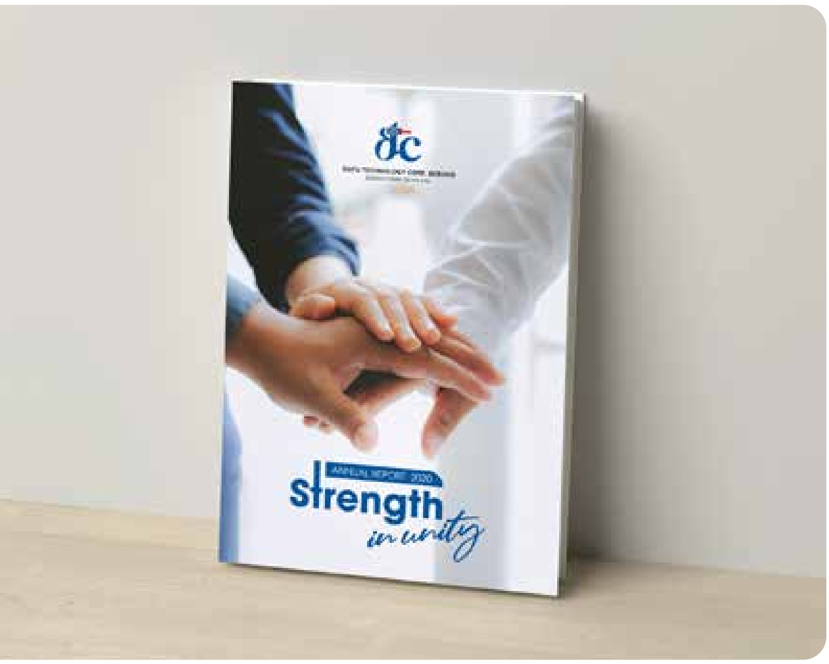
DUFU TECHNOLOGY CORP. BERHAD
200201013949 (581612-A)

ANNUAL REPORT 2020

Strength in unity

Contents



Strength *in unity*

With the hands of three individuals overlapping one another's, it not only embodies the tagline that is having strength when there's unity, but also expresses the company's commitment in being engaged at every level of the organisation, through a constant journey of innovation to improve processes, facilities and systems. In addition, the dark shade of blue not only serves as a complementary contrast to the white background, but also reflects the company's logo, thus reinforcing its brand identity.

Vision, Mission & CORE VALUES

Vision

To be a leading-edge technology provider for micro precision products globally, and be the supplier of choice on delivering excellent product quality & service on time every time.

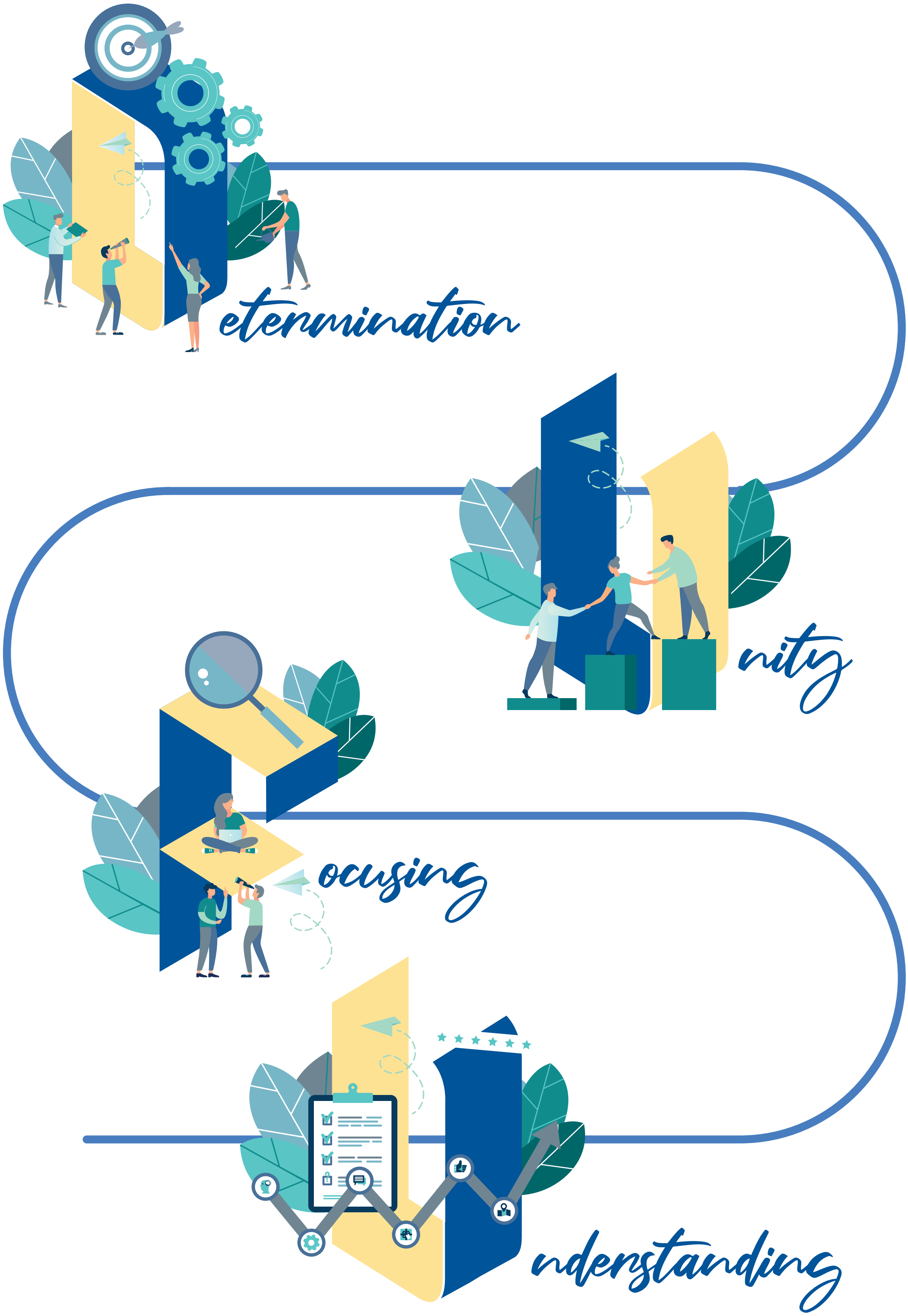
Mission

To continually creating value for customers with engineering innovation and solutions to their supply chain, while fostering an eco-friendly operating environment. To strive for long term business sustainability and maintain high integrity in corporate social responsibility practises that will benefits customers, employees and stakeholders.

Our Core Value

are the beliefs and principles we share to create a *Unity* of purpose across the Group – to enable us to treat each other with mutual respect, to gain *Understanding* and help us to work harmoniously together at Dufu. They reflect our common aspiration to foster a unifying performance-based culture to promote every team member to stay *Focus* and *Determined*, and remain resolute in pursuit of Dufu's goals. These are the elements that best describe who we are and continue to strive to be in an ever-changing world.

Vision, Mission & CORE VALUES (CONT'D)



Major Milestones for the Financial Year 2020

The past year was indeed a challenging one for the manufacturing sector. The coronavirus outbreak is causing widespread concern and economic hardship for consumers, businesses and communities across the globe. In particular, in the second quarter of 2020 where we had to endure a brief period of non-operation due to the implementation of the Movement Restriction Control Order. While operations took a pause during that period, we took the opportunity to articulate a strategy for the business to embrace the challenges and new norms ahead. It was important for us to get back on track as quickly as possible.

Operations were quickly restored after the government lifted the restriction. The entire team work cohesively towards the Group's business priorities. The effort paid off and we manage to achieve several important financial milestones at the end of financial year 2020. Our determination and focus on product quality, operational and service delivery excellence, employee's productivity and teamwork were the key success factors.

Highlights FOR YEAR 2020 (CONT'D)

Financial Achievement

Revenue

RM**85.7** million — 8.7% QoQ

generated for the 4th Quarter 2020 – a record high Quarter

RM**298.0** million — 19.6% YoY

generated for the year 2020 – a new historical high

Profit Before Taxation

RM**20.8** million — 18.1% QoQ

generated for the 4th Quarter 2020 – 2nd highest Quarter ever recorded

RM**69.3** million — 28.8% YoY

generated for the year 2020 – best achievement ever

Rewarding Shareholders

Dividends

RM**26.1** million — 27.1% YoY

- **Interim dividend** of RM**6.5** million **paid** on 25 September 2020
- **Final dividend** of approximately RM**19.6** million **declared** on 26 February 2021
- **HIGHEST DISTRIBUTION DECLARED** within a **FINANCIAL YEAR**

Tactful Cash Management

Cash flows

RM**77.8** million — 92.0% YoY

Record-breaking net cash generated from operations

RM**62.5** million — 139.0% YoY

Widest ever net cash surplus position as at end of financial year

Corporate Development

Bonus Issue

The completion of **1 for 1 Bonus** Issue on 5 August 2020

benefited close to **7,800** account holders

Market Capitalisation

Market Value

RM**1,699.7** million — 104.6% YoY

Market capitalisation as at end of financial year

Media Recognition

Award

On 12 December 2020,

Dufu was accorded with The Edge Billion Ringgit Club for the HIGHEST RETURNS TO SHAREHOLDERS OVER THREE YEARS

in the industrial products and services sector

Efforts on Non-Financial Indicators

For the 1st time ever, Dufu's sustainability journey in FY2020's Annual Report is mapped towards United Nations Sustainable Development Goals ("SDGs") and is prepared in accordance with the Global Reporting Initiative Sustainability Reporting Standards Core Option

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

EMPLOYEES' SHARE OPTION SCHEME COMMITTEE

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

Members
Yeoh Beng Hooi
Teoh Chiew Hong
David Khoo Chong Beng
Husri Bin Hussain

RISK MANAGEMENT COMMITTEE

Chairman
Yeoh Beng Hooi

Members
Representatives from major business units/divisions

COMPANY SECRETARIES

How Wee Ling
MAICSA 7033850 SSM PC No: 202008000869
Ooi Ean Hoon
MAICSA 7057078 SSM PC No: 202008000734

AUDITORS

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

REGISTERED OFFICE

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

HEAD OFFICE

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

SHARE 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

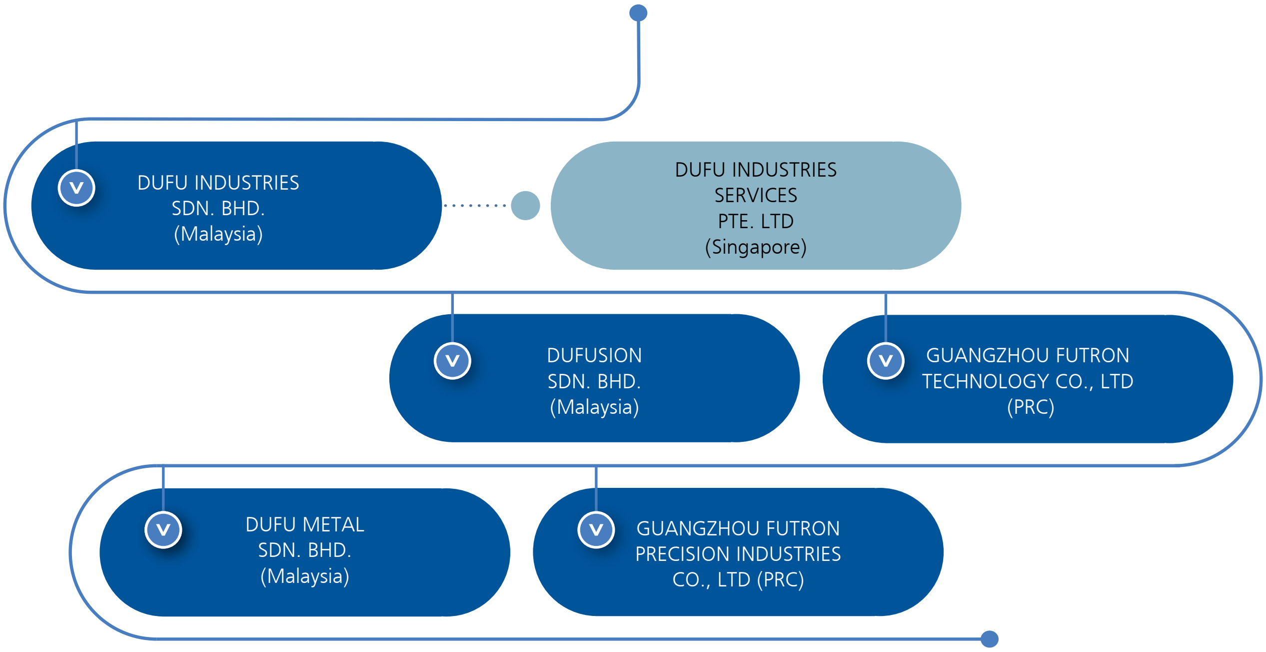
AmBank (M) Berhad
Malayan Banking Berhad
Public Bank Berhad
Standard Chartered Bank Berhad
United Overseas Bank (Malaysia) Bhd

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Sector : Industrial Products & Services
Sub-Sector : Industrial Materials, Components & Equipment
Stock Name : DUFU
Stock Code : 7233

Group STRUCTURE

DUFU TECHNOLOGY CORP. BERHAD
"DUFU" and Subsidiaries
As at 31 December 2020



Principal Activities

Dufu Technology Corp. Berhad (Registration No. 200201013949 (581612-A)) is principally involved in investment holding. The subsidiaries of DUFU as at 31 December 2020 are as follows: -

Subsidiary	Country of Incorporation	Ownership Interest	Principal Activity
Dufu Industries Sdn. Bhd. Registration No. 198701006751 (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.
Guangzhou Futron Technology Co., Ltd (914401017371887143)	People's Republic of China (PRC)	100%	Manufacturing and trading of optics and magnetism driver and parts.
Guangzhou Futron Precision Industries Co., Ltd (91440101MA5CC6TT0A)	People's Republic of China (PRC)	100%	Engaging in metal precision manufacturing and processing parts such as metal components for special equipment for electronics industry, air conditioning compressor accessories, auto parts, etc.
Dufusion Sdn. Bhd. Registration No. 201101020016 (948150-U)	Malaysia	100%	Design, develop, manufacture, fabricate, assembly and trading of precision steel mould, metal products and steel parts, medical industry's chairs and instrument tables, etc.
Dufu Metal Sdn. Bhd. Registration No. 201801021939 (1283958-A)	Malaysia	100%	Manufacturing of high precision engineering parts, module assembly and metal fabrication parts for semiconductor, electronics and industrial automation industries and the provision of related precision engineering services.
*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

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

Dear Fellow Shareholders,

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 2020 (“FY2020”).

Operating Environment

During the FY2020 under review, the global economy was surrounded with uncertainties driven by concerns over the Covid-19 unprecedented outbreak, which is one of the most disruptive pandemics in history. We still do not know the full impact of the Covid-19 virus but the social and economic disruptions will be deep, broad and the scar left behind by the pandemic will be long-lasting. Throughout 2020, external demand, operating conditions and its supply chain were impacted by the continued global spread of Covid-19 and reimplementation of lockdowns. The resurging Covid-19 cases has been increasing at record pace since the winter season in almost every country. The near-term outlook at the domestic economy and labour market is expected to be dim with further re-introduction of enforcement on movement restriction as the third wave of Covid-19 entered in January 2021.

