumulated Depreciation								
At 1 January 2016								
- as previously stated		2,115,192	16,604,781	90,862,350	1,979,729	303,888	2,230,045	114,095,985
- retrospective adjustments	31	-	115,658	1,460,523	31,432	6,262	32,166	1,646,041
- as restated		2,115,192	16,720,439	92,322,873	2,011,161	310,150	2,262,211	115,742,026
Depreciation charge for the financial year								
- as previously stated		257,715	1,878,319	7,976,570	340,977	164,145	271,070	10,888,796
- adjustments	31	-	9,538	64,744	981	323	3,909	79,495
- as restated		257,715	1,887,857	8,041,314	341,958	164,468	274,979	10,968,291
Disposals/Write-offs		-	-	(5,398,860)	(11,309)	-	(461,380)	(5,871,549)
Transfers to investment properties		(751,855)	(1,311,217)	-	-	-	-	(2,063,072)
Currency translation differences		-	(412)	(558,967)	22,274	8,742	5,768	(522,595)
At 31 December 2016		1,621,052	17,296,667	94,406,360	2,364,084	483,360	2,081,578	118,253,101
Accumulated Impairment Loss								
At 1 January 2016		-	-	343,303	-	-	-	343,303
Impairment loss for the financial year		-	-	338,881	-	-	-	338,881
At 31 December 2016		-	-	682,184	-	-	-	682,184
Net carrying amount								
At 31 December 2016		3,178,948	9,544,866	26,605,410	1,805,052	613,209	1,495,190	43,242,675

Notes to the Financial Statements
For The Financial Year Ended 31 December 2017 (Cont'd)

5 PROPERTY, PLANT AND EQUIPMENT (cont'd)

(a) Assets pledged as security

The carrying amounts of assets pledged as security for credit facilities granted with are as follows:-

	Group	
	2017	2016
	RM	RM
Short-term leasehold land	3,094,738	3,178,948
Buildings	5,308,222	6,602,173
	8,402,960	9,781,121

(b) Assets under finance leases

The carrying amounts of assets under a finance lease arrangements are as follows:

	Group	
	2017	2016
	RM	RM
Plant and machinery	4,940,153	6,644,548
Motor vehicles	465,396	1,143,977
	5,405,549	7,788,525

6. INVESTMENT PROPERTIES

Group	Short-term leasehold land RM	Buildings RM	Total RM
2017			
Cost			
At 1 January 2017/ 31 December 2017	6,651,022	5,601,523	12,252,545
Accumulated Depreciation			
At 1 January 2017	751,855	1,311,217	2,063,072
Depreciation charge for the financial year	173,505	376,020	549,525
At 31 December 2017	925,360	1,687,237	2,612,597
Net carrying amount			
At 31 December 2017	5,725,662	3,914,286	9,639,948

Notes to the Financial Statements
For The Financial Year Ended 31 December 2017 (Cont'd)

6. INVESTMENT PROPERTIES (cont'd)

	Short-term leasehold land RM	Buildings RM	Total RM
2016			
Cost			
At 1 January 2016	-	-	-
Transfers from property, plant and equipment	6,651,022	5,601,523	12,252,545
At 31 December 2016	6,651,022	5,601,523	12,252,545
Accumulated Depreciation			
At 1 January 2016	-	-	-
Transfers from property, plant and equipment	751,855	1,311,217	2,063,072
At 31 December 2016	751,855	1,311,217	2,063,072
Net carrying amount			
At 31 December 2016	5,899,167	4,290,306	10,189,473
Fair Value			
At 31 December 2017	11,915,539	6,229,561	18,145,100
At 31 December 2016	11,200,000	6,200,000	17,400,000

The short-term leasehold land and buildings have been pledged as security for credit facilities granted to the Group.

Fair value information

Fair value of investment properties is categorised as follows:

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Group				
2017				
Short-term leasehold land	-	11,915,539	-	11,915,539
Buildings	-	6,229,561	-	6,229,561
	-	18,145,100	-	18,145,100
2016				
Short-term leasehold land	-	11,200,000	-	11,200,000
Buildings	-	6,200,000	-	6,200,000
	-	17,400,000	-	17,400,000

6. INVESTMENT PROPERTIES (cont'd)

Level 2 fair value

The fair value for the investment properties is determined based on the directors' estimation using sales comparison approach. Sales price of comparable properties in the same location or close proximity are adjusted for differences in key attributes such as property size. The most significant input in this valuation approach is price per square foot of comparable properties.

In previous financial year, the fair value for the investment properties is determined based on an independent professional valuation using the sales comparison and cost method on 24 January 2017.

The following are recognised in profit or loss in respect of investment properties:

	Group 2017 RM	Group 2016 RM
Rental income	964,600	194,200
Direct operating expenses:	(9,804)	(105,577)
- non-income generating investment properties	954,796	88,623

7. INVESTMENT IN SUBSIDIARIES

	Company 2017 RM	Company 2016 RM
Unquoted shares - at cost	57,560,890	57,560,890
Accumulated impairment losses	(2,000,000)	(2,000,000)
	55,560,890	55,560,890

The details of the subsidiaries are as follows:-

Name of entities	Principal place of business/ country of incorporation	Effective ownership interest 2017 %	Effective ownership interest 2016 %	Principal activities
Dufu Industries Sdn. Bhd. ("DISB")	Malaysia	100%	100%	Design, development, manufacturing, assembly and trading of die components and precision machining of vice, computer peripherals and parts, for hard disk drive.
Dufusion Sdn. Bhd. ("DFS")	Malaysia	100%	100%	Design, research and development, manufacturing, assembly and trading of medicine components for orthopaedics.
Futron Technology Co., Ltd. * (甫丰五金电子有限公司)	People's Republic of China	100%	100%	Manufacture and trading of optics, magnetism driver and parts.
<u>Subsidiary of DISB</u>				
Dufu Industries Services Pte. Ltd. *	Singapore	100%	100%	Processing and trading of high quality computer disk-drive related components.

* *Audited by firms other than Messrs. Baker Tilly Monteiro Heng.*

Notes to the Financial Statements

For The Financial Year Ended 31 December 2017 (Cont'd)

8. INVESTMENT IN CLUB MEMBERSHIPS

	Group	
	2017	2016
	RM	RM
At Cost		
At 1 January	61,000	61,000
Addition during the year	60,897	-
Amortisation during the year	(10,361)	-
Impairment loss during the year	(19,000)	-
Currency translation	212	-
At 31 December	92,748	61,000

9. OTHER INVESTMENTS

	Group and Company	
	2017	2016
	RM	RM
Non-current:-		
Available-for-sale ("AFS") financial assets		
At cost		
Unquoted equity shares	6,144,000	-

During the financial year, the Group and the Company had invested in a company incorporated in Thailand, namely Superior Plating Technology (Thailand) Co., Ltd..

	Group and Company	
	2017	2016
	RM	RM
Current:-		
Financial assets at fair value through profit or loss		
At cost		
Unquoted money market fund	1,962,222	4,719,894

Other investments are funds invested mainly in money market and fixed income instruments and are managed by investment management company.

10. DEFERRED TAX ASSETS/ (LIABILITIES)

	At 1 January RM	Recognised in profit or loss RM	Currency translation RM	At 31 December RM
Group				
2017				
Deferred tax assets:				
Property, plant and equipment	-	106,000	-	106,000
Provisions	521,457	547,764	(11,520)	1,057,701
	521,457	653,764	(11,520)	1,163,701
Deferred tax liabilities:				
Property, plant and equipment	(2,640,065)	2,624,115	1,320	(14,630)
Other temporary differences	1,309,065	(1,309,065)	-	-
	(1,331,000)	1,315,050	1,320	(14,630)
2016				
Deferred tax assets:				
Provisions	529,349	(6,549)	(1,343)	521,457
	529,349	(6,549)	(1,343)	521,457
Deferred tax liabilities:				
Property, plant and equipment	(1,219,918)	(1,419,657)	(490)	(2,640,065)
Other temporary differences	976,918	332,147	-	1,309,065
	(243,000)	(1,087,510)	(490)	(1,331,000)

	Group	
	2017 RM	**2016 RM**
Presented after appropriate offsetting as follows:-		
Deferred tax assets	1,163,701	521,457
Deferred tax liabilities	(14,630)	(1,331,000)
	1,149,071	(809,543)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Unused tax losses	6,520,764	6,342,607	1,341,766	1,163,609
Unabsorbed capital allowances	490,260	1,182,507	-	-
Deductible temporary differences	2,784,644	79,551	-	-
	9,795,668	7,604,665	1,341,766	1,163,609

The availability of unused tax losses for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to no substantial changes in shareholdings of those subsidiaries under the Income Tax Act, 1967 and guidelines issued by the tax authority.