As we move towards the end of the first quarter of 2021, it looks to me this year will be a critical transition year for the global economy. Business sentiment in general is still cautious and uncertainty remain around the vaccine rollout. I would think 2021 "to be a year of adjustment, of adaptation" for most people and businesses. Nonetheless, I feel blessed and happy to announce that whilst our operations in Malaysia and China have both been impacted during the various stages of the pandemic, so far, we manage to remain resilient amid the uncertainty.

This brings me to the matter on hand – the performance of Dufu in year 2020. Indeed, it was a year of significant milestones for both the Group's financial and non-financial performance.

Financial Performance

During FY2020, the Group managed to post a new record-high revenue of RM298.0 million as compared to RM249.1 million in the previous financial year ended 31 December 2019 ("FY2019"). Meanwhile, the Group's Profit for FY2020 totaled RM51.8 million was 16.4% up compared to previous financial year of RM44.5 million. The increase of 19.6% in revenue was contributed by the volume growth in the shipment of components for enterprise memory storage devices. The strong profit performance contributed a net operating cashflow of RM62.9 million, an improvement from RM28.6 million generated in FY2019. As a result, the Group's strengthen its net cash position to RM62.5 million in contrast to the balance of RM26.2 million as at 31 December 2019.

A more detailed review of the Group's financial performance is covered under the section on "Management Discussion and Analysis" in this Annual Report.

REVENUE	PROFITABILITY	CASH FLOW	NET CASH POSITION
RM298.0 million	**RM51.8 million**	**RM62.9 million**	**RM62.5 million**
FY2019: RM249.1 million	FY2019: RM44.5 million	FY2019: RM28.6 million	FY2019: RM26.2 million

Rewarding Shareholders

On 20 January 2020, the Board announced the proposal of 1 bonus share for every 1 existing share held as means to reward its shareholders. Dufu completed the said exercise on 5 August 2020. The exercise entailed the issuance of 266.32 million bonus shares held on the entitlement date of 4 August 2020. A total of 7,775 account holders of Dufu benefited from this exercise. Subsequent to the bonus issue exercise, our public shareholders has since increased to about 10,165 shareholders as at 31 December 2020 and thus, achieved our dual aim of increasing the participation of smaller investors in the Company's shareholding and hence enhances the liquidity of the stock.

Rewarding Shareholders (cont'd)

Dufu's present dividend policy ensures shareholders a payout ratio of not less than 50% of Operational Profit After Tax and Minority Interests less Other Income. In line with the policy, on 26 February 2021, the Board proposed a final dividend of 3.75 sen per share amounting to a potential payout of RM19.6 million. This brings the total FY2020 dividend payout to RM26.1 million after taking into consideration of the interim dividend of 1.25 sen per share paid on 25 September 2020. This year's dividend represents an increase of RM5.6 million or 27% over FY2019, which is an Operational Profit After Tax and Minority Interests less Other Income payout ratio of 57%.

DIVIDEND PAYOUT	DIVIDEND PER SHARE	PAYOUT RATIO
RM26.1 million	5 sen	57%
FY2019: RM20.5 million	FY2019: 4 sen	FY2019: 53%

* Adjusted for bonus issue completed on 5 August 2020

Awards and Recognition

On 12 December 2020, Dufu was awarded The Edge Billion Ringgit Club ("BRC") for the highest returns to shareholders over three years in the industrial products and services sector. Prudent management coupled with aggressive growth and impressive results in the last few years brought market recognition from a range of media and financial analysts culminating Dufu to be part of BRC when the Company's share price closed at RM3.95 on 16 January 2020, giving it a market capitalisation of RM1.012 billion — breaching the RM1 billion mark for the first time.

This was an astonishing achievement considering that in the previous year 2019, Dufu had just captured the "highest growth in profit after tax over three years" award in the same sector presented by The Edge Malaysia Centurion Club designed for Bursa Malaysia's listed companies with a market capitalisation of less than RM1 billion.

On top of that, Dufu was also recognized by RHB Investment Bank as one of their 20 Jewels 2020 Edition. This is a great accolade for us, especially to be part of RHB's Top 20 Jewels for the second year running.

Sustainability Journey

We believe sustainability as being integral to good governance and a way for us to help preserve our planet for future generation - an everlasting journey demanding endless improvements and commitments for the societies. With this in mind, this is the first year that the sustainability statement in this Annual Report is prepared in accordance with the Global Reporting Initiative Sustainability Reporting Standards ("GRI Standards") Core Option. On top of this, for the first time in the context of Dufu's sustainability initiatives, we have also mapped our sustainability approach with the 17 Sustainable Development Goals ("SDGs") which were adopted by all United Nations Member States in 2015. The 17 SDGs cover nearly every aspect of our future – for our planet, and for humankind and aim for nothing less than a transformation of global civilization.

Non-financial aspects of running a business are just as important to manage as the financial ones. As such, we strive to balance the impacts of economic growth, environmental protection and social responsibility in our sustainability journey going forward, aiming to drive sustainable value for our stakeholders and the communities. With our strong sustainability commitment and dedicated resources, we are already seeing significant progress made by the Group.

The continued improvement in local hiring initiative, well-managed work place's health and safety practices throughout the pandemic, improvement in some of the key environmentally related ratios such as the reduction in intensity of energy and water consumption were some of our success stories in year 2020.

We have also established a few key principles to strengthen our corporate governance namely on the adoption of the zero-tolerance approach to bribery and corruption on all its form. In the face of this global challenge, we are fully complying with the local requirements and doing everything we can to protect our employees and their families while delivering our services to customers.

A more detailed review of the Group's effort on sustainability initiatives is covered under the section on "Sustainability Statement" in this Annual Report.

Looking Ahead

The operating environment is expected to remain volatile due to the challenges stemming from the Covid-19 pandemic where it has caused governments at all levels operating in a context of radical uncertainty. The regional and local impact of the Covid-19 crisis is highly heterogeneous, with significant implications for crisis management and policy responses. This unprecedented pandemic has triggered health, economic and above all humanitarian crises, with global infections reaching 120 million and 2.7 million deaths, and counting. The economic statistics are equally devastating, with global contraction of 5 per cent, five countries having defaulted on debt requirements, 20 facing severe food insecurity, 300 million jobs lost, and 100 million people pushed back into extreme poverty.

Heading into 2021, barring any unforeseen circumstances, it is anticipated that the situation will improve given the expected upswing of the broad-based world economies following the successful covid-vaccine related developments. Back home, Malaysia is well-positioned for an economic recovery in 2021 leveraging on the uptrend in external demand for commodities and manufacturing.

For us at Dufu, we are seeing healthy order flow from existing customers and also coupled with confirmed orders from new customers. The demand from HDD business remains to be strong with the proliferation of cloud related demand leading the charge to fuel the Group's growth.

We are also positive on the Group's non-HDD segment as the semiconductor capital equipment and tech hardware spending remains strong from domestic equipment exporters. Our engineering and manufacturing team have been kept busy of late, focusing on execution of production process verification activities, and align to customers' product design requirements and specifications. Under the stewardship of an experience management team, some of our efforts are seeing bearing fruits. With revenue likely to be performing, the Group continues to simplify its business structure, improve on its processes, operations and technology.

Buoyed by the abovementioned positive developments for the Group, we are optimistic of the Group's financial performance in the coming financial year 2021.

Appreciation

Our performance, financially and also in terms of reinforcement of sustainability matters relating to environment, social and governance, reflects the effort and commitment of all our employees. This year, particularly, we have seen how so many among our employees went above and beyond their normal call of duty to contribute to the organization especially on collective efforts to mitigate a potential business disruption arising from Covid-19. I feel proud that from operational staff to management are united by a common culture of discipline, flexibility, and co-operation that makes us unbeatable in the face of events like this, in the face of adversity. I express my heartfelt gratitude to each and every person, the people of Dufu.

I would also like to convey my sincerest appreciation to all our Board members for their guidance in bringing the very best out of our Group throughout the year. Last but not least, I would like to record my appreciation to our shareholders, investors, business partners and suppliers for their unfailing support to the Group all these years. Without doubt, Dufu's strong performance was resulted from all the various stakeholders' contributions. In return, we hope to sustainably create as much value for all these stakeholders as possible.

LEE, HUI-TA ALSO KNOWN AS LI HUI TA
EXECUTIVE CHAIRMAN
DATE: 23 MARCH 2021

Board of DIRECTORS

1. **LEE, HUI-TA ALSO KNOWN AS LI HUI TA**
   Executive Chairman

2. **WU, MAO-YUAN**
   Executive Director

3. **JOYCE WONG AI MAY**
   Independent Non-Executive Director

4. **SUNG, CHENG-HSI**
   Independent Non-Executive Director

5. **YIN, CHIH-CHU ALSO KNOWN AS LAURENCE YIN**
   Independent Non-Executive Director

6. **LEE YOKE KHAY**
   Independent Non-Executive Director

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 is the Chairman of the Employees' Share Option Scheme Committee. 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 their entire operation. In 1984, he co-set up Lee Bai Corp. Ltd. in Taiwan to manufacture precision quick die change systems for stamping and tooling of component parts.

In 1990, he co-set up Dufu Industries Sdn Bhd ("DISB") to manufacture precision tooling and precision machining parts for computer-related components. He has more than twenty-nine (29) 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.

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

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. 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, Hui-Ta also known as Li Hui Ta

Executive Chairman

Taiwanese Male 62 years

Wu, Mao-Yuan

Executive Director

Taiwanese Male 64 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 Guangzhou Futron Technology Co., Ltd ("Futron"), 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 project for the company. In 1993, Mr. Wu worked in DISB where he was responsible for overseeing its operation as well as technology evolvement. He left Malaysia in 2002 to set-up and established Futron plant in China. He is also a Compliance Officer of Superior Plating Technology Co. Ltd., a company listed in Taipei Exchange.

Throughout his career spanning more than 34 years, not only had he demonstrated his high technical skill, he has also proven his management capability by bringing success after success to 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.

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 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 Non-Executive Director of PCCS Group 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.

Joyce Wong Ai May

Independent Non-Executive Director

Malaysian Female 45 years

Sung, Cheng-Hsi

Independent Non-Executive Director

Taiwanese Male 42 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 parts. 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 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.

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.

Yin, Chih-Chu also known as Laurence Yin

Independent Non-Executive Director

Taiwanese Male 59 years

Lee Yoke Khay

Independent Non-Executive Director

Malaysian Male 70 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.

Yeoh Beng Hooi
Chief Executive Officer

Malaysian Male 57 years

Mr. Yeoh Beng Hooi assumes the Chief Executive Officer ("CEO") of the Group on 26 August 2016 after he was appointed as the acting CEO on 27 August 2015. He holds a Diploma in Electronic Engineering from Institute Technology. In 1989, he started his career in Advance Micro Devices Inc., a United States ("USA") 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 as Executive Director of WE Advance Devices Sdn Bhd. He was the Chief Operating Officer in Dufu Industries Sdn. Bhd. ("DISB") since 24 May 2004 before he assumed his current position.

Wong Ser Yian
Director of DISPL

Singaporean Male 63 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 in 1990, he joined Microplis Limited, Singapore as Senior Quality Engineer where he was responsible for developing and improving the aspects of suppliers' quality. In the same year, he moved to X Factor Pte Ltd as their 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.

Teoh Chiew Hong
Chief Operating Officer

Malaysian Male 45 years

Mr. Teoh Chiew Hong holds a Degree in Science (Mathematics) from Universiti Sains Malaysia. He started his career with DISB in 2000 as a Production Control Officer and was promoted to Material Planning Manager in 2006 to spearhead the implementation of the Group's integrated application on 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 the role of General Manager effective 1 September 2016 where his primary task is to drive and optimize the entire CNC manufacturing division and other supporting business operations to improve their operational excellence. On 1 March 2019, he was appointed as Chief Operating Officer of DISB.

David Khoo Chong Beng
Chief Financial Officer

Malaysian Male 48 years

Mr. David Khoo Chong Beng 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 Khoo 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. On 1 March 2019, he was appointed as Chief Financial Officer where he is entrusted to lead the finance, corporate and management information functions of DISB.

Key Senior MANAGEMENT TEAM (CONT'D)

Husri Bin Hussain
Director (Human Resource)

Malaysian Male 56 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, USA in 1988. In December 2018, he completed his Master of Science in Occupational Health and Safety Management from University Utara Malaysia under Dufu's Employer Sponsorship Programme.

He started working 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. In 2001, he joined Finisar Malaysia Sdn Bhd, Perak ("Finisar") as their IQA/SQE Manager where he was responsible for setting up the IQA Lab and SQE work-related functions.

At the end of 2001, he was attached to Wong Engineering Corporation Bhd as Quality Manager. In 2002, he moved to Solectron Technology, Penang as SQE Manager. Subsequently, 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. He is also Management Representative for Quality, Safety, Health and Environment and Certified Safety Officer from Department of Occupational Safety and Health.

Tay Lon @ Tay Tong Loon
Director (Business Development)

Malaysian Male 70 years

Mr. Tay Lon @ Tay Tong Loon graduated with a Diploma in Mechanical Engineering from Ngee Ann Technical College, Singapore. He started his career as Design Technician with Hitachi Zosen Robin Dockyard Pte Ltd in 1974. In 1978, he joined Prime Electrical Products Pte Ltd as Factory Engineer where his primary responsibilities were product development and providing technical support on thermoplastic and thermosetting moulding.

Subsequently in 1979, Mr. Tay joined Northern Telecom Industries Sdn Bhd as Quality Engineer. He was promoted to Quality Manager in 1982 and in 1994, he was appointed as Production Manager to lead the manufacturing team. He left in 2002 and joined IPG Metal (M) Sdn Bhd (a former subsidiary of Dufu Group) in 2003 as General Manager. Mr. Tay was promoted to Director of Business Development in DISB on 1 February 2011 where he is entrusted to lead the sales division. Mr. Tay was appointed as a Director of Dufu Metal Sdn Bhd ("DMSB"), a subsidiary of the Group on 14 June 2018.

Nah Ren Howe
Managing Director of Dufusion Sdn Bhd

Malaysian Male 55 years

Mr. Nah Ren Howe joined Dufu Group on 1 September 2019 as Managing Director of Dufusion Sdn Bhd where he is managing the metal stamping and sheet metal division of the Group. Born in 1966, Mr. Nah studied at the Confucian Secondary School before leaving for his tertiary education at the Meiji University in Tokyo, Japan. He graduated with a degree in management studies in 1989.

During his stay in Japan, Mr. Nah was fascinated by the precision tooling business. Upon completion of his studies, he found employment with a company supplying precision tools and stamped metal parts to Sony, NEC and others Japan MNC. Mr. Nah returned to Malaysia in 1994 after spending 10 years in Japan. He took over the management of Rehon Industries, and he steered the company towards precision stamped parts with his acquired experience in the field.

Additional INFORMATION:

None of the Key Senior Management has:

(i) any family relationship with other Directors and/or major shareholders of the Company, nor any conflict of interest with the Group;

(ii) been convicted of any offence, other than traffic offences (if applicable) within the past five (5) years; and

(iii) been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2020.

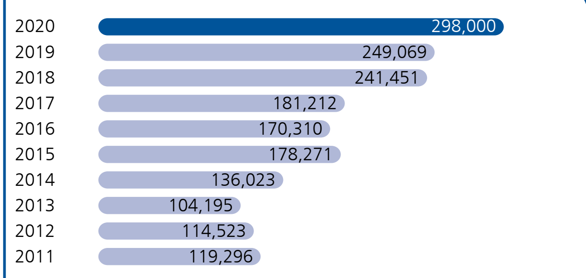
Group FINANCIAL HIGHLIGHTS

Ten-Year Financial Summary

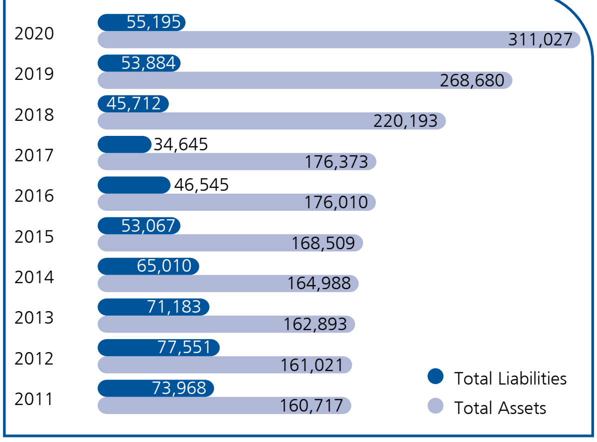
	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000
RESULTS										
Revenue	119,296	114,523	104,195	136,023	178,271	170,310	181,212	241,451	249,069	**298,000**
Earnings Before Interest, Depreciation & Taxation ("EBITA")	8,905	13,724	10,130	22,299	30,528	47,110	43,505	75,373	65,944	**78,248**
Depreciation & Amortisation	(12,363)	(13,103)	(12,980)	(12,790)	(12,867)	(10,968)	(10,194)	(7,809)	(10,344)	**(9,319)**
Operating Profit Before Interest and Taxation	(3,458)	621	(2,850)	9,509	17,661	36,142	33,311	67,564	55,600	**68,929**
Finance Costs	(2,415)	(2,510)	(2,559)	(2,293)	(1,679)	(884)	(523)	(421)	(956)	**(705)**
Share of results of associate, net of tax	-	-	-	-	-	-	-	(2,078)	(877)	**1,052**
Profit Before Taxation ("PBT")	(5,873)	(1,889)	(5,409)	7,216	15,982	35,258	32,788	65,065	53,767	**69,276**
Taxation	1,063	(306)	(130)	(953)	(5,039)	(8,225)	(6,746)	(13,239)	(9,662)	**(17,705)**
Profit For the Year	(4,810)	(2,195)	(5,539)	6,263	10,943	27,033	26,042	51,826	44,105	**51,571**
Non-controlling Interest	-	-	-	-	-	-	-	29	417	**241**
Profit Attributable to Owners of Company	(4,810)	(2,195)	(5,539)	6,263	10,943	27,033	26,042	51,855	44,522	**51,812**
ASSETS										
Property, Plant & Equipments @	95,364	95,301	89,549	70,040	63,514	53,433	46,213	61,764	76,811	**78,883**
Investment in Associate	-	-	-	-	-	-	6,144	3,783	3,599	**4,452**
Other Non-current Assets	474	510	609	505	590	582	1,257	454	1,244	**616**
Cash and Cash Equivalents	5,441	6,449	13,658	14,840	25,255	46,562	37,976	41,513	43,680	**80,083**
Other Current Assets	59,438	58,761	59,077	79,603	79,150	75,433	84,783	112,679	143,346	**146,993**
Total Assets	160,717	161,021	162,893	164,988	168,509	176,010	176,373	220,193	268,680	**311,027**
EQUITY AND LIABILITIES										
Shareholders' Equity	86,749	83,470	91,710	99,978	115,442	129,465	141,728	173,635	214,367	**255,832**
Non-controlling Interest	-	-	-	-	-	-	-	846	429	**-**
Total Equity	86,749	83,470	91,710	99,978	115,442	129,465	141,728	174,481	214,796	**255,832**
Loans and Borrowings*	58,714	57,883	53,777	37,851	24,005	12,995	6,368	10,682	17,520	**17,546**
Other Non-current Liabilities	207	2	106	-	243	1,331	15	321	1	**1**
Other Current Liabilities	15,047	19,666	17,300	27,159	28,819	32,219	28,262	34,709	36,363	**37,648**
Total Liabilities	73,968	77,551	71,183	65,010	53,067	46,545	34,645	45,712	53,884	**55,195**
Total Equity and Liabilities	160,717	161,021	162,893	164,988	168,509	176,010	176,373	220,193	268,680	**311,027**
FINANCIAL RATIOS										
Basic Earnings per Share (sen) #	(1.3)	(0.6)	(1.3)	1.2	2.1	5.3	5.2	10.3	8.9	**10.0**
Diluted Earnings per Share (sen) #	(1.3)	(0.6)	(1.3)	1.2	2.1	5.3	5.2	10.3	8.8	**9.8**
Interest cover (times)	(1)	0	(1)	4	11	41	64	160	58	**98**
Net Assets per Share (sen) #	24	23	17	19	22	26	28	36	42	**49**
Profit Before Taxation Margin (%)	(5%)	(2%)	(5%)	5%	9%	21%	18%	27%	22%	**23%**
Profit After Taxation Margin (%)	(4%)	(2%)	(5%)	5%	6%	16%	14%	21%	18%	**17%**
Return on Shareholders Equity (%)	(6%)	(3%)	(6%)	6%	9%	21%	18%	30%	21%	**20%**
Dividend per Share (sen) # ^	-	-	-	-	1.03	1.50	2.17	3.55	4.00	**5.00**
Dividend Payout ratio (%)	0%	0%	0%	0%	50%	28%	41%	46%	46%	**50%**

Computed based on enlarged number of ordinary shares in issue after bonus issue exercise which was completed on 30 November 2018 & 4 August 2020
^ The Single Tier Final Dividend for FY2018 by way of one treasury share for every twenty shares held is deemed to be worth 8.15 sen per share based on the closing price at the date of announcement on 26 February 2019
@ Property, plant and equipment includes Investment properties and right-of-use assets
* Loan and borrowings includes lease liabilities

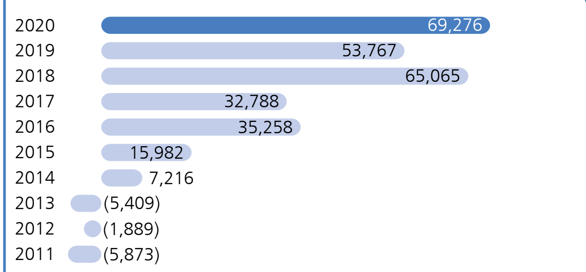
Revenue (RM'000)



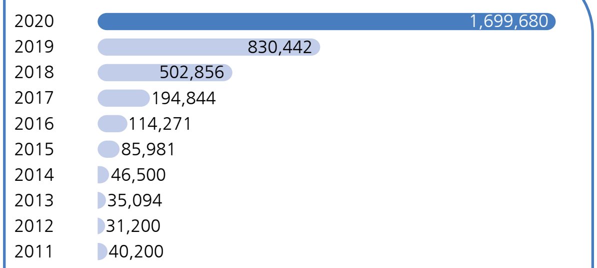
Total Assets and Libilities (RM'000)



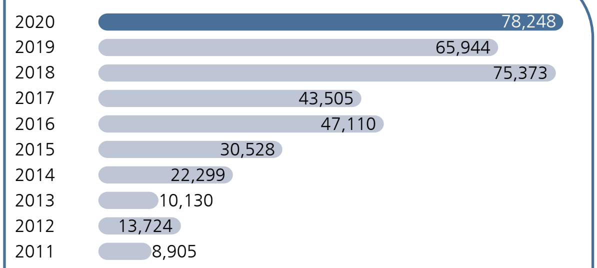
Profit Before Taxation (RM'000)



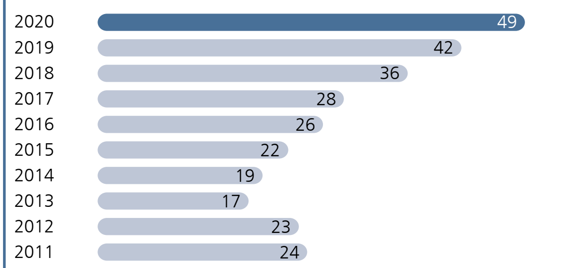
Market Capitalisation Equity (RM'000)



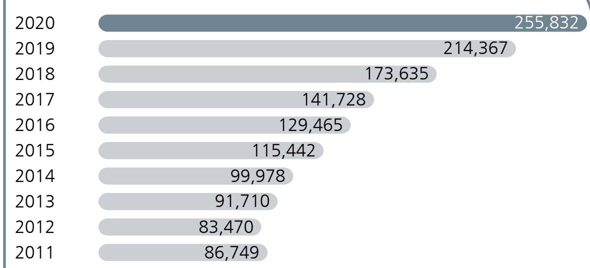
Earning Before Interest, Depreciation and Taxation (RM'000)



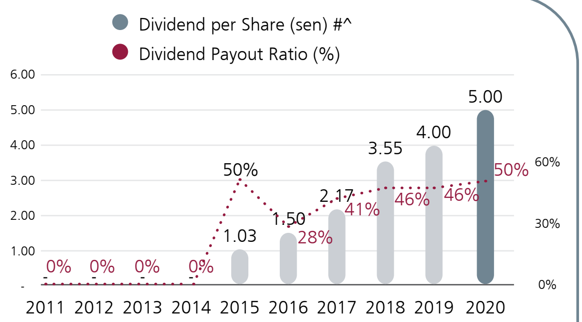
Net Asset Per Share (sen)



Shareholders' Equity (RM'000)



Dividend per Share (sen)
Dividend Payout ratio (%)



Business Overview

Dufu Technology Corp. Berhad ("Dufu" or "the Group") has established itself as a leading one-stop precision machining manufacturer headquartered in Penang, Malaysia. It all began in 1990 where Dufu managed to acquire a leading Hard Disk Drive ("HDD") maker for the manufacture of 5.25-inch HDD disk spacers. Having accumulated over 30 years' wealth of experience specializing in the design, development and manufacturing of high precision machining part and components for HDD, industry safety and sensor, telecommunication, consumer electronics, medical, automotive and office equipment, we pride our ourselves as a strategic partner to many of our customers today. Most of our major customers consist of multinational corporation who are well-regarded leaders in their respective fields.

Apart from precision machining, fabrication, assembly, prototyping etc., we also provide engineering & turnkey solutions ranging from tool making to finished part supplies to meet our customers' specific needs. We export our products to more than 10 countries across the world covering Asia Pacific, Europe, Oceania and North American region.

Dufu currently owns and operates 3 manufacturing sites. The Bayan Lepas in Penang together with Guangzhou plant in China are catered for precision machining of mass production facilities whereas the Bukit Minyak plant acquired in 2019 produced customized sheet metal stampings and components that meet customer design specifications.

Business Strategies

As a business specializing in the design, development and manufacturing of high precision machining part serving multinational corporations, the Group business strategy rests upon the principle of delivering customers' needs at all time. A key priority is to keep our customer's happy and to help them to navigate their supply chain effortless within their own competitive operating landscape. FY2020 brought about some challenges for our business, namely the business supply chain interruptions and risk arising from Covid-19 pandemic which resulted in a higher operating expense environment. We are focusing on developing resilience in our own supply chains, protecting revenues and managing our margins and profitability. While we understand the need to reconfigure the Group's capital allocation in the midst of Covid-19 world, our longer-term goals remain intact. Against this backdrop, our goals were to continue with our forward momentum from the previous year.

The following are long-term business strategies to sustain and expand our business: -

- Embarking on business growth diversification strategy by strengthening Dufu's presence in industries related to non-HDD. We are specifically looking to broadening our customer base engaging in the semiconductor, automotive and medical industries. While demand for components related to HDD continues to be robust, in is imperative for Dufu to capture new customers as part of the Group's risk mitigation strategy and to solidify its presence in these segments. Concurrently, the Group has established a new manufacturing hub at Bukit Minyak in year 2019 to identify new customers and expand its sheet metal and stamping division.
- Focus on efficient operations to improve on production efficiency and in return, provide competitive in pricing of products and services to strengthen customer's competitiveness.
- Strengthen on our investment in R&D capabilities to drive innovation and automation initiatives while embracing on advanced technologies such as Industry 4.0 to keep up with changing market requirements.
- Continue with investment to upgrade equipment and machinery to boost manufacturing capability such as the flexibility to eliminate the need to move workpieces across multiple machines.
- Recognising that the Group's performance is dependant on the talent, commitment, expertise and value created by our employees, we shall continue to provide training and development, improve remuneration packages and staff welfare to motivate our staff and personnel by fostering a spirited team.

Impact of Covid-19 pandemic on Dufu's business operations

The global pandemic has disrupted business activities worldwide. Initially our plant in Guangzhou, China was affected by the compulsory shutdown by the Government of China towards end of January 2020 and only resumed full operations in early March 2020. Malaysia was not spared from the ravages of Covid-19 either. In their efforts to fight against the coronavirus, the Malaysian Government has put in place several key strategies and unprecedented control measures to address critical health, economic and social issues brought about by the pandemic. A Federal Gazette was issued on 18 March 2020 to impose the Movement Control Order ("MCO"). Arising from that, Dufu's business and operations in Malaysia faced temporary interruption during the second quarter of 2020 pursuant to the outbreak of the Covid-19 pandemic in Malaysia.

The Conditional Movement Control Order ("CMCO") from 4 May 2020 to 9 June 2020 and the subsequent Recovery Movement Control Order ("RMCO") which took effect from 10 June 2020 had allowed the Company's workforce to fully resume work and its production operation returned to levels prior to the implementation of the MCO. Thereafter, following a drastic spike in cases, the Enhanced Movement Control Order ("EMCO") was ordered on 5 December 2020 at certain localities in Penang which affected close to 25% of our Malaysian plant's direct workforce. The Bayan Lepas production plant was forced to operate at 50% of its production capacity in the month of December 2020 before fully resumed normal capacity in January 2021. With the number of cases spiking up at the beginning of 2021, subsequently on 12 January 2021, Malaysia has declared a national emergency to battle the coronavirus pandemic and MCO was reimposed.

The Covid-19 pandemic has strained virtually every industry and, of late, in particular, has hit the shipping networks and logistics industry hard. Exporters and Importers are struggling to operate reliably as container shortages and bottlenecks worsen around ports in major cities around the world leading to plummeting cargo volumes and foiling growth prospects. We were also affected by the disruption. Delivery schedule was impacted and the costs of doing business increased due to rising freight and transportation costs.