Notes to the Financial Statements
For The Financial Year Ended 31 December 2017 (Cont'd)

11. INVENTORIES

	Group 2017 RM	Group 2016 RM
At cost:-		
Raw materials	9,635,536	7,024,513
Work in progress	2,964,542	1,834,603
Finished goods	20,948,930	12,068,236
	33,549,008	20,927,352
Cost of inventories recognised as an expense in cost of sales	56,504,737	68,757,917

12. TRADE AND OTHER RECEIVABLES

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Trade receivables				
- Related party *	884,879	884,879	-	-
- Unrelated parties	48,625,048	51,734,817	-	-
	49,509,927	52,619,696	-	-
Less: Impairment loss for				
- Related party	(884,879)	(884,879)	-	-
- Unrelated parties	(1,342,038)	(304,745)	-	-
	(2,226,917)	(1,189,624)	-	-
	47,283,010	51,430,072	-	-
Other receivables				
- Subsidiaries	-	-	29,222,554	38,716,607
- Unrelated parties	3,629,760	3,117,147	-	-
- Interest receivable	24,559	-	24,559	-
- Dividend receivable	-	-	10,000,000	-
	3,654,319	3,117,147	39,247,113	38,716,607
Less: Impairment loss for				
- Subsidiaries	-	-	(8,282,366)	(8,282,366)
- Unrelated parties	(526,459)	(518,144)	-	-
	(526,459)	(518,144)	(8,282,366)	(8,282,366)
	3,127,860	2,599,003	30,964,747	30,434,241
Deposits	375,830	116,922	-	-
	50,786,700	54,145,997	30,964,747	30,434,241

** Being companies connected with certain former directors.*

12. TRADE AND OTHER RECEIVABLES (cont'd)

The foreign currencies exposure profiles of trade and other receivables are as follows:-

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Ringgit Malaysia	2,590,333	2,473,078	30,964,747	30,434,241
Renminbi	6,135,153	7,629,219	-	-
Singapore Dollar	740,030	700,283	-	-
US Dollar	41,007,602	43,087,175	-	-
Others	313,582	256,242	-	-
	50,786,700	54,145,997	30,964,747	30,434,241

Trade receivables are unsecured, non-interest bearing and the normal credit terms offered by the Group ranging from 30 days to 90 days (2016: 30 days to 90 days). Other credit terms are assessed and approved on a case by case basis.

Analysis on trade receivables

The Group only maintain an ageing analysis in respect of trade receivables.

The ageing analysis of the Group's trade receivables are as follows:-

	Group	
	2017	2016
	RM	RM
Neither past due nor impaired	46,334,106	45,372,160
Past due but not impaired		
1 - 30 past due not impaired	941,528	2,586,468
31 - 60 past due not impaired	7,376	1,842,399
61 - 90 past due not impaired	-	1,629,045
More than 91 days past due not impaired	-	-
	47,283,010	51,430,072
Impaired	2,226,917	1,189,624
	49,509,927	52,619,696

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. Most of the Group's trade receivables arise from long standing customers with the Group.

Included in trade receivables of the Group are amounts totalling of RM23,286,907 (2016: RM37,006,057) due from 3 (2016: 3) of its significant receivables.

Receivables that are past due but not impaired

The Group has not made any allowance for impairment for receivables that are past due but not impaired as there has not been a significant change in the credit quality of these receivables and the amounts due are still recoverable.

12. TRADE AND OTHER RECEIVABLES (cont'd)

Receivables that are past due but not impaired (cont'd)

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date the credit was initially granted up to the reporting date. The Group has policies in place to ensure that credit is extended only to customers with acceptable credit history and payment track records. Allowances for impairment are made on specific trade receivables when there is objective evidence that the Group will not be able to collect the amounts due.

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:-

	Individually impaired	
	Group	
	2017	**2016**
	RM	**RM**
Trade receivables - nominal amounts	2,226,917	1,189,624
Less: Impairment loss	(2,226,917)	(1,189,624)
	-	-

Movement in impairment:-

	Group	
	2017	**2016**
	RM	**RM**
Trade Receivables		
At 1 January	1,189,624	2,290,994
Impairment loss on trade receivables	1,272,564	86,246
Reversal of impairment loss	(235,271)	(1,105,263)
Written-off	-	(82,353)
At 31 December	2,226,917	1,189,624

	Group		**Company**	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Other Receivables				
At 1 January	518,144	577,484	8,282,366	8,282,366
Impairment loss	8,315	-	-	-
Reversal of impairment loss	-	(59,340)	-	-
At 31 December	526,459	518,144	8,282,366	8,282,366

Trade and other receivables that are individually impaired determined to be impaired at the reporting date relate to debtors that have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

Amount owing by subsidiaries is unsecured, non-interest bearing and is repayable on demand.

Notes to the Financial Statements
For The Financial Year Ended 31 December 2017 (Cont'd)

13. CASH, BANK BALANCES AND SHORT TERM DEPOSITS

		Group		Company	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
Fixed deposits placed with licensed banks		9,630,272	14,984,828	4,600,000	8,076,000
Cash on hand and at banks		26,384,055	26,857,005	251,267	809,016
Cash and bank balances		36,014,327	41,841,833	4,851,267	8,885,016
Less: Bank overdrafts	16	(372,393)	(2,616,014)	-	-
Cash and cash equivalents		35,641,934	39,225,819	4,851,267	8,885,016

The foreign currencies exposure profiles of cash, bank balances and short term deposits are as follows:-

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Ringgit Malaysia	11,206,783	18,685,497	4,851,267	8,885,016
Renminbi	8,377,736	5,094,747	-	-
Singapore Dollar	1,156,722	525,912	-	-
US Dollar	15,273,086	17,535,677	-	-
	36,014,327	41,841,833	4,851,267	8,885,016

The deposits of the Group and the Company earn interest at rates ranging from 1.70% to 3.80% (2016: 1.35% to 3.40%) per annum. Deposits of the Group and Company have maturity period of 90 days (2016: 90 days).

14. SHARE CAPITAL

	Group and Company			
	Number of Shares		Amount	
	2017	2016	2017	2016
	Unit	Unit	RM	RM
Authorised:				
At 31 December	-	200,000,000	-	100,000,000
Issued and fully paid up:				
At 1 January/31 December	175,470,370	175,470,370	87,735,185	87,735,185

The new Companies Act 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital.

The holder of ordinary shares (except treasury shares) are entitled to receive dividend as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regards to the Company's residual assets.

Notes to the Financial Statements
For The Financial Year Ended 31 December 2017 (Cont'd)

15. TREASURY SHARES

Treasury shares relate to ordinary shares of the Company that are repurchased and held by the Company. The Company's share buyback scheme was first approved by the Company's shareholders in the Extraordinary General Meeting held on 24 February 2016 for the Company's plan to purchase its own shares. The directors of the Company believe that the repurchase plan are applied in the best interests of the Company and its shareholders. The mandate for share buybacks was renewed in each subsequent Annual General Meeting of shareholders. The share repurchases made to date were financed by internally generated funds and are being held as treasury shares in accordance with the requirement of Section 127 of the Companies Act 2016 in Malaysia.

The details of the shares purchased from the open market using internally generated funds and held as treasury shares during the financial year as follows:-

	Group and Company			
	Number of Shares		Amount	
	2017	2016	2017	2016
	Unit	Unit	RM	RM
At 1 January	8,651,900	-	5,011,619	-
Share purchased	285,000	8,651,900	340,987	5,011,619
At 31 December	8,936,900	8,651,900	5,352,606	5,011,619
Average unit cost for the year			0.599	0.579

The number of outstanding shows in issue after excluding the treasury shares as at 31 December 2017 was 166,533,470 units (2016: 166,818,470 units).

16. LOANS AND BORROWINGS

		Group	
		2017	2016
	Note	RM	RM
Non-current:-			
Secured			
Term loans		2,633,561	3,701,463
Finance lease liabilities		962,621	2,338,502
Total non-current		3,596,182	6,039,965
Current:-			
Secured			
Term loans		1,068,974	2,302,876
Finance lease liabilities		1,330,530	2,035,634
Bank overdraft		372,393	2,616,014
Total current		2,771,897	6,954,524
Total loans and borrowings:-			
Term loans	**(i)**	3,702,535	6,004,339
Finance lease liabilities	**(ii)**	2,293,151	4,374,136
Bank overdraft	**(iii)**	372,393	2,616,014
Total loans and borrowings		6,368,079	12,994,489

16. LOANS AND BORROWINGS (cont'd)

The foreign currencies exposure profiles of loans and borrowings are as follows:-

	Group	
	2017	**2016**
	RM	**RM**
Ringgit Malaysia	6,170,661	12,705,627
US Dollar	197,418	288,862
	6,368,079	12,994,489

Effective interest rate per annum:-

	2017	**2016**
	%	**%**
Term loans (floating rate)	5.00 - 6.85	5.20 - 5.60
Finance lease liabilities (fixed rate)	4.84 - 7.84	4.81 - 7.84
Bank overdraft (floating rate)	7.80	7.35

(i) Term loans

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

	Group	
	2017	**2016**
	RM	**RM**
Gross loan installments:-		
Not later than one year	1,258,224	2,562,509
Later than one year and not later than five years	2,135,441	3,143,557
Later than five years	806,322	1,090,090
	4,199,987	6,796,156
Less: Future interest charges	(497,452)	(791,817)
Present value of term loans	3,702,535	6,004,339
Present value of term loans:-		
Not later than one year	1,068,974	2,302,876
Later than one year and not later than five years	1,557,785	2,718,213
Later than five years	1,075,776	983,250
	3,702,535	6,004,339
Less: Amount due within 12 months	(1,068,974)	(2,302,876)
Amount due after 12 months	2,633,561	3,701,463

16. LOANS AND BORROWINGS (cont'd)

(i) Term loans (cont'd)

Details of the term loans are as follows:-

		Group					
2017		**Term loan 1**	**Term loan 2**	**Term loan 3**	**Term loan 4**	**Term loan 5**	**Term loan 6**
Carrying amounts	**RM**	351,550	85,536	1,829,585	-	1,435,864	-
Monthly installments	**RM**	17,455	5,164	24,154	59,331	58,079	127,629
Tenure from the day of first drawndown	**Month**	120	180	180	180	180	60
Effective interest rates	**%**	5.70	5.70	5.50	6.72	6.85	5.00
Secured and supported by							
Property, plant and equipment	**RM**			8,402,960			-
Investment properties	**RM**	-	-	-	-	-	9,639,948
2016							
Carrying amounts	**RM**	536,286	141,170	2,013,883	134,806	2,036,859	1,141,335
Monthly installments	**RM**	17,455	5,164	24,154	59,331	58,079	127,629
Tenure from the day of first drawndown	**Month**	120	180	180	180	180	60
Effective interest rates	**%**	5.60	5.60	5.60	5.60	5.58	5.20
Secured and supported by							
Property, plant and equipment	**RM**			9,781,121			-
Investment properties	**RM**	-	-	-	-	-	10,189,473

16. LOANS AND BORROWINGS (cont'd)

(ii) Finance lease liabilities

Future minimum lease payments under finance leases together with the present value of net minimum lease payments are as follows:-

	Group	
	2017	**2016**
	RM	**RM**
Minimum lease payments:-		
Within one year	1,400,039	2,218,864
Later than one year and not later than two years	1,031,543	2,316,485
Later than two year and not later than five years	-	137,260
	2,431,582	4,672,609
Less: Future interest charges	(138,431)	(298,473)
Present value of minimum lease payments	2,293,151	4,374,136
Present value of minimum lease payments:-		
Within one year	1,330,530	2,035,634
Later than one year and not later than two years	962,621	2,207,140
Later than two year and not later than five years	-	131,362
	2,293,151	4,374,136
Less: Amount due within 12 months	(1,330,530)	(2,035,634)
Amount due after 12 months	962,621	2,338,502

The finance lease liabilities as effectively secured on the rights of the assets under finance lease.

(iii) Bank overdraft

The bank overdraft of the Group is secured by way of corporate guarantee by the Company and a subsidiary.

17. TRADE AND OTHER PAYABLES

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Trade payables				
- Related party*	-	49,205	-	-
- Unrelated parties	15,195,775	16,967,202	-	-
	15,195,775	17,016,407	-	-
Other payables				
- Director	62,140	136,888	-	-
- Other related party	-	27,312	-	-
- Unrelated parties	3,507,030	2,907,760	-	-
	3,569,170	3,071,960	-	-
Refundable deposits	399,200	253,400	-	-
Accruals	6,501,195	7,787,218	59,500	78,511
	25,665,340	28,128,985	59,500	78,511

** Being companies connected with a director.*

17. TRADE AND OTHER PAYABLES (cont'd)

The foreign currencies exposure profiles of trade and other payables are as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Ringgit Malaysia	11,850,642	14,385,565	59,500	78,511
Renminbi	5,673,348	4,859,244	-	-
Singapore Dollar	4,559,003	6,137,286	-	-
US Dollar	3,581,424	2,191,391	-	-
Others	923	555,499	-	-
	25,665,340	28,128,985	59,500	78,511

Trade payables are non-interest bearing and the normal credit terms available to the Company in respect of trade payables range from 30 to 120 days (2016: 30 to 120 days).

Other payables are unsecured and non-interest bearing. The amounts owing to director is repayable on demand. The amounts owing to other related party and unrelated parties mainly consist of sundry payables and accruals for operating expenses.

18. REVENUE

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Sale of goods	180,866,289	170,023,555	-	-
Dividend Income	-	-	10,000,000	-
Interest Income	345,855	286,904	345,855	286,904
	181,212,144	170,310,459	10,345,855	286,904

Notes to the Financial Statements

For The Financial Year Ended 31 December 2017 (Cont'd)

19. OTHER INCOME

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Interest income from fixed deposits	97,125	51,655	-	-
Interest income from current account	261,213	277,608	-	-
Compensation from former key member	-	2,749,071	-	-
Compensation from government	-	620,350	-	-
Subsidy from government	667,345	-	-	-
Rental income from investment properties	964,600	194,200	-	-
Reversal of impairment loss:-				
Trade receivables	235,271	1,105,263	-	-
Other receivables	-	59,340	-	-
Gain on disposal of subsidiaries	-	3,708,451	-	6,192,712
Gain on disposal of property, plant and equipment	539,007	21,939	-	-
Gain on foreign exchange:-				
- Realised	40,352	1,020,618	-	-
- Unrealised	-	447,406	-	-
Sales of scrap	1,558,785	1,401,964	-	-
Others	28,840	203,428	-	-
	4,392,538	11,861,293	-	6,192,712

20. EMPLOYEES BENEFITS EXPENSE

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Short-term employee benefits	44,686,186	39,516,782	277,500	296,500
Defined contribution plan	2,020,223	1,970,816	-	-
	46,706,409	41,487,598	277,500	296,500
Included in employee benefits expenses are:				
Directors of the Holding Company				
Directors' fee	225,000	241,000	225,000	241,000
Directors' other emolument	2,858,880	1,631,667	52,500	55,500
	3,083,880	1,872,667	277,500	296,500
Directors of the Subsidiaries				
Directors' other emolument	2,230,535	1,454,143	-	-
	2,230,535	1,454,143	-	-

Notes to the Financial Statements
For The Financial Year Ended 31 December 2017 (Cont'd)

21. FINANCE COSTS

	Group	
	2017	2016
	RM	RM
Interest expense on:		
- Short term finance interest	126,082	111,080
- Finance lease liabilities	200,363	351,687
- Term loan interest	196,645	421,321
	523,090	884,088

22. PROFIT BEFORE TAX

Other than disclosed elsewhere in the financial statements, the following items have been charged in arriving at profit before tax:-

	Group		Company	
	2017	2016	2017	2016
	RM	RM (restated)	RM	RM
Auditors' remuneration:-				
- current year	293,648	168,336	85,000	39,980
- prior year	30,497	30,152	48,260	5,000
Employee benefits expenses	46,706,409	41,487,598	277,500	296,500
Depreciation for:-				
- Property, plant and equipment	9,634,410	10,968,291	-	-
- Investment properties	549,525	-	-	-
Amortisation for club memberships	10,361	-	-	-
Impairment loss on:				
- Trade receivables	1,272,564	86,246	-	-
- Other receivables	8,315	-	-	-
Impairment loss for club memberships	19,000	-	-	-
Impairment loss on property, plant and equipment	-	338,881	-	-
Inventories written down	446,849	576,502	-	-
Loss on disposal of property, plant and equipment	-	310,459	-	-
Property, plant and equipment written off	-	19,787	-	-
Rental of motor vehicles	-	6,408	-	-
Rental of premises	105,815	144,030	-	-
Loss on foreign exchange				
- Realised	450,912	-	-	-
- Unrealised	1,987,936	-	-	-

23. INCOME TAX EXPENSE

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Current income tax:				
Taxation in Malaysia				
- Current income tax charge	(7,513,572)	(5,605,000)	-	-
- Prior year	249,683	338,464	-	(568)
	(7,263,889)	(5,266,536)	-	(568)
Taxation outside Malaysia				
- Current income tax charge	(1,500,189)	(1,801,866)	-	-
- Prior year	50,087	(50,043)	-	-
	(1,450,102)	(1,851,909)	-	-
Deferred tax:				
- Current income tax charge	1,245,538	(579,059)	-	-
- Prior year	723,276	(515,000)	-	-
	1,968,814	(1,094,059)	-	-
Real property gains tax:				
- Current income tax charge	-	-	-	-
- Prior year	-	(11,906)	-	(11,906)
	-	(11,906)	-	(11,906)
	(6,745,177)	(8,224,410)	-	(12,474)

The income tax is calculated at the statutory tax rate of 24% of the estimated taxable profit for the financial year.

The reconciliations from tax amount at the statutory income tax rate to the Group's and the Company's tax expense are as follows:-

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
		(restated)		
Profit before tax	32,787,506	35,257,508	9,418,097	5,794,078
Tax at Malaysian statutory income tax rate of 24%	(7,869,001)	(8,461,802)	(2,260,343)	(1,390,579)
Different tax rates in other countries	405,653	497,110	-	-
Adjustments:				
Income not subject to tax	1,071,569	1,078,329	2,419,996	1,486,251
Non-deductible expenses	(850,603)	(335,167)	(116,895)	(95,672)
Adjustment in respect of prior year	1,023,046	(238,485)	-	(12,474)
Reversal/(Origination) of deferred tax not recognised	(525,841)	(764,395)	(42,758)	-
	(6,745,177)	(8,224,410)	-	(12,474)

24. EARNINGS PER SHARE

(i) Basic earnings per ordinary share

Basic earnings per share are based on the profit for the financial year attributable to owners of the Company and the weighted average number of ordinary shares outstanding during the financial year, calculated as follows:-

	Group	
	2017	**2016**
	RM	**RM**
		(restated)
Profit for the financial year	26,042,329	27,033,098
Number of shares in issue at 1 January	166,818,470	175,470,370
Effect of shares purchased	(23,750)	(4,156,892)
Weighted average number of shares in issue	166,794,720	171,313,478
Basic earnings per share (sen)	15.61	15.78

(ii) Diluted earnings per ordinary share

There are no dilutive potential ordinary shares. As such, the diluted earnings per share of the Group is equivalent to basic earnings per share.

25. DIVIDENDS

	Group	
	2017	**2016**
	RM	**RM**
Recognised during the financial year:-		
Dividends on ordinary shares		
- Single tier final dividend for the financial year ended 31 December 2016, 3.5 sen (2015: 1.1 sen) per ordinary share, paid on 20 June 2017	5,838,645	1,917,704
- Single tier interim dividend for the financial year ended 31 December 2017, 2 sen (2016: 1 sen) per ordinary share, paid on 12 October 2017	3,336,369	1,682,224
	9,175,014	3,599,928

26. RELATED PARTIES

(a) Identify of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operational decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

Notes to the Financial Statements
For The Financial Year Ended 31 December 2017 (Cont'd)

26. RELATED PARTIES (cont'd)

(a) Identify of related parties (cont'd)

Related parties of the Group include:-

(i) Company's holding company;
(ii) Subsidiaries;
(iii) Entities in which directors have substantial financial interests; and
(iv) Key management personnel of the Group's and the Company's holding company, comprise of persons (including directors) having the authority and responsibility for planning, directing and controlling the activities directly or indirectly.