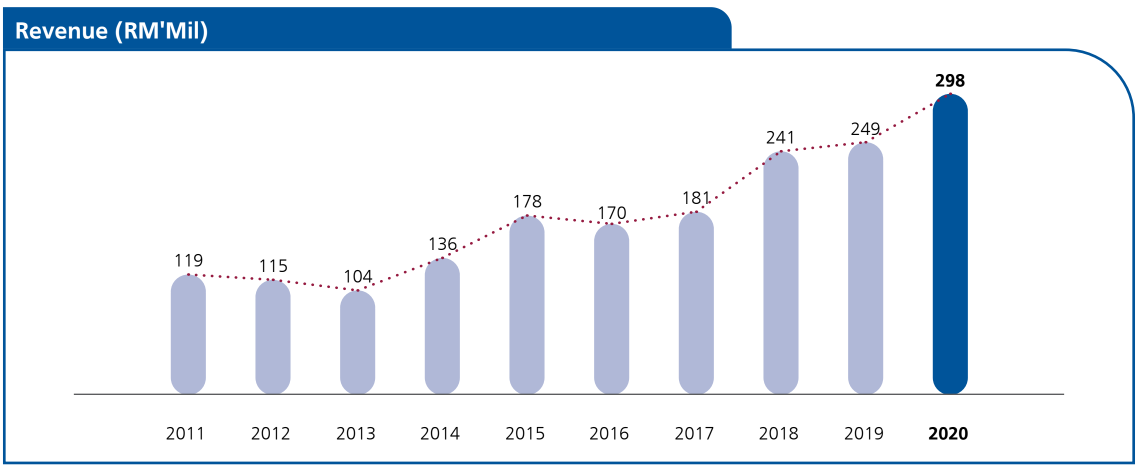
Recent breakthroughs with a number of Covid-19 vaccines now available around the world mean people and businesses will return to some sense of normality at some point in time. However, the development on Covid-19 is still uncertain to certain extent and its associated risk to businesses cannot be dismissed entirely. As a result, we shall continue to manage and mitigate the impact to the Group of the risk pertaining to the ongoing Covid-19 pandemic. This means adhering to the Ministry of Health's guidelines, wearing face masks, physical distancing and practicing good personal hygiene will be part of our corporate daily lives even when the vaccines are being rolled out until everyone of our employees has been inoculated.

Overview of Performance

a) Revenue

For the Financial Year Ended 31 December 2020 ("FY2020"), the Group's revenue amounted to a new record-high of RM298.00 million, an encouraging growth of 19.6% from RM249.07 million registered in the Financial Year Ended 31 December 2019 ("FY2019").

The following chart illustrates the Group's revenue position since FY2011.

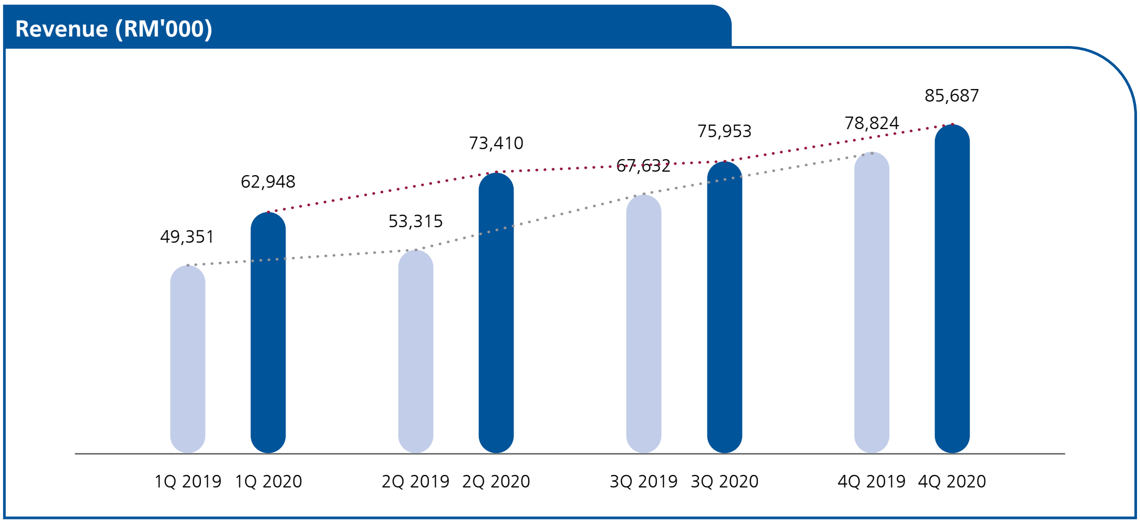


Overview of Performance (cont'd)

a) Revenue (cont'd)

The growth in revenue was mainly due to the increased in demand of disc spacer components supplied to the Hard Disk Drive ("HDD") industry. Near Line HDDs or capacity enterprise is seen dominating the surge in demand for our products brought by the pandemic and the introduction of advanced cloud applications. Demand for cloud applications skyrocketed as many organisations were forced to facilitate home working. With more and more applications are now cloud native and with the upscaling in demand for data processing related to internet of things, edge-computing and hyperscale data centers are gaining traction too. The increase in Dufu's revenue generated from disk spacers is being augmented by these developments which spur the global demand of high-end enterprise HDD with higher data storage capacity. The latest enterprise HDD operates on 9 disk platters which correspond to the number of disk spacers which the Group produces for the HDD makers.

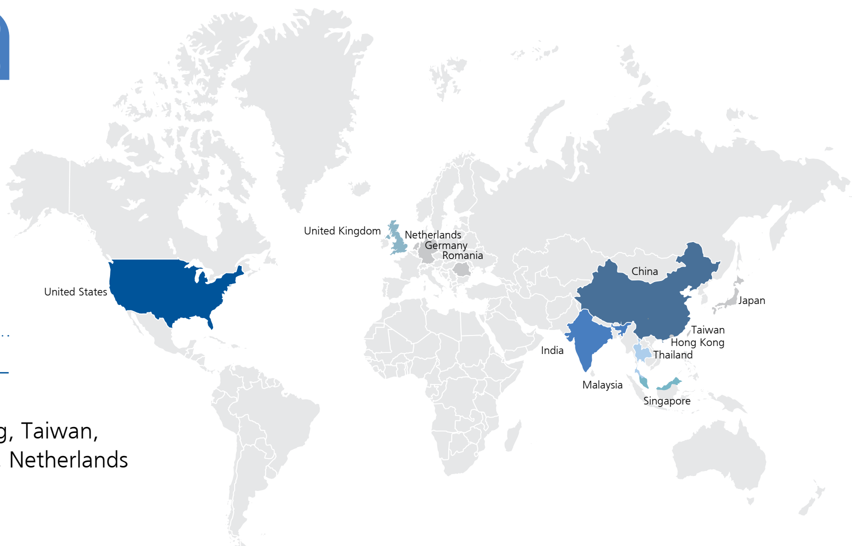
The following chart illustrates the Group's quarter-on-quarter revenue's growth.



Our export market accounted for approximately 95% of the Group's revenue. Thailand remains our top export destination considering that most of the HDD producers and their parts' suppliers are clustered in that country. The geographical breakdown of the Group's revenue for FY2020 is depicted below.

Geographical location	FY2020 (%)
Thailand	68%
China	12%
Singapore	6%
Malaysia	5%
United States	3%
United Kingdom	2%
Others	4%
Total	100%

* Others include Hong Kong, Taiwan, Germany, Romania, India, Netherlands and Japan



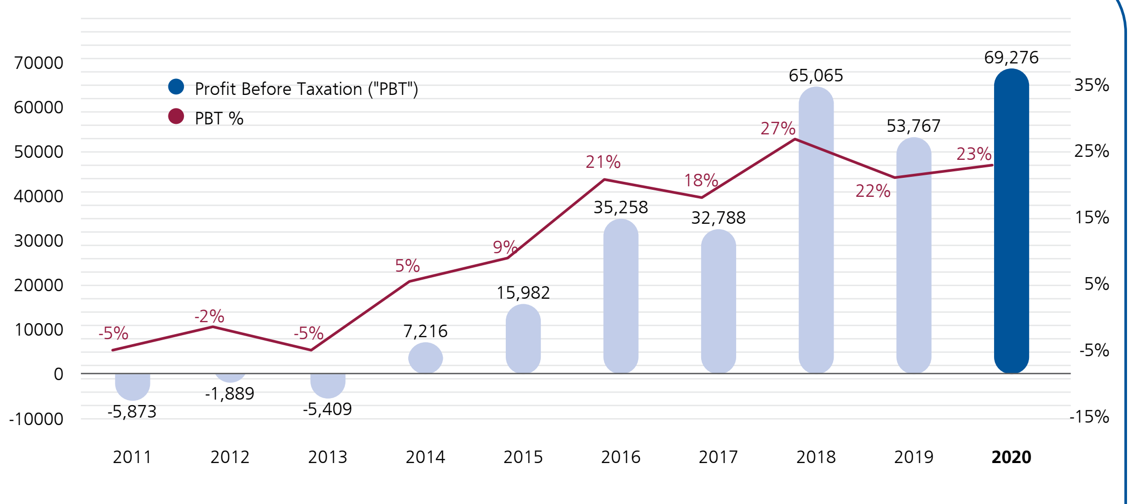
Overview of Performance (cont'd)

b) Profit Before Taxation ("PBT")

The Group posted a record high PBT of RM69.28 million in FY2020, an increase of 28.8% from RM53.77 million registered in FY2019. This was mainly due to higher revenue and economies of scale achieved arising from the increased in production output.

The following chart illustrates the Group's PBT and PBT margin since FY2011.

Profit Before Taxation (RM'000) & Margin (%)



The increase in the Group's PBT was also attributed by the turnaround of the financial performance of its associate company. For FY2020, the Group's share of results of associate turned positive to RM1.05 million from a net loss of RM0.88 million recorded in FY2019. After 3 years in operation, the Group's associate, Superior Plating Technology (Thailand) Co., Ltd which operates in metal surface treatment and electroplating processing experienced a turnaround in FY2020 after ramping up their production output, thanks to new orders received following their key customers' successful qualification of their manufacturing facility.

c) Other Income

Other income decreased to RM5.18 million in FY2020 from RM5.54 million in FY2019. The decrease was mainly due to loss on realized and unrealized on foreign exchange of RM1.23 million and RM2.94 million in FY2020 compared to realized gain on foreign exchange of RM1.05 million included in Other Income in FY2019.

d) Employees Benefits Expense

The Group's employees' benefits expense has increased from RM60.83 million in FY2019 to RM67.93 million in FY2020. The increase was attributed to the additional number of headcounts. With the workforce of 1,046 employees as at year end compared to 930 as at 31 December 2019 in the Malaysian plants, the net addition of 116 workforce was required to cater for the Group's expansion due to the increase in demand. The Group was also subjected to healthcare compliance costs related to Covid-19 in FY2020, and also incurred higher share-based payments of RM3.58 million compared to RM2.43 million in FY2019. Nevertheless, the ratio on employees' benefits expense over revenue remains manageable at 22.8% in FY2020 compared to 24.4% in FY2019.

e) Profit for the Year Attributable to Owners of the Company ("PAOC")

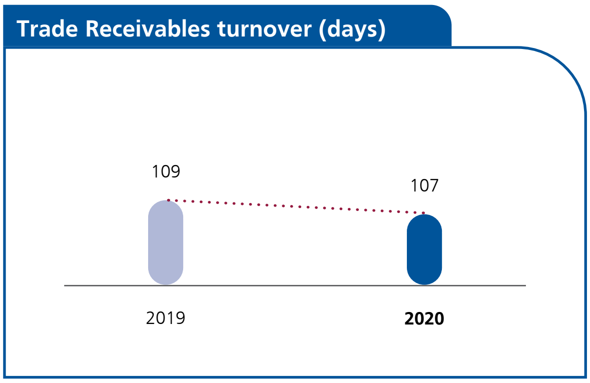
The Group's PAOC for FY2020 was RM51.81 million compared to RM44.52 million generated in FY2019. The increase was attributed to the reasons outlined above.

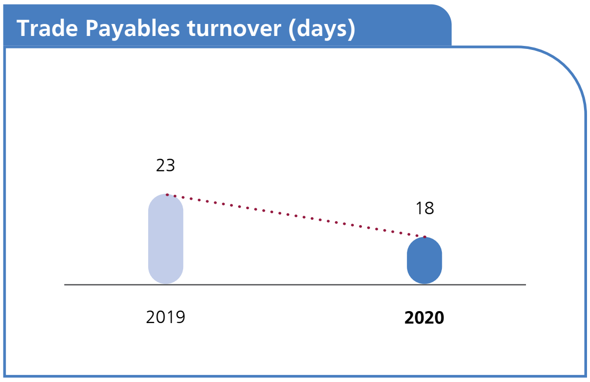
Financial Position and Cash Flow

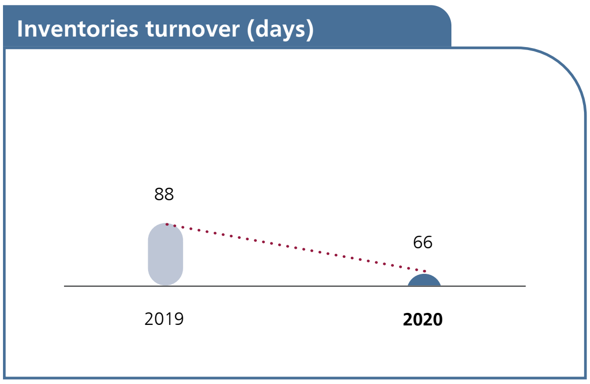
Total equity rose to RM255.83 million as at 31 December 2020 from RM214.37 million as at end-2019 mainly contributed by profit generated during the year and RM6.09 million incoming proceeds from issuance of shares from ESOS exercise. Total assets increased to RM311.03 million as at 31 December 2020, compared with RM268.68 million as at end-2019 supported by the increase in addition of property, plant and equipment and continuous improvement in the surplus of working capital. Total borrowings have slightly decreased by RM0.50 million to RM16.53 million mainly due to the drawdown of revolving term loan and import bills financing by subsidiaries of the Group for their respective working capital requirements, netted off against the on-going repayment of term loans.

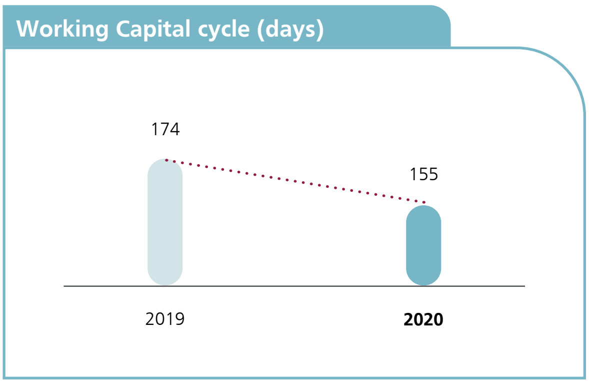
As at 31 December 2020, trade receivables increased by 17.8% to RM87.80 million primarily due to the record sales generated in the last quarter of the current financial year. As most of the debts is subject to a credit term of 90 days, the bulk of sales generated in the last quarter of the year remains uncollectible. Nonetheless, trade debtor's turnover ratio has improved from 109 days to 107 days as at end of FY2020. On top of this, trade debtors with more than 30 days past due has reduced from 3.6% to 1.4% of total trade debtors outstanding as at 31 December 2020.