(b) Significant related party transactions

Significant related party transactions other than disclosed elsewhere in the financial statements are as follows:-

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Compensation from former Key Member	-	(2,749,071)	-	-
Entities in which certain former directors have substantial interests				
Receiving of services	-	(30,000)	-	-
Receiving of consultancy service	-	(320,000)	-	-
Entities in which certain directors have substantial interests				
Rental of premises received	(58,200)	(58,200)	-	-
Purchase of goods	255,183	365,829	-	-
Purchase of property, plant and equipment	-	66,038	-	-
Receiving of services	18,000	44,677	-	-
Transaction with subsidiary				
Dividend receivable	-	-	(10,000,000)	-

(c) Compensation of key management personnel

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Short-term employees benefits	5,031,187	3,121,724	277,500	296,500
Defined contribution plan	172,850	205,086	-	-
	5,204,037	3,326,810	277,500	296,500

Notes to the Financial Statements
For The Financial Year Ended 31 December 2017 (Cont'd)

27. CAPITAL AND OTHER COMMITMENTS

(i) Capital commitments

The Group has made commitments for the following capital expenditures:-

	Group 2017 RM	Group 2016 RM
Capital expenditures approved and contracted for:-		
- Plant and machinery	3,033,942	-

(ii) Operating lease commitments – as lessee

The Group leases number of equipment under operating leases for average lease term between one to five years, with option to renew the lease at the end of the lease term.

Future minimum rental payable under the non-cancellable operating lease at the reporting date is as follows:-

	Group 2017 RM	Group 2016 RM
Not later than one year	334,180	324,797
Later than one year and not later than five years	-	27,000
	334,180	351,797

(iii) Operating lease commitments – as lessor

The Group leases several of its investment properties which have remaining lease term between one to five years. Rental charges are revised every one to three years to reflect current market conditions.

Future minimum rental receivable under the non-cancellable operating lease at the reporting date is as follows:-

	Group 2017 RM	Group 2016 RM
Not later than one year	1,387,200	754,200
Later than one year and not later than five years	1,156,000	1,276,000
	2,543,200	2,030,200

28. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned:-

(i) Loans and receivables ("L&R");
(ii) Fair value through profit or loss ("FVTPL")
 - Held for trading ("HFT");
(iii) Available-for-sale financial assets ("AFS"); and
(iv) Other financial liabilities ("FL")

2017	Carrying Amount RM	L&R/ (FL) RM	FVTPL - HFT RM	AFS RM
Group				
Financial assets				
Trade and other receivables	50,786,700	50,786,700	-	-
Other investments	8,106,222	-	1,962,222	6,144,000
Cash, bank balances and short term deposits	36,014,327	36,014,327	-	-
	94,907,249	86,801,027	1,962,222	6,144,000
Financial liabilities				
Loans and borrowings	(6,368,079)	(6,368,079)	-	-
Trade and other payables	(25,665,340)	(25,665,340)	-	-
	(32,033,419)	(32,033,419)	-	-
Company				
Financial assets				
Trade and other receivables	30,964,747	30,964,747	-	-
Other investments	8,106,222	-	1,962,222	6,144,000
Cash, bank balances and short term deposits	4,851,267	4,851,267	-	-
	43,922,236	35,816,014	1,962,222	6,144,000
Financial liabilities				
Trade and other payables	(59,500)	(59,500)	-	-
2016				
Group				
Financial assets				
Trade and other receivables	54,145,997	54,145,997	-	-
Other investments	4,719,894	-	4,719,894	-
Cash, bank balances and short term deposits	41,841,833	41,841,833	-	-
	100,707,724	95,987,830	4,719,894	-
Financial liabilities				
Loans and borrowings	(12,994,489)	(12,994,489)	-	-
Trade and other payables	(28,128,985)	(28,128,985)	-	-
	(41,123,474)	(41,123,474)	-	-

Notes to the Financial Statements
For The Financial Year Ended 31 December 2017 (Cont'd)

28. FINANCIAL INSTRUMENTS (cont'd)

(a) Categories of financial instruments (cont'd)

2016	Carrying Amount RM	L&R/ (FL) RM	FVTPL - HFT RM	AFS RM
Company				
Financial assets				
Trade and other receivables	30,434,241	30,434,241	-	-
Other investments	4,719,894	-	4,719,894	-
Cash, bank balances and short term deposits	8,885,016	8,885,016	-	-
	44,039,151	39,319,257	4,719,894	-
Financial liabilities				
Trade and other payables	(78,511)	(78,511)	-	-

(b) Financial risk management

The Group's and the Company's activities are exposed to a variety of financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, foreign currency risk and interest rate risk. The Group's and the Company's overall financial risk management objective is to optimise value for their shareholders. The Group and the Company do not trade in financial instruments.

The Board of Directors reviews and agrees to policies and procedures for the management of these risks, which are executed by the Group's senior management. The Audit Committee provides independent oversight to the effectiveness of the risk management process.

(i) Credit risk

Trade and other receivables

Credit risk is the risk of financial loss to the Group and the Company that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. The Group and the Company have a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures.

As at the reporting date, the maximum exposure to credit risk arising from trade and other receivables is represented by their carrying amounts in the statements of financial position.

The carrying amount of trade and other receivables are not secured by any collateral or supported by any other credit enhancements. In determining the recoverability of these receivables, the Group and the Company consider any change in the credit quality of the receivables from the date the credit was initially granted up to the reporting date. The Group and the Company have adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

28. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management (cont'd)

(i) Credit risk (cont'd)

Trade and other receivables (cont'd)

The Group uses ageing analysis to monitor the credit quality of the trade receivables. The ageing of trade receivables as at the end of the financial period is disclosed in Note 12 to the financial statements. Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. A significant portion of these trade receivables are regular customers that have been transacting with the Group. Management has taken reasonable steps to ensure that trade receivables that are neither past due nor impaired are stated at their realisable values. Impairment are made on specific receivables when there is objective evidence that the Group will not be able to collect all amounts due.

The Group and the Company monitor the results of the immediate holding company, subsidiaries and related companies in determining the recoverability of these intercompany balances.

Credit risk concentration profile

The information on credit risk concentration is disclosed in Note 12 to the financial statements.

Other financial assets

For other financial assets (including investment securities, cash and cash equivalents and derivatives), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties. At the reporting date, the Group's and the Company's maximum exposure to credit risk arising from other financial assets is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Financial guarantee contracts

The Company is exposed to credit risk in relation the financial guarantees given to financial institutions in respect of credit facilities to certain subsidiaries up to a limits of approximately RM73,348,000 (2016: RM81,412,000). The Company monitors the results of the subsidiaries and their repayment on an on-going basis. The maximum exposure to credit risks amounts to RM7,251,220 (2016: RM41,978,000) representing the maximum amount the Company could pay if the guarantee is called on as disclosed in Note 28(b)(ii). As at reporting date, there was no indication that the subsidiary would default on repayment.

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 3.4(b) to the financial statements. After considering that the probability of the subsidiaries defaulting on the credit lines is remote, the financial guarantee contracts have not been recognised since the fair value on initial recognition was not material.

(ii) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations when they fall due. The Group's and the Company's exposure to liquidity risk arise primarily from mismatches of the maturities between financial assets and liabilities. The Group's and the Company's exposure to liquidity risk arise principally from trade and other payables, loans and borrowings.

28. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management (cont'd)

(ii) Liquidity risk (cont'd)

The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by facilities. The Group and the Company maintain sufficient liquidity and available funds to meet daily cash needs, while maintaining controls and security over cash movements. The Group and the Company use a series of processes to obtain maximum benefits from its flow of funds, such that they are efficiently managed to maximise income from investment and minimise cost on borrowed funds. The Group's and the Company's treasury department also ensure that there are sufficient unutilised stand-by facilities, funding and liquid assets available to meet both short-term and long-term funding requirements.

Maturity analysis

The maturity analysis of the Group's and the Company's financial liabilities by their relevant maturity at the reporting date are based on contractual undiscounted repayment obligations are as follows:-

		Contractual cash flows			
	Carrying Amount	On demand or within 1 year	Between 1 and 5 years	More than 5 years	Total
Group	**RM**	**RM**	**RM**	**RM**	**RM**
2017					
Financial liabilities					
Loans and borrowings:-					
- Term loan	(3,702,535)	(1,258,224)	(2,135,441)	(806,322)	(4,199,987)
- Finance lease liabilities	(2,293,151)	(1,400,039)	(1,031,543)	-	(2,431,582)
- Bank overdrafts	(372,393)	(401,440)	-	-	(401,440)
Trade and other payables	(25,665,340)	(25,665,340)	-	-	(25,665,340)
	(32,033,419)	(28,725,043)	(3,166,984)	(806,322)	(32,698,349)
2016					
Financial liabilities					
Loans and borrowings:-					
- Term loan	(6,004,339)	(2,562,509)	(3,143,557)	(1,090,090)	(6,796,156)
- Finance lease liabilities	(4,374,136)	(2,218,864)	(2,316,485)	(137,260)	(4,672,609)
- Bank overdrafts	(2,616,014)	(2,808,291)	-	-	(2,808,291)
Trade and other payables	(28,128,985)	(28,128,985)	-	-	(28,128,985)
	(41,123,474)	(35,718,649)	(5,460,042)	(1,227,350)	(42,406,041)
Company					
2017					
Financial liabilities					
Trade and other payables	(59,500)	(59,500)	-	-	(59,500)
Financial guarantee contracts #	-	(7,251,220)	-	-	(7,251,220)
	(59,500)	(7,310,720)	-	-	(7,310,720)

28. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management (cont'd)

(ii) Liquidity risk (cont'd)

Maturity analysis (cont'd)

The maturity analysis of the Group's and the Company's financial liabilities by their relevant maturity at the reporting date are based on contractual undiscounted repayment obligations are as follows:- (Continued)

		Contractual cash flows			
	Carrying Amount	On demand or within 1 year	Between 1 and 5 years	More than 5 years	Total
Company	**RM**	**RM**	**RM**	**RM**	**RM**
2016					
Financial liabilities					
Trade and other payables	(78,511)	(78,511)	-	-	(78,511)
Financial guarantee contracts #	-	(41,978,000)	-	-	(41,978,000)
	(78,511)	(42,056,511)	-	-	(42,056,511)

\# *The Company has given corporate guarantee to financial institutions on credit facilities granted to certain subsidiaries. The potential exposure of the financial guarantee contract is equivalent to the amount of the banking facilities of the said subsidiary.*

(iii) Foreign currency risk

Foreign currency risk is the risk of fluctuation in fair value or future cash flows of a financial instrument as a result of changes in foreign exchange rates. The Group's and the Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's and the Company's operating activities (when sales, purchases and borrowings that are denominated in a foreign currency) and the Group's net investments in foreign subsidiaries.

Management has set up a policy that requires all companies within the Group and the Company to manage their treasury activities and exposures. The Group's and the Company's policy is to hedge all material foreign currency exposures arising from its transactions and balances using derivative instruments that have maturity periods that match the corresponding maturity periods of the hedged items. In addition, the Group and the Company also takes advantage of any natural effects of its foreign currencies revenues and expenses by maintaining current accounts in foreign currencies.

Notes to the Financial Statements
For The Financial Year Ended 31 December 2017 (Cont'd)

28. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management (cont'd)

(iii) Foreign currency risk (cont'd)

Based on the carrying amounts as at the end of the financial year, the material foreign currency denominated financial assets and liabilities which expose to the Group to currency risk are disclosed below:-

	Ringgit Malaysia RM	Renminbi RM	Singapore Dollar RM	US Dollar RM	Other RM	Total RM
2017						
Trade and other receivables	2,590,333	6,135,153	740,030	41,007,602	313,582	50,786,700
Cash, bank balances and short term deposits	11,206,783	8,377,736	1,156,722	15,273,086	-	36,014,327
Loans and borrowings	(6,170,661)	-	-	(197,418)	-	(6,368,079)
Trade and other payables	(11,850,642)	(5,673,348)	(4,559,003)	(3,581,424)	(923)	(25,665,340)
	(4,224,187)	8,839,541	(2,662,251)	52,501,846	312,659	54,767,608
2016						
Trade and other receivables	2,473,078	7,629,219	700,283	43,087,175	256,242	54,145,997
Cash, bank balances and short term deposits	18,685,497	5,094,747	525,912	17,535,677	-	41,841,833
Loans and borrowings	(12,705,627)	-	-	(288,862)	-	(12,994,489)
Trade and other payables	(14,385,565)	(4,859,244)	(6,137,286)	(2,191,391)	(555,499)	(28,128,985)
	(5,932,617)	7,864,722	(4,911,091)	58,142,599	(299,257)	54,864,356

28. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management (cont'd)

(iii) Foreign currency risk (cont'd)

Sensitivity analysis for foreign currency risk

The Group's and the Company's principal foreign currency exposure relates mainly to United States Dollar ("USD"), Renminbi ("RMB") and Singapore Dollar ("SGD").

The following table demonstrates the sensitivity to a reasonably possible change in the USD, RMB and SGD, with all other variables held constant on the Group's and the Company's total equity and profit for the financial year.

	Change in rate	Effect on profit for the financial year RM	Effect on equity RM
Group			
31 December 2017			
- USD	+ 10%	5,250,185	5,250,185
	- 10%	(5,250,185)	(5,250,185)
- RMB	+ 10%	883,954	883,954
	- 10%	(883,954)	(883,954)
- SGD	+ 10%	(266,225)	(266,225)
	- 10%	266,225	266,225
31 December 2016			
- USD	+ 10%	5,814,260	5,814,260
	- 10%	(5,814,260)	(5,814,260)
- RMB	+ 10%	786,472	786,472
	- 10%	(786,472)	(786,472)
- SGD	+ 10%	(491,109)	(491,109)
	- 10%	491,109	491,109

(iv) Interest rate risk

Interest rate risk is the risk of fluctuation in fair value or future cash flows of the Group's and the Company's financial instruments as a result of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their long-term loans and borrowings with floating interest rates. The Group's and the Company's policy to manage their interest rate risk is to hedge all material floating rate borrowings using interest rate swaps.

Notes to the Financial Statements
For The Financial Year Ended 31 December 2017 (Cont'd)

28. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management (cont'd)

(iv) Interest rate risk (cont'd)

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant on the Group's and the Company's total equity and profit for the financial year.

	Change in basis point %	Effect on profit for the financial year RM	Effect on equity RM
Group			
31 December 2017	+100	(40,749)	(40,749)
	-100	40,749	40,749
31 December 2016	+100	(68,253)	(68,253)
	-100	68,253	68,253

(c) Fair value measurement

The carrying amounts of the current portion of borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

The carrying amounts of other investments, cash and cash equivalents, receivables, payables and short term borrowings are reasonable approximation of fair values due to the relatively short term nature of these financial instruments.

There has been no transfer between Level 1 and Level 2 during the financial year (2016: no transfer in either direction).

Other than those carrying amounts with reasonable approximation of fair value, the fair value of other financial assets and liabilities together with the carrying amount shown in the statements of financial position are as follows:-

	2017		2016	
	Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
Group				
Financial liabilities				
Finance lease liabilities	2,293,151	2,768,558	4,374,136	4,592,843

The fair values of finance lease liabilities are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

28. FINANCIAL INSTRUMENTS (cont'd)

(c) Fair value measurement (cont'd)

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:-

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

The fair value of finance lease liabilities of the Group and of the Company are categorised as Level 2.

29. CAPITAL MANAGEMENT

The primary objective of the Group's and the Company's capital management is to ensure that they maintain a strong credit rating and healthy capital ratio in order to support their business and maximise shareholder value. The Group and the Company manage their capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during the financial years ended 31 December 2017 and 31 December 2016.

The Group and the Company monitor capital using gearing ratio. The gearing ratio is calculated as total debts divided by total equity. The gearing ratio at 31 December 2017 and 31 December 2016 are as follows:-

		Group		Company	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
			(restated)		
Total loans and borrowings	16	6,368,079	12,994,489	-	-
Total equity		141,727,894	129,464,851	99,423,626	99,521,530
Total capital		148,095,973	142,459,340	99,423,626	99,521,530
Debts-to equity ratio		4%	9%	0%	0%

30. SEGMENTAL REPORTING

The Group prepared the following segment in accordance with MFRS 8 Operating Segments based on the internal reports of the Group's strategic business units which are regularly reviewed by the Group's Chief Executive Officer ("CEO") for the purpose of making decisions about resource allocation and performance assessment.

The two reportable operating segments are as follows:-

Segments	**Products and services**
Manufacturing and Trading	Manufacturing and trading of die components, precision machining, computer peripherals and parts for hard disk driveoptics, magnetism driver and parts and medical components, high quality computer disk-drive related components.
Investment	Investment holding

Notes to the Financial Statements

For The Financial Year Ended 31 December 2017 (Cont'd)

30. SEGMENTAL REPORTING (cont'd)

The inter-segment transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

Segment profit

Segment performance is used to measure performance as Group's Chief Executive Officer believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Performance is evaluated based on operating profit or loss which is measured differently from operating profit or loss in the consolidated financial statements.

Segment assets

The total segment assets is measure based on all assets of a segment, as included in the internal reports that are reviewed by the Group's Chief Executive Officer.

Segment liabilities

Segment liabilities are not included in the internal reports that are reviewed by the directors, hence no disclosures are made on segment liabilities.

(i) Operating Segments

	Manufacturing and Trading		Investment		Adjustments and eliminations		Note	Total	
	2017	2016	2017	2016	2017	2016		2017	2016
	RM	RM	RM	RM	RM	RM		RM	RM
Revenue:									
External customers	180,866,289	170,023,555	345,855	286,904	-	-		181,212,144	170,310,459
Inter-segment	159,022,647	150,930,727	10,000,000	-	(169,022,647)	(150,930,727)	A	-	-
Total revenue	339,888,936	320,954,282	10,345,855	286,904	(169,022,647)	(150,930,727)		181,212,144	170,310,459

30. SEGMENTAL REPORTING (cont'd)

(i) Operating Segments (cont'd)