The Group's inventories as at 31 December 2020 stood at RM53.99 million compared to FY2019 of RM59.79 million, a decrease of RM5.80 million or 9.7%. The decrease was mainly due to the decline in imported raw materials inventory level impacted by the global container shortages. Nonetheless, the imported raw materials remained at healthy level and was able to accommodate more than the entire month's output. The shortfall has since been rectified subsequent to year end. The Group's work-in-progress inventories also saw a decline due to lower production output in the month of December 2020 as some of the foreign workers were quarantined due to the enforcement of EMCO which we have outlined in the earlier section of this statement. Notwithstanding this, the Group's inventory level is still maintained in tandem with the collaboration agreement with our key customers where the finished goods stock level held at third-party warehouses are within customer's sales forecast. All-in-all, the Group's overall working capital cycle has improved to 155 days in FY2020 from 174 days in FY2019 depicted in the diagrams below.









Financial Position and Cash Flow (cont'd)

The Group generated a healthy net cash of RM62.92 million from its operating activities compared to RM28.62 million in FY2019. This has attributed to the increase in the cash and cash equivalents by approximately RM36.25 million during the financial year under review, underpinned by the net effects of the following:

a) Net cash used in investing activities of RM10.06 million mainly arising from purchase of property, plant and equipment of RM10.33 million and improvement on investment property for RM0.31 million, netted off against interest received of RM0.49 million; and
b) Financing activities registered a net outflow of RM16.85 million mainly due to dividend payment of RM21.89 million which was netted off against ESOS proceeds of RM6.09 million.

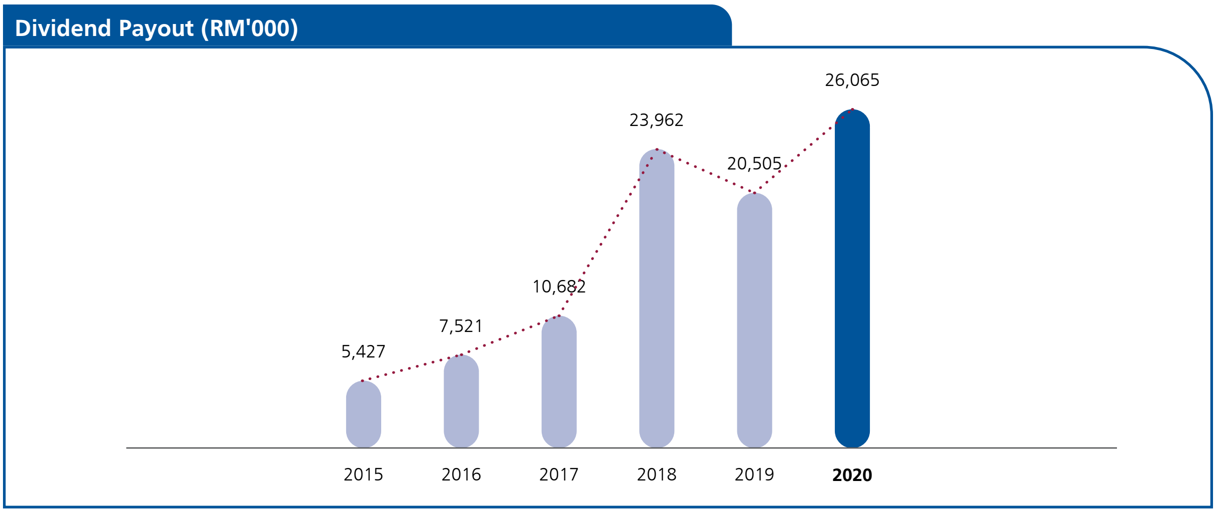
Capital Expenditure, Capital Structure and Capital Resources

The Group exercise prudent capital expenditure to support its business growth plans and upgrading of existing machines. We have invested RM10.64 million in FY2020, on top of RM27.29 million in FY2019, mostly on 36 units of the new CNC machines to prepare for HDD related demand increases in the coming years. The capital expenditure spent by the Group is crucial to coincide with customers indication on projections where we expect to see further strong upside for the demand of disk spacers. We have also added an additional industrial parts aqueous multi-frequency ultrasonic cleaning system during the year to comprehend the expansion of the CNC machines as we were already operating at maximum capacity with the current single cleaning line capacity.

In spite of the high capital expenditure spending in both FY2020 and FY2019, we continued to hold firm to our philosophy of rewarding shareholders with dividends that the Group's free cash-flow position would allow and also to maintain the dividend policy of 50% payout of net operational profit less other income. Over two tranches of dividend were declared to shareholders which amounted to 50% (FY2019: 46%) of our net profit for FY2020:

1. Interim cash dividend of 1.25 sen per share amounting to RM6.51 million paid on 25 September 2020; and
2. Final dividend of 3.75 sen per share will be proposed for the shareholders' approval in the coming Annual General Meeting.

In total, Dufu has returned close to RM94.2 million to shareholders over a period of 6 years. The following chart illustrates the Group's dividend payout on its net profit less other income ratio since FY2015.

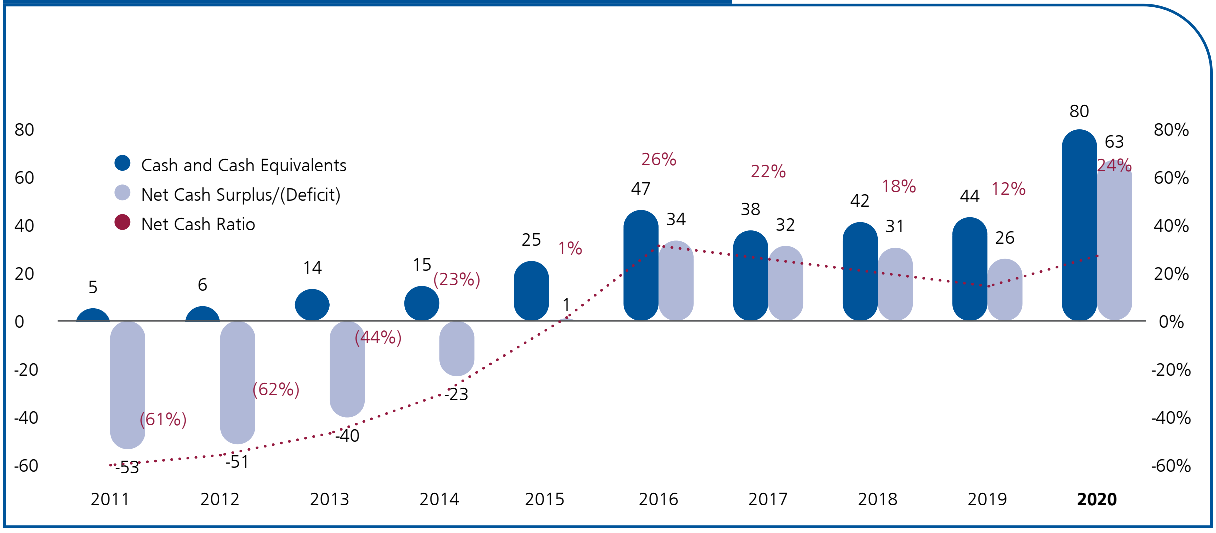


We maintain appropriate debt levels after evaluating a number of factors, including cash flow expectations, cash requirements for ongoing operations, investment and financing plans and the overall cost of capital. As at 31 December 2020, Dufu Group had cash and cash equivalents amounting to RM80.08 million (FY2019: RM43.68 million) and total borrowings (inclusive of lease liabilities) of RM17.55 million (FY2019: RM17.52 million). Based on its favorable liquidity of being in net cash position of RM62.53 million, the Group's retained cash flow coupled with its existing banking facilities are ample to support the Group's organic and inorganic growth for the Financial Year Ending 31 December 2021 ("FY2021").

Capital Expenditure, Capital Structure and Capital Resources (cont'd)

The following chart illustrates the Group's liquidity position since FY2011.

Liquidity Position (RM'Mil)



Key Risks relating to the Business and Mitigation

a) Foreign Currency Risk

Foreign currency risk exposure is due to the foreign currency fluctuations between the currency of sales or purchase and currency of receipt or settlement with respect to the time of issuing or obtaining invoicing for receipt or settlement up to the time of actual receipts or making the import payment. In the industry where we serve, most of the products and services are based on fixed pricing strategy which a price point is established and maintained for an extended period of time or even to the extent of the entire product life cycle.

Dufu Group derives 95% of its revenue from abroad, 94% of which is denominated in US Dollars ("USD") while the bulk of its expenses except for certain raw materials are paid in their respective local currencies. The Group's profit margin is generally favourable when the USD strengthens against Ringgit. Conversely, the weakening of USD against Ringgit would generally reduce the Group's profitability due to lower profit margin. Dufu intends to leverage its USD reliance by hedging the Group's cashflow naturally. In line with this, the majority of our raw materials are now typically sourced in USD. Thus, the Group has established a USD foreign currency account to facilitate the receipt of revenue collections which are denominated in USD to pay for its USD denominated purchases. By so doing, it provides some form of natural hedging against any adverse foreign exchange fluctuations. On top of this, the Group also have working facilities for foreign exchange forward contracts with several financial institutions. Should the need arise, forward contracts could be utilised to lock in the exchange rates between Ringgit and USD, after taking into account the exposure period and the related transaction costs.

b) High Business Concentration Risk

The Group currently faces business concentration risk where more than 80% of its revenue is generated from the HDD segment. This does not augur well should we lose our main customers. In addition, if there's a significant drop in the sales on one of the main HDD components which the Group is currently supplying, the Group's business income will take a huge hit. The evolving technologies to allow hard drives to store more data, with revolutionary hardware designs that dramatically improve hard drive performance and advanced methods of enabling HDD continuing to be relevant today means the characteristics of the HDD components changes all the time to align with the new requirements.

Our HDD customers have been with the Group for more than 25 years which indicates a long-term and stable customer relationship. Nevertheless, as part of the Group's risk mitigation strategy, we are diversifying our product range to outweigh the negative impact of being too HDD market centric, thereby lessening the risk of customer concentration at the same time. The set-up and relocation of one-stop solutions center specializing in sheet metal and structure fabrication for equipment manufacturers in Bukit Minyak Industrial Park was completed on 1 July 2019. Having a larger work space in this business segment is our testament to reinforce our intention to grow the non-HDD segment to balance our product portfolio. We have already made some headways as we are approaching mid-2021. The space in Bukit Minyak Industrial Park is presently running at almost full capacity and should be contributing positively to the Group's top-line growth in the coming financial year ending 2021.

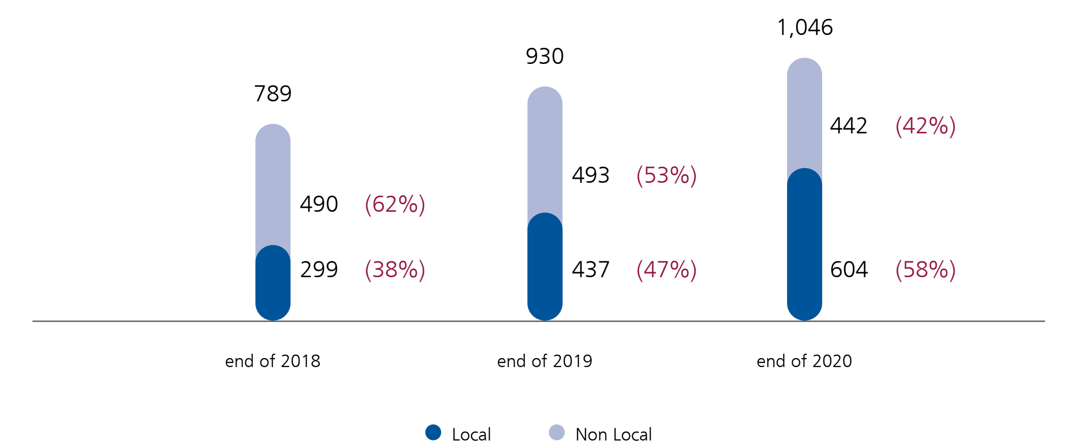
Key Risks relating to the Business and Mitigation (cont'd)

c) Labour Market Risk

The Group's manufacturing plant is located in Penang. The state of Penang is counted as South East Asia's most prominent manufacturing hub. Generally, the manufacturing industry in Penang is facing an acute labour shortage. Over the years, Dufu has resorted to recruit foreign workers as we face difficulty in employing local workforce. Hence, the Group is required to comply with the policies imposed by the authorities with regards to the employment of these foreign workers. Any future changes to such policies may affect our ability to employ foreign workers. In addition, the Group's revenue and profitability may be severally impacted due to the disruption in the production capacity in such event that we are unable to an find alternative options.

Due to the above uncertainty, we have aimed to reduce foreign workers dependency by exerting our effort to hire more Malaysians. Also, we intend to explore the usage of automated equipment and machinery wherever possible in certain manufacturing processes of the Group. Competitive remuneration and benefits packages, as well as training and career development opportunities are our focus to attract local workers. Consequently, Dufu's year-long recruitment drive started in 2019 has been bearing fruits. The Malaysian plants now enjoy a much heathier workforce composition. At the beginning of 2019, we have 38% local workers from 789 employees. We have improved this ratio since then. At the close of business, the composition of local workers has increased to 58%. With 1,046 employees as at 31 December 2020, this translates into a net hiring of 257 workers all coming from the local workforce.

Number of employees at manufacturing plants in Malaysia



d) Covid-19 Pandemic and Movement Control Order ("MCO")

The in-depth risk and impact of Covid-19 pandemic on Dufu's business operations is outlined in the earlier section of this statement. Shortage of containers and labour as well as restriction of movement in current fight against Covid-19 can create production bottlenecks. With a highly infectious rate, there is possibility of workers being stuck at home or sent to Covid-19 centres which would eventually lead to lower output.

We shall monitor and update actions and plans as the situation and the authorities' enforcement arising from this pandemic develops and evolves. Despite ongoing vaccinations, it is not clear how long the outbreak will last. Dufu will continue to carry out a thorough assessment of the risks and potential impact associated with Covid-19 and implement both long and short-term responses to mitigate any possibility of business disruption to its operations. While many things remain outside our control, we put our focus on controlling those things that are within our control in coping with difficult circumstances and facing the unknown.

Trends, Outlook, Future Challenges & Strategy

The Covid-19 pandemic has triggered the deepest economic recession in nearly a century, threatening health, disrupting economic activity, and hurting well-being and jobs. After a drawn-out fight against the Covid-19 pandemic over a year-long, countries going through lockdowns to varying degrees have suffered economic contractions with the exception of China being the only major economy in the world that end up with a positive 2.3% Gross Domestic Product ("GDP") growth in 2020.