	Manufacturing and Trading		Investment		Adjustments and eliminations		Note	Total	
	2017 RM	2016 RM	2017 RM	2016 RM	2017 RM	2016 RM		2017 RM	2016 RM
Results:									
Included in the measurement of segment profit are:									
Interest income	358,338	329,263	-	-	-	-		358,338	329,263
Compensation received from key former member	-	2,749,071	-	-	-	-		-	2,749,071
Compensation received from government	-	620,350	-	-	-	-		-	620,350
Subsidy received from government	667,345	-	-	-	-	-		667,345	-
Rental income from investment property	964,600	194,200	-	-	-	-		964,600	194,200
Reversal of impairment of trade receivables	235,271	1,105,263	-	-	-	-		235,271	1,105,263
Reversal of impairment of other receivables	-	59,340	-	-	-			-	59,340
Gain on disposal of subsidiaries	-	-	-	6,192,712	-	(2,484,261)		-	3,708,451
Gain on disposal of property, plant and equipment	539,007	21,939	-	-	-	-		539,007	21,939
Gain on realised foreign exchange	40,352	1,020,618	-	-	-	-		40,352	1,020,618
Gain on unrealised foreign exchange	-	447,406	-	-	-	-		-	447,406
Depreciation and amortisation	(10,146,693)	(10,904,717)	-	-	(47,603)	(63,574)		(10,194,296)	(10,968,291)
Employee benefit expenses	(46,428,909)	(41,191,098)	(277,500)	(296,500)	-	-		(46,706,409)	(41,487,598)
Interest expenses	(523,090)	(884,088)	-	-	-	-		(523,090)	(884,088)
Impairment loss of club memberships	(19,000)	-	-	-	-	-		(19,000)	-
Impairment loss of property, plant and equipment	-	(338,881)	-	-	-	-		-	(338,881)
Impairment loss on trade receivables	(1,272,564)	(86,246)	-	-	-	-		(1,272,564)	(86,246)
Impairment loss on other receivables	(8,315)	-	-	-	-	-		(8,315)	-
Inventories written down	(446,849)	(576,502)	-	-	-	-		(446,849)	(576,502)
Loss on disposal of property, plant and equipment	-	(310,459)	-	-	-	-		-	(310,459)
Property, plant and equipment written off	-	(19,787)	-	-	-	-		-	(19,787)
Loss on unrealised foreign exchange	(1,987,936)	-	-	-	-	-		(1,987,936)	-
Loss on realised foreign exchange	(450,912)	-	-	-	-	-		(450,912)	-
Segment profit	34,607,051	32,029,536	9,418,097	5,794,078	(11,237,642)	(2,566,106)	**B**	32,787,506	35,257,508
Income tax expense	(7,139,630)	(8,220,936)	-	(12,474)	394,453	9,000		(6,745,177)	(8,224,410)
Profit for the financial year	27,467,421	23,808,600	9,418,097	5,781,604	(10,843,189)	(2,557,106)	**B**	26,042,329	27,033,098
Assets:									
Additions to non-current assets	5,267,440	6,807,235	-	-	-	(3,628,448)	**C**	5,267,440	3,178,787
Segment assets	205,455,056	197,928,476	99,483,126	99,600,041	(128,565,266)	(121,518,385)	**D**	176,372,916	176,010,132

30. SEGMENTAL REPORTING (cont'd)

(i) Operating Segments (cont'd)

Reconciliation of reportable segment revenue, profit or loss, assets, liabilities and other material items are as follows:

A Inter-segment revenue

Inter-segment revenues are eliminated on consolidation.

B Reconciliation of profit or loss

	Group	
	2017	**2016**
	RM	**RM**
Elimination of inter-segment unrealised profits	(1,190,039)	18,271
Unallocated amounts:		
- Other corporate expenses	(10,047,603)	(2,584,377)
	(11,237,642)	(2,566,106)
Less: Income tax expense	394,453	9,000
	(10,843,189)	(2,557,106)

C Reconciliation of addition to non-current assets

	Group	
	2017	**2016**
	RM	**RM**
Inter-company control transferred	-	(3,628,448)

D Reconciliation of assets

	Group	
	2017	**2016**
	RM	**RM**
Investment in subsidiaries	(55,560,894)	(55,560,894)
Inter-segment assets	(73,004,372)	(65,957,491)
	(128,565,266)	(121,518,385)

Notes to the Financial Statements
For The Financial Year Ended 31 December 2017 (Cont'd)

30. SEGMENTAL REPORTING (cont'd)

(ii) Geographical segments

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 (excluding Financial Instruments and DTA)	
	2017 RM	2016 RM	2017 RM	2016 RM
Malaysia	23,185,376	24,213,735	36,135,328	40,229,576
China	54,402,379	60,024,728	9,517,427	12,528,667
Singapore	14,518,786	14,487,176	560,576	673,905
Thailand	62,597,246	47,038,604	-	-
Other countries	26,508,357	24,546,216	-	-
	181,212,144	170,310,459	46,213,331	53,432,148

(iii) Information about major customers

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

	External Revenue	
	2017 RM	2016 RM
Customer I	74,968,224	70,882,243
Customer II	20,532,200	26,435,284
Customer III	24,440,725	24,735,199

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

31. RETROSPECTIVE ADJUSTMENTS AND COMPARATIVE FIGURE

During the financial year, the Group made the retrospective adjustment on the derecognition of the residual value of property, plant and equipment in a subsidiary company.

The effects of the retrospective adjustments are as follows:-

	As previously reported RM	Adjustment RM	As restated RM
Group			
At 31 December 2015			
Statements of financial position			
Property, plant and equipment	63,513,821	(1,646,041)	61,867,780
Retained profits	40,190,262	(1,646,041)	38,544,221
At 31 December 2016			
Statements of financial position			
Property, plant and equipment	44,968,211	(1,725,536)	43,242,675
Retained profits	63,702,927	(1,725,536)	61,977,391
Statements of comprehensive income			
Depreciation	10,888,796	79,495	10,968,291
Profit for the financial year	27,112,593	(79,495)	27,033,098
Total comprehensive income for the year	24,359,438	(79,495)	24,279,943
Earnings per share attributable to owner's of the Group			
Basic	15.83	(0.05)	15.78
Diluted	15.83	(0.05)	15.78

The comparative figures have been audited by another firm of chartered accountants other than Messrs. Baker Tilly Monteiro Heng.

Statement by Directors
Pursuant to Section 251 (2) of the Companies Act 2016

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 accompanying financial statements set out on pages 52 to 114 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of their financial performance and cash flows for the financial year then ended.

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

....
LEE, HUI-TA also known as LI HUI TA
Director

....
WU, MAO YUAN
Director

Date: 16 March 2018

Statutory Declaration
Pursuant to Section 251 (1) of the Companies Act 2016

I, **DAVID KHOO CHONG BENG**, being the officer primarily responsible for the financial management of Dufu Technology Corp. Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements set out on page 52 to 114 are 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.

....
DAVID KHOO CHONG BENG

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 16 March 2018.

Before me,

....
MOHD FITRY ABDUL GHANI
No. W703
Commissioner for Oaths

Independent Auditors' Report

To the Member of Dufu Technology Corp. Berhad

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Dufu Technology Corp. Berhad, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 52 to 114.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and cash flows for the financial year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group and of the Company in accordance with the *By-Laws* (*on Professional Ethics, Conduct and Practice*) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Trade receivables (Note 12 to the financial statements)

We focused on this area because the directors made judgements over both the events or changes in circumstances indicating that trade receivables are impaired and the estimation of the size of any such impairment. The trade receivables are monitored individually by the Group and therefore the impairment is assessed based on knowledge of each individual receivable.

Our audit response:

Our audit procedures included, among others:

- understanding of significant credit exposures which were significantly overdue or deemed to be in default through analysis of ageing reports and other collection or legal reports prepared by management;
- obtaining confirmation of balances from selected receivables;
- reviewing subsequent receipts and considering level of activity with the customer and management explanation on recoverability with significantly past due balances; and
- assessing the reasonableness of impairment charges for identified credit exposures.

Independent Auditors' Report
To the Member of Dufu Technology Corp. Berhad (Cont'd)

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

The directors of the Company are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:-

- identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

Independent Auditors' Report
To the Member of Dufu Technology Corp. Berhad (Cont'd)

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:- (cont'd)

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 7 to the financial statements.

Other Matters

1. The financial statements of the Group and of the Company for the financial year ended 31 December 2016 were audited by another firm of chartered accountants whose report dated 28 February 2017 expressed an unmodified opinion on those financial statements.

2. This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

Baker Tilly Monteiro Heng	Ong Teng Yan
No. AF 0117	No. 3076/07/19 (J)
Chartered Accountants	Chartered Accountant

Kuala Lumpur

Date: 16 March 2018

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 31.12.2017 (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	3,094,738	1997	-
Building						
Plot 19 Free Industrial Zone, Phase IV, Bayan Lepas 11900 Penang		Industrial complex		5,308,222		Yr 1997 – 2007
		- 1 Single-Storey office-cum-production building (20 years)	18,209 sq. feet			
		- 1 double-storey office-cum-production building (13 years)	33,793 sq. feet			
		- 1 three-storey production building (11 years)	65,811 sq. feet			
		- 1 three-storey office cum production building (10 years)	32,816 sq. feet			
Block 1-5-7, Block 3-3-1, Block 3-13-3, Block 5-7-1, Block 5-14-2, Block 5-16-5, Block 11-2-2, Block 11-6-2, Block 15-5-6, Block 15-8-3, Block 15-9-6, Block 15-21-3, Block 17-10-1, Block 17-17-5, Block 19-8-4, Block 19-10-2, Taman Terubong Indah,Tingkat Paya Terubong 5, 11060 Penang		16 units of hostel (freehold)	11,200 sq. feet	1,394,533		Yr 2015

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 31.12.2017 (RM)	Date of last revaluation	Date of acquisition
Registered Owner: Futron Technology Co. Ltd.						
No. 1, Gao Tian Industrial Zone, Tai Ping Town, Cong Hua City.		- 1 three-storey production building (14 years)	41,383 sq. feet	972,016		Yr 2003 – 2014
		- 1 steel production workshop (4 years)	8,092 sq. feet			
		- 1 five-storey hostel (14 years)	21,348 sq. feet	236,638		Yr 2003
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	5,725,662		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 (6 years)	61,587 sq. feet	3,914,286		Year 2012
			Total	20,646,095		

Share Buy-Back Statement

1. Disclaimer Statement

This Statement is important and If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

Bursa Malaysia Securities Berhad ("Bursa Securities") has not perused the contents of this Share Buy-Back Statement 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 Its Own Ordinary Shares ("Shares") of up to 10% of its total number of issued shares at any point in time ("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

Based on the Audited Financial Statements of the Company as at 31 December 2017 the retained profits of the Company stood at RM17,041,047.

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. 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 RM6,813,489 based on the Audited Financial Statements of DUFU as at 31 December 2017.