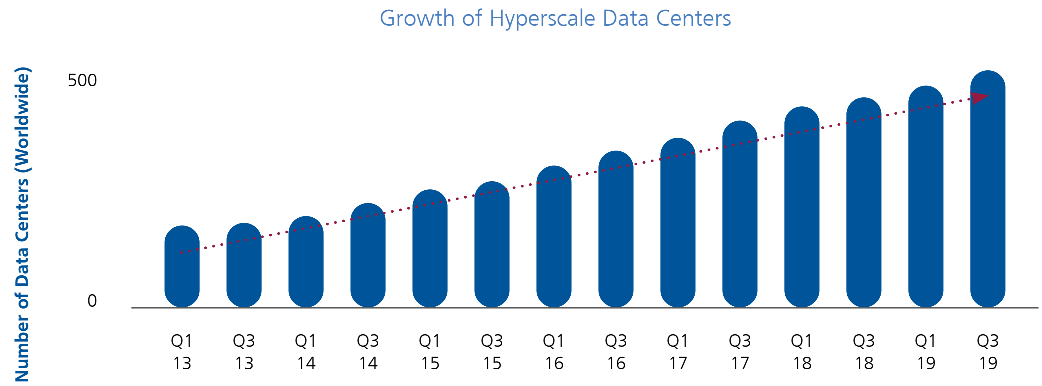
Nonetheless, the continuing impact of the virus on economic activity is expected to diminish from one wave to the next as both governments and private individuals gradually learn to restrict only those activities that post the highest risk of infection relative to their economic value. On 20 January 2021, Bank Negara Malaysia ("BNM") reported that the global economy is set to recover in 2021, led by improvements in manufacturing and export activity. However, the recent resurgences of Covid-19 cases and the subsequent containment measures have affected economic activity in several major economies. BNM added that the expedited roll-out of mass vaccination programmes, together with ongoing policy support, are expected to lift global growth prospects going forward. Covid-19 crisis has brought about years of change in the way companies world-wide in all sectors do business. According to McKinsey Global Survey of executives, companies have accelerated the digitization of their customer and supply-chain interactions and of their internal operations by three to four years. And more remarkedly, the share of digital or digitally enabled products in their portfolios has accelerated by seven years.

In contrast, a new trend that could derailed the world economic growth is the global chip shortage crisis. Makers of cars and electronic devices are facing acute chips shortages which is causing manufacturing delays as consumer demand bounces back from the Covid-19 crisis. The combination of bulk-buying by corporate giants, a fire at a chip plant in Japan, coronavirus lockdowns in Southeast Asia, and a strike in France were the causal factors. The entire supply chain will continue to be vulnerable to the chip shortages and there is a possibility of snowballing effect to other industries.

We see that year 2021 a start of digital transformation making significant headways around the globe. Data centers are rapidly being built to cater for full portfolio of digital infrastructure products, spanning across compute, storage, networking, security and related domains, and provides a comprehensive one-stop digital platform that includes cloud computing, big data, interconnectivity, information security, new safety, Internet of Things ("IoT"), edge computing, artificial intelligence ("AI") and 5G solutions, as well as end-to-end technical services. This bodes well with the industry that we are currently serving our customers in both the HDD and non-HDD segment.

In the HDD segment, revenue was buoyant during Covid-19 pandemic as can be seeing from the growth in the Group's revenue in FY2020. This spike in nearline HDD demand was a result of purchases of HDDs by data centers, particularly hyperscale data centers, to build up storage capacity to meet expanded demand due to remote work and travel restrictions. This pandemic has spurred the move to home-based working where companies offered some level of remote working for the foreseeable future while others made long-term commitments to telecommuting.

Growth of Data Centers from 2013-2019



Source: DataCenter Knowledge

Trends, Outlook, Future Challenges & Strategy (cont'd)

Pandemic notwithstanding, the Group is confident about the medium-term outlook for its HDD related key supplying components. In general, HDDs will continue to be the storage media of choice in areas dealing with large amount of relatively cold data and also for workloads that are largely sequential and not performance sensitive due to its price advantage over SSD. With the amount of global data expected to grow over 40% over the next two years, 20TB HDD is now available in the market targeting mainly the enterprise data solution segment. There has been a continuing improvement in the HDD's areal density. Enhancements in various technological developments such as HAMR (heat-assisted magnetic recording) technology, MAMR (microwave-assisted magnetic recording) and development of dual actuator has helped HDD not only to remain relevant today, but to grow in line with the growth in data storage. As such, the Group's revenue from its supply of HDD components namely disk spacers and latch pins are expected to do reasonably well in FY2021.

In the non-HDD segment, we are also optimistic with the incoming of new projects and potential new customers in the semiconductor industry for the Group's sheet metal and stamping division. We strongly believe this division will ride an imminent upcycle that appears to be heralded by positive growth of the global semiconductor industry. The World Semiconductor Trade Statistics projected that the global semiconductor market will grow by 6.2% year-on-year to USD452 billion in 2021 while the global industry association SEMI estimated that global semiconductor manufacturing equipment sales will grow by 11% year-on-year to USD70 billion in 2021. Key developments driving growth in the semiconductor market include the uptake of portable devices, cloud, automotive technology and IoT.

In FY2020, we managed to secure a new customer for the supply of sheet metal welded assembly module related to semiconductor wafer fabrication plant. Initially, we encountered some delays partly due to interruptions of business related to Covid-19 and bottlenecks in our production plant. Nonetheless, more importantly, we gained meaningful learning curve and able to gain insights from this project. With its successful implementation, we expect sales order to double from this customer in FY2021.

Towards the end of FY2020, after a hiatus of almost one year, one of our European-based customers in the medical industry has revived their orders with us in relation to the manufacturing and assembly of optical equipment. This positive news on the revival of orders is anticipated to contribute close to 7% of the total revenue coming from the non-HDD segment in the ensuing year. In addition to this, we have managed to secure orders for "Welded and Casting Frame Machining" from a new MNC customer specializing in specific test procedures in the semiconductor industry. This new project will generate meaningful contribution this year and we expect revenue to "kick" in as early in the first quarter of FY2021. If all goes according to plan, we are expecting a revenue growth of more than 20% from the non-HDD segment for FY2021.

Despite the strong grounds for optimism as aforementioned, there's no avoiding the disruptive impact of the coronavirus. While it remains from certain on how the devastating effects of the outbreak on the world economy and global chip shortage will affect previous projections on fresh storage capacity and the booming semiconductor industry, the indicators thus far appear to be holding strong. That is probably because human day-to-day lives is ever-increasing dependent on these afore mentioned evolving technologies. And, we think we are in the right spot at the right time.

This Statement is made in accordance with the resolution of the Board of Directors dated 23 March 2021.

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. 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.

Sustainability is part of our key business priority and 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.

Basis of Preparation

The scope of our Sustainability Statement covers the period from 1 January 2020 to 31 December 2020 and the reporting boundary for the time being is mainly focused on the Malaysian operations. Unless otherwise stated, Dufu's business operations in China and Singapore are not included at this juncture.

As in previous year, we have prepared this Sustainability Statement in compliance with Main Market Listing Requirements issued by Bursa Malaysia Securities Berhad ("Bursa") which is guided by Bursa's updated Sustainability Guide and Toolkits. For the first time, this statement is prepared in accordance with the Global Reporting Initiative Sustainability Reporting Standards ("GRI Standards") Core Option. We have also mapped our sustainability approach with the 17 Sustainable Development Goals ("SDGs") which were adopted by all United Nations Member States in 2015 as a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030.

Sustainability Governance

The Board of Directors ("Board") is responsible for the oversight of embedding sustainability into the Group and its business strategy, and that adequate resources, systems and processes are in place for managing sustainability matters. To assist the Board in driving and reporting the Group's sustainability practices, the Group had in May 2018 formalised the Sustainability Management Committee ("SMC") to ensure sustainability matters continues to be embedded in the Group's business strategy and operation.

The SMC is chaired by the Group Chief Executive Officer ("CEO"), supported by the Chief Financial Officer ("CFO") together with members comprising the Senior Management and relevant Heads of Business and Supporting Units. This current composition would enable the SMC to work closely to ensure all material sustainability matters are being considered and managed throughout the Group's business operation. The table below illustrates our governance structure for sustainability:

BOARD OF DIRECTORS

- Oversight business sustainability strategy and performance
- Ensure adequate resources, systems and processes are in place for managing sustainability matters

SUSTAINABILITY MANAGEMENT COMMITTEE ("SMC")

CEO

- Chair and lead the SMC and reports to the Board on sustainability matters
- Reviews sustainability matters with members of SMC

CFO

- Supports CEO on sustainability matters and coordinates SMC meeting

Other members

- Comprises COO, Business Unit Directors, Managers and representatives from Business Development, Operation, Quality Assurance, Human Resource and Administration, Finance, Risk Assurance & Internal Control and Purchasing departments
- Responsible for materiality assessment, identification and monitoring of initiatives/ actions, execution of initiatives/ actions and reporting
- Reports to CEO on sustainability matters

Stakeholder Engagement

We believe that maintaining a good degree of communication and understanding with all the internal and external stakeholders is essential in our journey to be a good corporate governance and reputable sustainable business entity. Dufu recognises the importance of continuing engaging with stakeholders as an integral part of the organisation's process in its business developments, operations and financial performance and will respond to their concern in a timely, effective and transparent manner. If any stakeholders have any questions, suggestions or concerns with respect to sustainability matters, they may contact us by email at corporateaffairs@dufu.com.my. Stakeholder engagement helps build involvement and a sense of continuation to a new future. We ensure adequate time and sufficient planning to include all relevant parties and to allow them to discuss, understand and internalise each project milestone or step in the process of improving governance.

Members of the SMC conduct stakeholder engagement to identify key stakeholders for the Group. This engagement evaluates the level of influence and dependence, whether directly or indirectly towards the Group. Upon the process of identification, we conduct stakeholder prioritisation through the materiality assessment exercise.

A summary of the stakeholder groups, the sustainability topics, and the type of engagement with frequency are shown in the following table.

Stakeholder engagement on sustainability topics, type and frequency of engagement

Stakeholders	Sustainability Topics	Type of Engagement	Frequency
Customers	• Production quality, productivity and improvement • Product quality and timely delivery and efficiency • 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 • Employee satisfaction • 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 • Employee engagement survey • Formal meeting and discussion • Feedback boxes	On-going Semi-Annually On-going As required On-going On-going
Investors/ Shareholders	• Business performance • Operation in compliance with applicable laws and regulations • Strategic plans • Good corporate social responsibility and practices	• 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 • Practise ethics and compliance	• Key supplier audits • Supplier selection via pre-qualification • Regular meetings and correspondence • Supplier rating • Supplier training	On-going As required On-going Quarterly As required

Stakeholder engagement on sustainability topics, type and frequency of engagement (cont'd)

Stakeholders	Sustainability Topics	Type of Engagement	Frequency
Media	• Timely and accurate information	• Press release • Meetings and correspondence	As required As required
Government and Regulators	• Regulatory compliance	• 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

Materiality Assessment

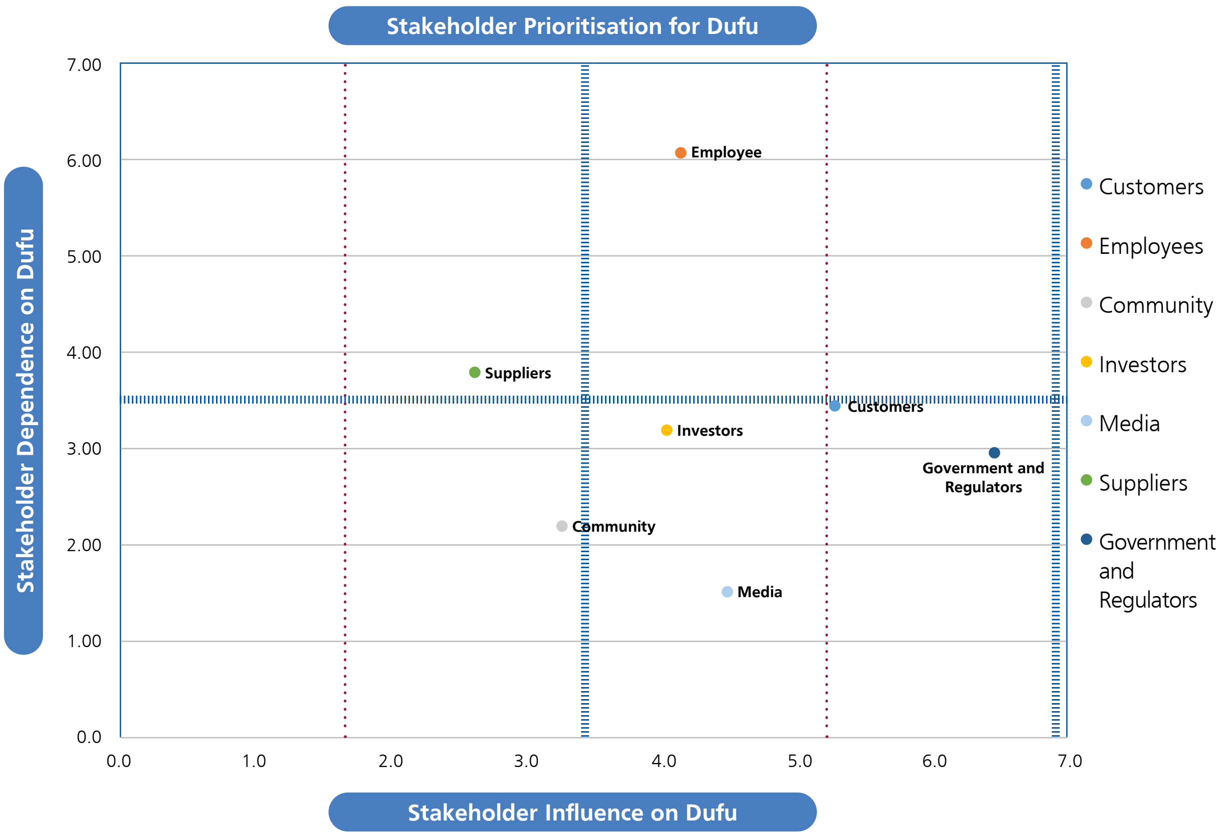
We identify our sustainability matters by having assessed the significance and materiality of each of the sustainability concerns based on its level of impact and influence to the Group, cognisance of the current economic, environmental and social trends both locally and globally. Our materiality assessment on sustainability matters is summarised as follows:

1. Understanding and Identification	2. Categorisation and prioritisation	3. Materiality Assessment and validation	4. Process review
• Understand sustainability topics related to business operations	• Categorise and prioritise sustainability matters	• Perform materiality matrix on influence on stakeholders' assessment against business sustainability impacts	• Process and outcome of the material assessment are reviewed and approved by SMC and update to the Board
• Identify key stakeholders and their concern	• Plan possible actions and report key sustainability topics	• Validation on identification, monitoring and managing sustainability matters which have significant impact to business strategy	• Re-assess and re-evaluate the process to achieve the desired outcomes when necessary

Stakeholder Prioritization

We recognise the need to balance our strategy in pursuit of our sustainable growth with the expectations from various stakeholders. In line with that belief, we have established a series of informal engagement initiatives with various stakeholders through the Group's respective business and supporting units via various channels from time to time to gauge their feedback and address their expectations. The last stakeholder's prioritisation exercise was carried out in May 2018 where members of SMC identified multiple stakeholders with varying degree of influence and dependence on Dufu. Based on the results obtained therein, Customers and Employees were found to be the most crucial groups in Dufu's Stakeholder Prioritization Matrix as illustrated in the diagram below.