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 28 February 2018 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	9.54	18,248,048*	11.05	15,757,365	9.98	18,248,048*	11.56
Wu, Mao-Yuan	5,218,000	3.16	-	-	5,218,000	3.30	-	-
Sung, Cheng-Hsi	-	-	-	-	-	-	-	-
Joyce Wong Ai May	-	-	-	-	-	-	-	-
Yin, Chih-Chu also known as Laurence Yin	-	-	-	-	-	-	-	-
Lee Yoke Khay	-	-	-	-	-	-	-	-
Substantial Shareholders								
Perfect Commerce Sdn. Bhd. ("PCSB")	16,910,000	10.24	-	-	16,910,000	10.71	-	-
Perfect Full Yen Sdn. Bhd. ("PFYSB")	17,743,048	10.75	-	-	17,743,048	11.24	-	-
Wong Ser Yian	14,275,869	8.65	-	-	14,275,869	9.04	-	-
Lee, Wen-Jung	-		16,910,000^	10.24	-		16,910,000^	10.71
Lee, Su Hui-Fen	80,000	0.05	16,910,000^	10.24	80,000	0.05	16,910,000^	10.71
Wang, Kuei-Hua [(2)]	3,210,200	1.94	18,248,048*	11.05	3,210,200	2.03	18,248,048*	11.56
Evli Emerging Frontier Fund	11,218,200	6.79	-	-	11,218,200	7.10	-	-
Connected to Director / Substantial Shareholder								
Perfect Hua Ta Sdn. Bhd. ("PHTSB")	505,000	0.31	-	-	505,000	0.32	-	-

Note:
** Indirect Interest by virtue of his/her substantial interest in PFYSB and PHTSB.*
^ Indirect Interest by virtue of his/her substantial interest in PCSB.

(a) *Based on the total number of issued shares of 165,110,170 Shares, exclusive of 10,360,200 shares held as Treasury Shares*

(b) *Based on the total number of issued shares 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 28 February 2018, the total number of issued shares of DUFU was 175,470,370 Shares, inclusive of 10,360,200 shares held as Treasury Shares. In the event that the 17,547,037 Share representing 10% of the total number of issued shares of the Company are purchased and cancelled, the effect on the share capital of the Company are illustrated as follows:-

	No. of Shares
Total number of issued shares as at 28 Febuary 2018, inclusive of 10,360,200 shares held as Treasury Shares	175,470,370
Less:	
Maximum number of DUFU Shares to be purchased and Cancelled	(17,547,037)
Resultant total number of issued shares	157,923,333

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 the Shares purchased are to be retained as treasury shares. However, the rights attaching to the treasury shares as to voting, dividends and participation in other distributions or otherwise will be suspended. While these Shares remain as treasury shares, the Companies Act 2016 prohibits the taking into account of such Shares in calculating the number of percentage of Shares for a purpose whatsoever including substantial shareholdings, takeovers, notices, requisitioning of meetings, quorum for meetings and the result of votes on resolutions.

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.

Share Buy-Back Statement (Cont'd)

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

7.2 NTA (cont'd)

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 total number of issued Shares 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 2017 as it would reduce the cash available which may otherwise be used for dividend payments. Nevertheless, 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.

8. Implications of the Proposed Share Buy-Back relating to Rules of Take-Overs, Merger and Compulsory Acquisitions (The “Rules”)

Based on the Company’s total number of issued Shares and the current shareholdings of the substantial shareholders and/or parties acting in concert as at 28 February 2018, none of the substantial shareholders and/or parties acting in concert with them will be required to make a mandatory general offer in the event of the implementation of Proposed Share Buy-Back in full.

Share Buy-Back Statement (Cont'd)

8. Implications of the Proposed Share Buy-Back relating to Rules of Take-Overs, Merger and Compulsory Acquisitions (The "Rules") (cont'd)

As it is not intended for the Proposed Share Buy-Back to trigger the obligation to undertake a mandatory offer under the Rules by any of the Company's shareholders and/or parties acting in concert with them, the Board will ensure that such number of Shares purchased, retained as treasury shares, cancelled or distributed pursuant to the Proposed Share Buy-Back would not result in triggering any mandatory offer obligation on the part of its shareholders and/or parties acting in concert with them.

In this connection, the Board will be mindful of the Rules when making any purchase of the Shares pursuant to the Proposed Share Buy-Back.

9. Purchases made by the Company of its own shares in the preceding twelve (12) months

The details of the shares purchased by the Company in the preceding twelve (12) months were as follows:–

Transaction date	Number of Shares (Units)	Unit Price			Consideration paid* RM
		Lowest RM	Highest RM	Average RM	
14 December 2017	285,000	1.19	1.20	1.20	340,986.77
17 January 2018	161,000	1.18	1.20	1.19	192,139.08
22 January 2018	216,800	1.16	1.20	1.19	257, 462.82
29 January 2018	116,900	1.17	1.20	1.19	139,372.32
5 February 2018	350,000	1.12	1.20	1.18	412,385.94
6 February 2018	291,500	1.10	1.15	1.12	326,982.23
14 February 2018	287,100	1.11	1.20	1.17	334,510.33
6 March 2018	208,200	1.13	1.18	1.16	240,612.57

** Including brokerage, clearing house fee and stamp duty.*

All the shares so purchased as at 16 March 2018 of 10,568,400 shares were retained as treasury shares.

There is no resale, transfer and cancellation of treasury shares in the preceding 12 months.

10. Proposed Intention of the Directors to Deal with the Shares so Purchased

The Proposed Renewal of Share Buy-Back Mandate, if exercised, 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.

11. Historical Share Prices

The monthly highest and lowest market prices of DUFU Shares traded on Bursa Securities for the preceding twelve (12) months are as follows:

	High	**Low**
	RM	**RM**
2017		
March	1.24	0.90
April	1.24	1.08
May	1.65	1.18
June	1.57	1.40
July	1.47	1.29
August	1.57	1.30
September	1.57	1.31
October	1.51	1.33
November	1.45	1.26
December	1.27	1.02

Share Buy-Back Statement (Cont'd)

11. Historical Share Prices (cont'd)

The monthly highest and lowest market prices of DUFU Shares traded on Bursa Securities for the preceding twelve (12) months are as follows: (cont'd)

	High	Low
	RM	RM
2018		
January	1.31	1.15
February	1.20	1.05

Last transacted market price as at 16 March 2018 (being the latest practical date prior to the printing of this Statement) was RM1.06.

(Source: Bloomberg)

11. Public Shareholding Spread

As at 28 February 2018, the public shareholding spread of the Company was approximately 48.27%. 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 total number of issued shares 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.

12. Directors' 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.

13. Directors' Recommendation

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

14. Responsibility Statement

This Statement has been seen and approved by the Board and they collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

15. Documents Available For Inspection

Copies of the following documents will be available for inspection at the registered office of the Company at 57-G Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang during normal office hours from Monday to Friday (except for public holidays) from the date of this Statement up to and including the date of the forthcoming AGM :

(i) Memorandum and Articles of Association of DUFU; and

(ii) The audited consolidated financial statements of DUFU for the past two (2) financial years ended 31 December 2016 and 2017 respectively.

16. 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 28 FEBRUARY 2018

Total Number of Issued Shares	:	165,110,170+
Class of Share	:	Ordinary Shares with equal voting rights
Number of Shareholders	:	3,769

+ *Excluding a total of 10,360,200 shares purchased and retained as treasury shares.*

DISTRIBUTION OF SHAREHOLDERS AS AT 28 FEBRUARY 2018

Holdings	No. of Holders	Total Holdings	%
1 – 99	341	14,778	0.01
100 – 1,000	291	190,869	0.11
1,001 – 10,000	2,042	10,926,928	6.62
10,001 – 100,000	964	29,069,564	17.61
100,001 – 8,340,922	126	49,003,549	29.68
8,340,923 and above	5	75,904,482	45.97
Total	3,769	165,110,170	100.00

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT 28 FEBRUARY 2018

	Name	Shareholdings	%
1.	Perfect Full Yen Sdn Bhd	17,743,048	10.75
2.	Perfect Commerce Sdn Bhd	16,910,000	10.24
3.	Lee, Hui-Ta @ Li Hui Ta	15,757,365	9.54
4.	Wong Ser Yian	14,275,869	8.65
5.	HSBC Nominees (Asing) Sdn Bhd Qualifier: JPMCB NA for Evli Emerging Frontier Fund	11,218,200	6.79
6.	Wu, Mao-Yuan	5,218,000	3.16
7.	Wang, Kuei-Hua	3,210,200	1.94
8.	Yu,Tsung-Te	2,365,000	1.43
9.	HSBC Nominees (Asing) Sdn Bhd Qualifier: TNTC for Ajo Emerging Markets Small-Cap Fund, Ltd.	1,692,125	1.02
10.	Khor Bee Kiow	1,300,000	0.79
11.	Citigroup Nominees (Asing) Sdn Bhd Qualifier: Exempt An for Merrill Lynch Professional Clearing Corp.	1,212,432	0.73
12.	Amanahraya Trustees Berhad Qualifier: Amanah Saham Bank Simpanan Nasional	1,109,000	0.67
13.	HSBC Nominees (Asing) Sdn Bhd Qualifier: TNTC for Double River Investments Limited	1,070,000	0.65
14.	Wu, Te-Kuei	1,000,000	0.61
15.	Public Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Kwek Peng Liak (E-PPG)	932,366	0.56
16.	HSBC Nominees (Asing) Sdn Bhd Qualifier: TNTC for Missouri Local Government Employees Retirement System	923,924	0.56
17.	Maybank Nominees (Tempatan) Sdn Bhd Qualifier: Low Teck Hin	889,800	0.54
18.	Chang Yee Fong	872,600	0.53
19.	Public Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Teh Kian Lang (E-KLC)	862,400	0.52

Analysis of Shareholdings (Cont'd)