Stakeholder Prioritization Matrix



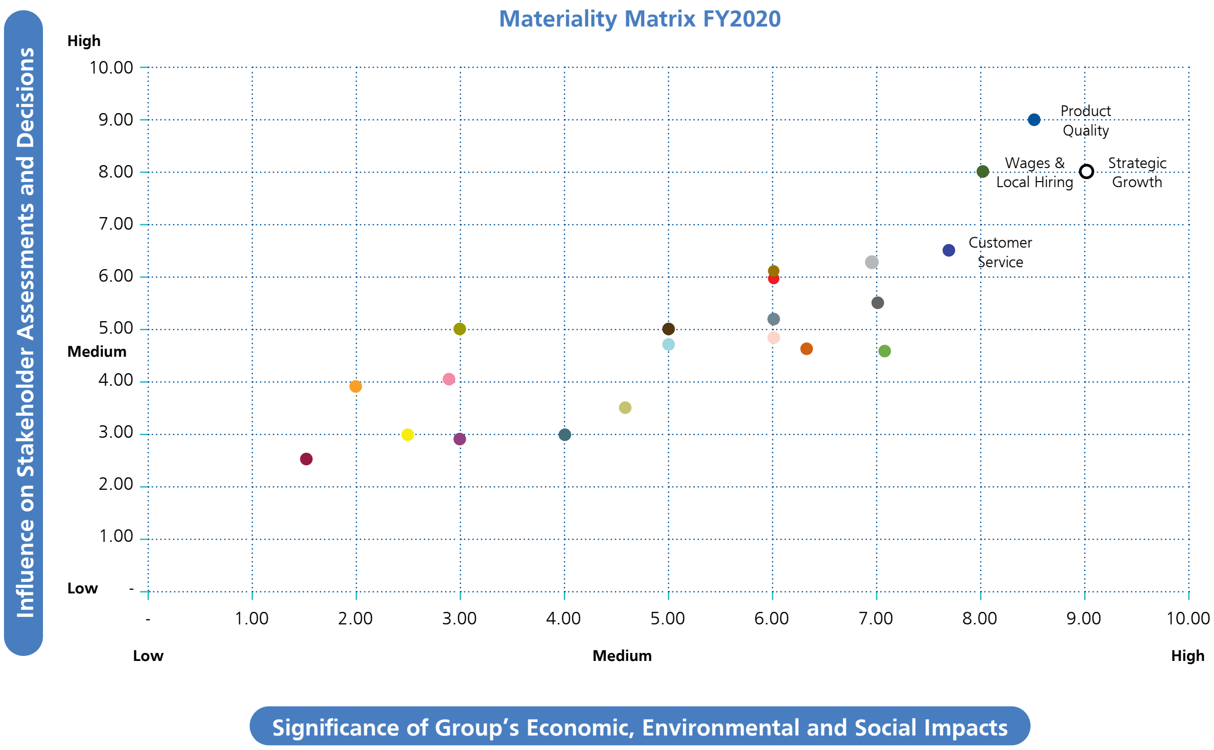
Materiality Matrix

Dufu has adopted a structured materiality assessment approach which is guided by Bursa Malaysia's Sustainability Reporting Guide. The Group's materiality assessment and awareness workshop was first introduced and conducted in May 2018 by bringing together the internal company perspective with that of Dufu's broad range of external stakeholders. In that session, the SMC discussed various sustainability matters pertaining to the Group. The structured workshop included all the SMC members represented by Management, Department Heads and representatives from Human Resource, Sales, Quality Assurance, Finance, Operation, Procurement, Internal Control and Risk Management. Previous input and feedback received in various interactions with customers, employees, investors, regulators, and other external stakeholders was incorporated into the discussion. In the meeting, the threshold for the materiality level was established and agreed upon by SMC. We value the perspectives and opinions of our stakeholders and, where practical and economically feasible and consistent with our values, we incorporate their feedback on key topics into our approach.

Materiality Matrix (cont'd)

Subsequently on 16 October 2019, the materiality matrix of all the sustainability matters was revised by the respective leaders and agreed by SMC. The outcome of the materiality assessment, as shown in diagram below, was presented to the Board of Directors on 5 November 2019. Product Quality, Strategic Growth, Customer Service and Local Hiring are the top material sustainability matters which are highly significant to both our stakeholders and Dufu.

Prioritisation of Sustainability Matters



- Emissions
- Energy Efficiency
- Water Management
- Effluents & Waste Management
- Employee Welfare
- Training & Development
- Labour Management
- Occupational Safety & Health
- Product Quality
- Wages & Local Hiring
- Community
- Economic Contribution to Community
- Compliance
- Supply Chain
- Anti-Corruption
- Anti-Competitive Behaviour
- Board Diversity
- Risk Management
- Procurement Practices
- Strategic Growth
- Customer Service
- Product Development

Sustainability Approach

Our approach to sustainability starts with running a safe, efficient, responsible and profitable business. We see sustainability at our company as inextricably linked to our ability to deliver long-term value and growth to all our stakeholders. As such, our sustainability strategies are formed on five (5) guiding pillars that act as a base for how we address the material risks and opportunities identified in twenty-two (22) sustainability matters which may impact our customers, employees, shareholders, suppliers and the communities in which we operate. Each of the 5 pillars determines a set of objectives which we strive to achieve to ensure that we implement our strategy with clear plans and purpose. Our sustainability goals within each of the 5 sustainability pillars segregated into Economic, Corporate Governance, Labour Practices, Environment and Communities are as follows:

Economic

- Enhancing shareholders values by pursuing sustainable growth strategies
- Providing quality products and services to enhance customer satisfaction

Corporate Governance

- Upholding an effective governance and decision-making structure
- Fostering an integrity-based approach to ethics management, displaying honesty through honourable conduct

Labour Practices

- Creating a values-based and performance-led culture
- Making health and safety an integral part of daily culture and work towards zero accidents

Environment

- Addressing climate change and environmental matters in responsible manners with regulatory compliance as the baseline

Communities

- Investment in community engagement in initiatives that make a lasting positive impact

Sustainability Approach (cont'd)

Economic
- Economic Contribution
- Strategic Growth
- Product Quality
- Supply Chain Management
- Customer Service
- Product Development
- Procurement Practices

Corporate Governance
- Board Diversity
- Risk Management
- Compliance
- Anti-Corruption
- Anti-Competitive Behaviour

Labour Practices
- Employee welfare
- Training & Development
- Labour Management
- Occupational Safety & Health

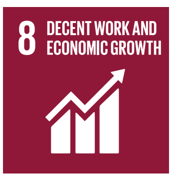
Environment
- Emissions
- Energy Efficiency
- Water Management
- Effluents and Waste Management

Communities
- Community Investment
- Local Hiring

Our alignment with the UN SDGs

The 17 SDGs were adopted at the United Nations General Assembly in 2015. The SDGs are a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity. We have mapped the SDGs across our sustainability activities, and identified five primarily goals which Dufu is best positioned to contribute to and have the greatest impact as a corporate citizen. The table below details how our five sustainability pillars – Economic, Corporate Governance, Labour practices, Environment and Communities are aligned with the SDGs relevant to our industry.

Economic



Under our sustainability pillar "Economic", we view that Goal 8: Promoting an inclusive and sustainable economic growth, full and productive employment and decent work for all is the most important aspects of all the 17 SDGs.

Our financial performance and strategic growth are paramount to our survival in Dufu's sustainability journey as they have also a direct beneficial impact to other stakeholders such as our employees, government, local communities and investors. Having good "Labour Practices" and providing decent work environment with caring needs for employees rejuvenates a motivated workforce which are crucial to delivering the desired growth of Dufu.

Read more on pages 38 to 41 and 45 to 52.

Our alignment with the UN SDGs (cont'd)

Corporate Governance

Promoting Goal 16: Peace, justice and strong institutions is the most material goal for our sustainability pillar "Corporate Governance"

Dufu has developed a comprehensive management structure throughout the years. We have continuously reviewed our company policies and procedures to ensure our corporate governance structure meets the applicable laws and regulations, industry best practice, global trend and market expectation. We strive to contribute to SDG16 in the area of governance and business ethics, by strengthening our effectiveness, accountability and transparency. We recognise that good governance practices are imperative to long-term business success which also contribute to an inclusive society.

Read more on pages 41 to 45.

Labour Practices

Promoting Goal 3: Ensuring healthy lives and promoting well-being for employees at all for all ages is the most material goal for our sustainability pillar "Labour Practices"

Dufu aims to provide a supportive, pleasant and healthy workplace for employee, and to foster a caring and well-being community in its working environment. We adhere to internationally recognised ethical and responsible business practices. A safe and healthy working environment for our people is of paramount priority for Dufu which we hope to achieve this by conducting comprehensive health and safety training programmes, organising well-being activities and continuous improvement on the workplace facilities.

Read more on pages 49 to 56.

Environment

Promoting Goal 13: Taking urgent action to combat climate change and its impact is the most material goal for our sustainability pillar "Environment". We are dedicated to protecting the environment and supporting the fight against climate change to move towards a circular economy.

Our key areas of focus in regards to climate change management are mainly concentrated in maximising our resources efficiency and improve productivity while minimising waste and preserving energy consumption and water resources.

Read more on pages 57 to 61.

Communities

Promoting Goal 17: Strengthen the means of implementation and revitalising the global partnership for sustainable development is the most material goal for our sustainability pillar "Communities"

Dufu uses its expertise and resources to support the communities in which it operates, focusing on supporting people in need, collaborating with local charities and organisations and providing training opportunities for young people. We aim to gain a sense of responsibility for the community.

In FY2020, Dufu has continued to invest in various charitable activities, collaborate with local institutions and support local hiring practices.

Read more on pages 62 to 64.

ECONOMIC

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

Financial Performance and Strategic Growth

Our financial performance is of significant importance to our internal and external stakeholders alike where our sustainable growth allows us to strengthen partnership with customers and suppliers. We also acknowledge that providing returns to shareholders is one of our most important tasks, and with this Dufu has adopted a long-term dividend policy of 50% dividend pay-out ratio in line with the Group's operational earnings while reflecting an overall balanced consideration of factors such as business fundamentals, financial conditions and cash flow.

A summary of our key Financial Performance and Growth for the year 2020 are as follows:

RM298.0 million

FY2019:
RM249.1 million

Revenue

20.2%

FY2019:
20.8%

Return on Equity

RM51.6 million

FY2019:
RM44.1 million

Profit After Tax

RM21.9 million

FY2019:
RM25.0 million*

Dividend Distributed worth to Shareholders

* Inclusive of the Single Tier Final Dividend for FY2018 by way of one treasury share for every twenty shares held is deemed to be worth 8.15 sen per share based on the closing price at the date of announcement on 26 February 2019.

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. We have developed and implemented the following strategies in the Group's pursuit for sustainable long-term growth in FY2020:

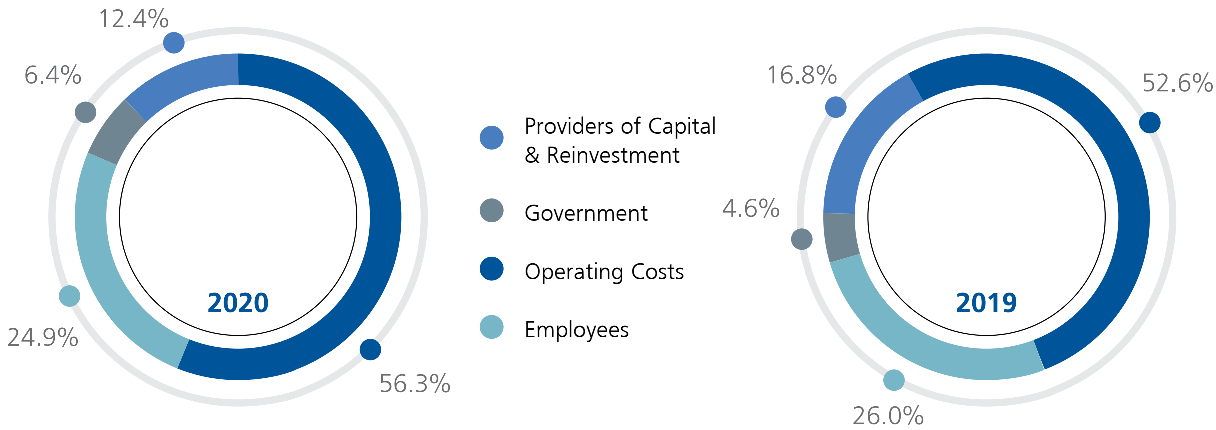
1. Continued to invest in infrastructure and machineries to maintain current market share for targeted growth of Hard Disk Drive ("HDD") components. The surging generation of data by businesses, corporate data centers and cloud service providers will likely cause bountiful need for electronic data storage. Digital transformation of work, life and leisure continues to be fuelled by rising processing power, improvement in data analysis, enhancement in data transmission and failing cost of data storage coupled with the need of mandated social distancing arising from Covid-19. Due to this, HDD market is expected to be on uptrend mode for years to come and we expect Dufu will benefit from the HDD components that we are presently supplying to the HDD makers; and

2. The acquisition of the factory building at Bukit Minyak Industrial Park with land area of 0.81 hectare provided the Group with a much-needed infrastructure to offer a one-stop solutions center specializing in fabrication and assembly of sheet metal components and equipment. Initially, the Bukit Minyak plant which commenced its business mid of 2019 accounted some teething issues which we had continued to learn and adapt to fine tune our operations. The business was impacted in the first half of FY2020 due to some cancellation and delay of orders from customers arising from Covid-19 pandemic. Nevertheless, after a period of slow growth, we believe the industry is going to experience rapid growth in the coming years. We are already seeing encouraging sign from customers' orders and inquiries, and we are expecting strong revenue growth from this sector in the coming financial year. This is part of the overall long-term diversification strategy to grow the Group's revenue with a balance portfolio of products.

Direct Economic Value Generated and Distributed

Strong financial performance is key to the sustainable growth of any business and its future success. This aspect is material because financial success is necessary for our business to meet its sustainability goals now and in the future. Our financial performance also directly affects other stakeholders, such as our employees, government, local communities and investors.

The following pie chart summarizes the direct economic value generated and distributed by Dufu Group. It describes the financial benefits we have created for various stakeholders:



Customer Satisfaction

The Group's economic success and in particular, the success of our extension strategy is directly linked to the satisfaction level of our customers. Customers' satisfaction is always our priority and responsible of all the managers in their respective business areas.