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT 28 FEBRUARY 2018 (cont'd)

	Name	Shareholdings	%
20.	HSBC Nominees (Asing) Sdn Bhd Qualifier: Morgan Stanley & Co. International Plc (Firm A/C)	685,900	0.42
21.	Alliancegroup Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account For Tay Tong Eh (6000302)	672,700	0.41
22.	Amanahraya Trustees Berhad Qualifier: BSN Dana Dividend Al-Ifrah	640,000	0.39
23.	Amanahraya Trustees Berhad Qualifier: BSN Dana Dividend Al-Jadid	628,000	0.38
24.	HSBC Nominees (Asing) Sdn Bhd Qualifier: Exempt An for Clearstream Banking S.A.	609,500	0.37
25.	Public Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Chee Sai Mun (E-KLC)	585,000	0.35
26.	Tan Chui Hoon	555,100	0.34
27.	Public Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Lim Wee Beng (E-KLC)	526,100	0.32
28.	Perfect Hua Ta Sdn Bhd	505,000	0.31
29.	Sim Ah Yoong	500,000	0.30
30.	CIMSEC Nominees (Asing) Sdn Bhd Qualifier: Exempt An for CIMB Securities (Singapore) Pte Ltd (Retail Clients)	489,500	0.30

SUBSTANTIAL SHAREHOLDERS AS AT 28 FEBRUARY 2018

	Name	Direct No. of shares held	%	Indirect No. of shares held	%
1.	Perfect Full Yen Sdn Bhd ("PFYSB")	17,743,048	10.75	-	-
2.	Perfect Commerce Sdn Bhd ("PCSB")	16,910,000	10.24		
3.	Lee, Hui-Ta also known as Li Hui Ta	15,757,365	9.54	18,248,048#	11.05#
4.	Wang, Kuei-Hua	3,210,200	1.94	18,248,048#	11.05#
5.	Wong Ser Yian	14,275,869	8.65	-	-
6.	Lee, Su Hui-Fen	80,000	0.05	16,910,000^	10.24^
7.	Lee, Wen-Jung	-		16,910,000^	10.24^
8.	Evli Emerging Frontier Fund	11,218,200	6.79		

Indirect Interest by virtue of his/her substantial interest in PFYSB and Perfect Hua Ta Sdn Bhd.
^ Indirect Interest by virtue of his/her substantial interest in PCSB.

DIRECTORS'/CHIEF EXECUTIVE OFFICER'S SHAREHOLDINGS AS AT 28 FEBRUARY 2018

	Name	Direct No. of shares held	%	Indirect No. of shares held	%
1.	Lee, Hui-Ta also known as Li Hui Ta	15,757,365	9.54	18,248,048#	11.05#
2.	Wu, Mao-Yuan	5,218,000	3.16	-	-
3.	Sung, Cheng-Hsi	-	-	-	-
4.	Joyce Wong Ai May	-	-	-	-
5.	Yin, Chih-Chu also known as Laurence Yin	-	-	-	-
6.	Lee Yoke Khay	-	-	-	-
7.	Yeoh Beng Hooi *	488,200	0.30	-	-

Indirect Interest by virtue of his substantial interest in PFYSB and Perfect Hua Ta Sdn Bhd.
* Chief Executive Officer of the Group.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Sixteenth Annual General Meeting of the Company will be held at Function Room 10 at Spice Convention Centre, SPICE, No. 108, Jalan Tun Dr. Awang, 11900, Penang, Malaysia on Tuesday, 22 May 2018 at 9.00 a.m. for the following purposes:-

A G E N D A

1. To receive the Audited Financial Statements of the Company for the year ended 31 December 2017 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 4.5 sen per share for the year ended 31 December 2017. (Resolution 1)

3. To approve the payment of Directors' Fee of up to RM234,000/- for the period from 1 June 2018 until the next Annual General Meeting of the Company. (Resolution 2)

4. To approve the payment of other benefits (excluding Directors' Fee) of up to RM50,000/- for the period from 1 June 2018 until the next Annual General Meeting of the Company. (Resolution 3)

5. 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 4)
b. Ms. Joyce Wong Ai May	Article 97(1)	(Resolution 5)

6. To re-appoint Messrs. Baker Tilly Monteiro Heng as Auditors of the Company for the ensuing year and to authorize the Directors to fix their remuneration. (Resolution 6)

SPECIAL BUSINESS

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

Ordinary Resolutions

a) Authority to Issue Shares (Resolution 7)

"That pursuant to Companies Act 2016 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 authorised to issue and allot shares in the Company from time to time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Board of Directors may, in its absolute discretion, deem fit provided that the aggregate number of shares to be issued shall not exceed ten per centum (10%) of the total number of issued shares (excluding treasury shares) 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 8)

"That subject to the Companies Act 2016, 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 total number of issued shares in the 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 of the Company. As at the latest financial year ended 31 December 2017, the audited retained profits of the Company stood at RM17,041,047;

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 2016, provisions of the Company's M&A, the requirements of the Bursa Securities and any other regulatory authorities, and other relevant approvals."

8. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016.

By Order of the Board
HOW WEE LING (MAICSA 7033850)
OOI EAN HOON (MAICSA 7057078)
Secretaries

Penang
30 March 2018

Notice of Annual General Meeting (Cont'd)

Notes:-

A. This Agenda item is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 and the Company's Articles of Association do 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 16th Annual General Meeting, the Company shall be requesting the Record of Depositors as at 11 May 2018. Only a depositor whose name appears on the Record of Depositors as at 11 May 2018 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 (except an Exempt Authorised Nominee) shall be entitled to appoint up to two (2) proxies to attend and vote at the same meeting. Where a member appoints two (2) or more proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

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. The instrument appointing a proxy shall be in writing, executed by or on behalf of the appointor. In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.

4. 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, Malaysia at least 24 hours before the time for holding the Meeting or any adjournments thereof.

<u>Explanatory Note On Special Business:</u>

1. Resolution pursuant to Authority to issue Shares

   The proposed Resolution No. 7 [Item 7(a)], if passed, will grant a renewed general mandate (Mandate 2018) 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 total number of issued shares 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, will expire at the conclusion of the next Annual General Meeting of the Company.

   The Mandate 2018 will provide flexibility to the Company for allotment of shares for any possible fund raising activities, including but not limited for 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 Fifteenth 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 Ordinary Resolution No. 8 [Item 7(b)], if passed, will give the Company the authority to purchase its own ordinary shares of up to ten percent (10%) of the total number of issued shares of the Company for the time being. This authority, unless renewed or revoked or varied by the Company at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company or the expiration of the period within which the next Annual General Meeting after that date is required by law to be held, whichever occurs first. For further information on the Proposed Renewal of Share Buy-back Mandate, please refer to the Share Buy-back Statement set out in the Annual Report 2017.

Notice of Dividend Entitlement and Payment

NOTICE IS HEREBY GIVEN that the a Single Tier Final Dividend of 4.5 sen per share for the financial year ended 31 December 2017, if approved, will be paid on 13 June 2018 to depositors registered in the Records of Depositors on 30 May 2018:-

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

a) shares transferred into the Depositor's Securities Account before 4.00 p.m. on 30 May 2018 in respect of transfers;

b) shares deposited into the Depositor's Securities Account before 12.30 p.m. in respect of securities exempted from mandatory deposit; and

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

By Order of the Board
HOW WEE LING (MAICSA 7033850)
OOI EAN HOON (MAICSA 7057078)
Secretaries

Penang
Date : 30 March 2018

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

PROXY FORM

No of ordinary shares held

I/We ______________________________(*NRIC No./Company No ______________)

of____

______________________being a *Member/Members of DUFU TECHNOLOGY CORP. BERHAD hereby

appoint (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 Sixteenth Annual General Meeting of the Company to be held at Function Room 10 at Spice Convention Centre, SPICE, No. 108, Jalan Tun Dr. Awang, 11900, Penang, Malaysia on Tuesday, 22 May 2018 at 9.00 a.m. and/or, 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 4.5 sen per share for the year ended 31 December 2017.			
2.	To approve the payment of Directors' Fee of up to RM234,000/- for the period from 1 June 2018 until the next Annual General Meeting of the Company.			
3.	To approve the payment of other benefits (excluding Directors' Fee) of up to RM50,000/- for the period from 1 June 2018 until the next Annual General Meeting of the Company.			
	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:-			
4.	Mr. Lee, Hui-Ta also known as Li Hui Ta	(Article 97(1))		
5.	Ms. Joyce Wong Ai May	(Article 97(1))		
6.	To re-appoint Messrs. Baker Tilly Monteiro Heng as Auditors of the Company for the ensuing year and to authorize the Directors to fix their remuneration.			
	To pass the following resolution as Special Business :- **Ordinary Resolutions**			
7.	Authority to Issue Shares pursuant to the Companies Act 2016			
8.	To approve the proposed renewal of authority to purchase up to ten percent (10%) of its own shares in the total number of issued shares of the Company			

Signature of Shareholder(s) ______________________

Signed this ______ day of ____________________, 2018

Notes:-
For the purpose of determining a member of the Company who shall be entitled to attend and vote at this 16th Annual General Meeting, the Company shall be requesting the Record of Depositors as at 11 May 2018. Only a depositor whose name appears on the Record of Depositors as at 11 May 2018 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 (except an Exempt Authorised Nominee) shall be entitled to appoint up to two (2) proxies to attend and vote at the same meeting. Where a member appoints two (2) or more proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
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. *The instrument appointing a proxy shall be in writing, executed by or on behalf of the appointor. In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.*
4. *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, Malaysia at least 24 hours before the time for holding the Meeting or any adjournments thereof.*

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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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Dufu Technology Corp. Berhad (581612-A)

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Taman Perindustrian Bayan Lepas,
Fasa IV, 11900 Penang, Malaysia.

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