We continued to focus on taking customer interests into account by implementing timely measures to improve product quality and deliverables in the interests of our customers. For instance, we developed mechanical tools and the continuing improvement in our process techniques have helped to prevent handling defects. Listening to customer feedback from around the world and utilize this feedback for product development throughout its entire lifecycle is part of Dufu's culture which we have cultivated in our pursuit to achieve total customer satisfaction. As a result, customers feel confidence in using our products and services where they can be assured of timely delivery with consistent quality.

Customer survey is carried out on yearly basis to assess customer satisfaction. In 2020, we received an overall customer satisfaction score of 92.9% compared to 91.8% in 2019. The survey enables us to track our relationship with customers and allows us to identify areas for ongoing improvement.

Supplier Chain Management

Dufu recognised that ethical sourcing and responsible supply chain management is critical to its procurement decisions. We encourage our approved suppliers to support key sustainability initiatives through adoption and implementation of sustainable business practices. Under our supplier's selection and evaluation process, in addition to price, service, flexibility and quality that they need to achieve in accordance with our specifications, suppliers are also assessed on sustainability aspects as well.

Supplier Chain Management (cont'd)

Our supply chain practices are guided by the Group's Supplier Ethical and Environmental Code of Conduct which is aligned to Dufu's own Responsible Business Alliance ("RBA") Policy and Code of Conduct. RBA is the world's largest coalition dedicated to corporate social responsibility in global supply chains. The code requires our suppliers to ensure that their working conditions are safe, workers are treated with respect and dignity, their business operations are environmentally responsible and conducted ethically. Vendors qualification are tactfully vetted on the conformance of code of conduct and supporting documents are required as part of the criteria for approved vendor. Some of the areas covered by Dufu's Supplier Ethical and Environment Code of Conduct are as follows:

- Practice of freely chosen employment
- Prohibition of child labour
- Employee's freedom of association
- Fair Wages and Benefits
- Humane treatment on employees
- Non-Discrimination of employees
- Fair Working Hours
- Health and safe work environment monitoring
- Adhere to legislation

Suppliers and sub-contractors who provided product and services to Dufu are required to commit, adhere and declare compliance at all times to this code by written acknowledgment. Not only this, we also carry quality and "labour ethics and safety" audits at the premises of key suppliers and vendors. Should there be any findings of identified high risk areas, corrective actions are expected from them. We reserve out rights to remove any products or service provider from the approved vendors/contractors list if the products or service provider is not willing to correct the violation.

On top of this, we also mandate our suppliers' raw materials sourcing are RoHS (Restriction of Hazardous Substances) and REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) compliance at all times. RoHS directive restricts the use of certain hazardous substances in electrical and electronic equipment whereas REACH is a regulation adopted to improve the human health and environment from the risks that can be posed by chemicals. We also provide training to suppliers on continuous improvement processes to facilitate implementation of any corrective actions required. Subject to certain threshold, their performance is reviewed on quarterly basis.

Conflict-Free Minerals Policy

We take appropriate steps with respect to our due diligence process to mitigate the risk that any Conflict Minerals in the process supply of our raw material and products could possibly benefited armed groups in the Democratic Republic of Congo or adjoining countries by continuing to identify suppliers whose supplies contain 3TG for all new product launches and support our customers in implementing their conflict minerals programs. In order to achieve the Conflict Minerals compliance, we have formed a Conflict Minerals Committee consisting of personnel from the Purchasing, Sales & Business Development, Quality and Human Resource. The Committee will review the due diligence progress to identify and provide resources to support the Conflict Minerals legislation requirements. Supplier is required to declare and identify the sources of all its material substances contained in the products and make available any documentation that supports the declaration. Thus, all the minerals used in our supply chain are conflict-free.

Local Procurement Practices

We drive our business unit's needs for goods and services towards local procurement while taking into consideration the need to establish a secure, reliable and cost-effective supply chain that conforms to the highest standards of quality and delivery. Obviously, not everything that we procure could be source locally. For example, our need to import specialised technical equipment such as milling, grinding and measuring machines and its related spares and accessories. Furthermore, certain metal components and commodities are not available locally. These two aspects are the main reasons why the proportion of spending on non-local purchases are significant to the Group (64% and 55% of total purchases in FY2020 and FY2019 respectively).

Commitment to quality

Having the latest revision of 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 product quality and reliability on regular basis, as well as improving 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 ("SPC") and etc. Incoming material inspection is conducted to ensure raw materials and components comply with documented standards before mass production whereas in-process quality audit detects abnormalities in our manufacturing process. All our products are subject to in-depth monitoring and quality control checks during different stages of production using delicate measurement tools, metrology and laboratory equipment. Our finished goods quality assessment helps to verify the reliability and compliance of our products, other than ensuring the products meet the required specification and defects-free at the time of delivery. Thereafter, we ensure that every product that we deliver is consistently on-time. This is the only way, our products meet customers' expectations, along with that - building their confidence and trust.

CORPORATE GOVERNANCE

Good Corporate Governance is an indication of the Board's commitment to achieve the desired standards of professionalism and business ethics across the Group's activities. We acknowledge that it is a form of self-regulation which is part of our sustainability journey aimed at enhancing business propositions taking into considerations various stakeholders' value and expectation. Our company policy and procedures have been constantly updated to ensure our corporate governance structure meets not only the legislative requirement, but on par with the industry best practices. Details of Dufu's corporate governance framework and practices are elaborated in the Corporate Governance Overview Statement contain in this Annual Report.

Board Diversity and Structure

The Board of the Company comprises two Executive Directors and four Independent Non-Executive Directors. Their names and brief biographies can be found in the section "Board of Directors' Profile" of the Annual Report FY2020. The duties and responsibilities of the Board is spelt out in the Board Charter. The Board has established an Audit Committee, a Nomination Committee, a Remuneration Committee and an Investment Committee with defined terms of reference to assist and support the Board in discharging its governance and other responsibilities.

The Nomination Committee regularly reviews the composition of the Board and Board Committees. The Board comprises a mixture of qualified and experienced directors with diverse experience, background and expertise. The combination of diverse professionals with varies background, experience and expertise in legal, finance and corporate affairs have also enabled the Board to discharge its responsibilities effectively and efficiently. The skillsets and diversity in the race/ethnicity (cultural background), nationality, age and gender of the existing Board members are disclosed in Practise 4.4 of the Corporate Governance Report for FY2020.

Code of Conduct and Ethics and Whistleblowing

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.

The Group's CCE and Whistleblowing policies were updated by the Board on 2 November 2020.

Anti-Corruption and Bribery Policy

The Group does all it can to act with integrity in all of its business dealings and commercial relationships. We are committed to the highest standards of ethics and honesty and we adopt a zero-tolerance approach to bribery and corruption in all its forms.

The Group is committed to complying with all applicable laws and regulations of the countries in which it operates and to applying high standards of conduct and integrity in its business activities whether in Malaysia or overseas. We are serious about building a culture of accountability, ensuring investor confidence and maintaining good corporate governance. Our Anti-Corruption and Bribery Policy outlines the Group's commitment to conduct business ethically as well as complying with all applicable laws, including the Malaysian Anti-Corruption Commission Act 2009 (Amendment 2018) ("MACC Act") and any of its amendments made by the relevant authority from time to time. The Anti-Corruption and Bribery Policy provides policy guidance to Directors, employees and business associates the way to recognise and deal with any act of corruption and bribery that may arise in the course of daily business and operation activities within the Group.

The Anti-Corruption and Bribery Policy was approved by the Board on 1 June 2020 and covers salient areas pertaining to corruption and bribery such as gifts, entertainment, hospitality, facilitation payments, kickbacks and charitable contributions and sponsorships. The Anti-Corruption and Bribery Policy necessitates strict adherence by all parties across the Group's supply chain. We strictly prohibit any of our Directors, employees and business associates from taking part in any form of corruption, bribery, extortion, embezzlement or any kind of money laundering activities.

On top of this, the Group's Charitable and Sponsorship Policy was approved by the Board on 1 June 2020. The Charitable and Sponsorship Policy provides comprehensive guidelines and parameters to aid in responding to the many requests for charitable donations, event sponsorships and in-kind requests received by the Group and the relevant approving authority required. We do not make charitable donations or contributions to political parties. Whilst employees and associated third parties acting in their personal capacity are not restricted to make any personal political donations, Dufu will not make any reimbursement for these personal political contributions.

A comprehensive risk assessment to identify the nature and extent of internal and external risks including exposure to risks associated with jurisdictional, transaction and business involving customers, suppliers, employees, products and transactions has been incorporated into the Group's risk register in May 2020. There were seven (7) risk areas created covering areas pertaining to contractors and suppliers, political contribution, charitable contribution and sponsorship, facilitation payment, significant investment, promotional gifts and hospitability and customers.

Our Anti-Corruption and Bribery Policy has been adequately communicated to all Directors, employees and associated third parties through various communication channels and is published on our corporate website at https://www.dufutechnology.com/anti-bribery-corruption-policy/.

The adoption of anti-corruption and bribery culture in business operations, and familiarisation with the Anti-Corruption and Bribery Policy, Charitable and Sponsorship Policy and Whistleblowing Policy and Procedures were facilitated through various training sessions conducted to Directors, senior management and employees. We have also incorporated the awareness of these policies into our induction training program for new employees. All persons including Directors, employees and stakeholders are expected to promptly report, via the established whistleblowing channels provided for in the Whistleblowing Policy and Procedures, any suspicious transactions that may indicate acts of corruption, bribery or money laundering.

Anti-Corruption and Bribery Policy (cont'd)

During the financial year, we engaged an external training provider to brief the Board and managers on "Corporate Liability on Corruption under the MACC Act 2009". We also made arrangements for the employees to attend various trainings on anti-corruption and bribery conducted by the human resource and training department.

There were no corruption-related cases reported from FY2019 to FY2020:

No fines imposed in relation to corruption, bribery, anti-competitive business practices

Zero political contributions made

Zero facilitation payments made

Risk Management

Dufu has implemented an organisational structure with formal and clearly defined lines of responsibility and delegation of authority for risk management. To ensure the effectiveness of risk management, there are three distinctive but complementary roles for implementing the risk management policies and objectives of the Group, and monitoring the risk management process. First and foremost, the Enterprise Risk Management ("ERM") is practised at Dufu where the Group's Risk Management Committee ("RMC") led by the Group Chief Executive Officer and supported by various Department Heads is responsible to perform periodic review, assessment and update of the Risk Register during the RMC meetings held quarterly and their findings will also be reported to the Audit Committee on quarterly basis.

Secondly, the Group also has its own Internal Control Department where the role of this department monitors the Group's operational performance and safeguarding of assets covering areas such as labour efficiency, scrap, machine performance, fixed assets, material yield usage, stocks and tool management.

Finally, the Company outsourced its internal audit function to Eco Asia Advisory Sdn Bhd ("Eco Asia"), an independent professional firm as an internal auditor to provide independent assurance to the Audit Committee that the Group's risk management, governance and internal control processes are operating effectively. For further information on Risk Management, please refer to the section in Statement of Risk Management and Internal Control of the Annual Report FY2020.

Data Privacy and Security

Dufu is committed to uphold data privacy fundamentals which entail the proper use and handling of data with sensitive information. This typically includes personal or financial data about an individual or organization. We are also tactful in managing data security which is the process of protecting data from being viewed, altered, or stolen by unauthorized users. These are important aspects to build trust and accountability with customers, business partners and employees who expect their data to be private. Our key internal controls to protect data privacy are as follows:

- Protect our technology resources and assets with encryption, firewalls and antivirus or anti-malware software;
- Use appropriate physical and organisational security measures to protect personal data;
- Require all employees to comply with Dufu's Code of Business Conduct and Ethics;
- Provide training and awareness programmes; and
- Sign Non-Disclosure Agreements with customers, suppliers and contractors.

For FY2020, we have revised the Non-Disclosure Agreements and all approved vendors and contractors are required to adhere to the new requirements. We have also upgraded our servers and backup system for data safekeeping and also installed a new comprehensive sets of anti-virus solution as part of our data security measures. As a result of our ongoing endeavours, there were no breaches or incidents reported in FY2020.

Investor Relation

As part of our effort to enhance Dufu's corporate governance, we are committed to provide accurate information and disclosures in transparent and timely manner to all our shareholders. We continued to work on the timely delivery of the Annual Report and Quarterly Financial Results in 2020.

Release of Dufu's Annual Report and Quarterly Financial Results

Financial Results	Date of Issue/ Release	No. of Days after end of Year/ Quarter	Bursa Securities Deadline for the Issue/ Release
Annual Report			
2019	**6 April 2020**	**96**	**30 June 2020***
2018	29 March 2019	88	30 April 2019
2017	30 March 2018	89	30 April 2018
2016	28 April 2017	118	30 April 2017
Quarterly Results			
2020			
1st Quarter	**5 May 2020**	**35**	**30 June 2020***
2nd Quarter	**4 August 2020**	**35**	**31 August 2020**
3rd Quarter	**2 November 2020**	**33**	**30 November 2020**
4th Quarter	**26 February 2021**	**57**	**31 March 2021***
2019			
1st Quarter	7 May 2019	37	31 May 2019
2nd Quarter	7 August 2019	38	31 August 2019
3rd Quarter	5 November 2019	36	30 November 2019
4th Quarter	26 February 2020	57	29 February 2020

*Extension of time given by Bursa Malaysia Securities Bhd in light of Covid-19 pandemic

Dufu's AGM and EGM went virtual for the first time

Dufu held its 18th Annual General Meeting ("AGM") and thereafter, Extraordinary General Meeting ("EGM") for the proposed bonus issue via live streaming and online voting on 19 June 2020, which was broadcasted from its conference room at Plot 19, Hilir Sungai Keluang 2, Taman Perindustrian Bayan Lepas, Phase IV, 11900 Penang Malaysia. All the registered shareholders who participated were able to vote and ask questions remotely using the available remote participation and voting facilities. During the AGM, Mr. Yeoh Beng Hooi, Dufu's Chief Executive Officer responded to the questions from shareholders mainly on the Group's performance, initiatives and strategy going forward in light of current economic conditions and the impact of Covid-19 to its business. All the proposed resolutions were approved at the AGM and EGM respectively.

Dufu's AGM and EGM went virtual for the first time (cont'd)

The fully virtual meetings demonstrated our continued commitment to engaged with shareholders on a timely manner, while taking every precaution to safeguard their safety and wellbeing. The virtual proceedings are also in line with Practice 12.3 of the Malaysian Code of Corporate Governance ("MCCG"), where companies are called upon to have transparent and regular communication with shareholders, including leveraging technology to promote shareholder participation.

LABOUR PRACTICES

Dufu aims to provide a supportive, pleasant and healthy workplace for employee, and to foster a caring community in its 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 yearly training and development programmes. We also place importance on the safety and well-being of 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 Responsible Business Alliance ("RBA") and Occupational Health and Safety Management System ("ISO 45001: 2018") as the recognised standards adopted, complied and used as 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.

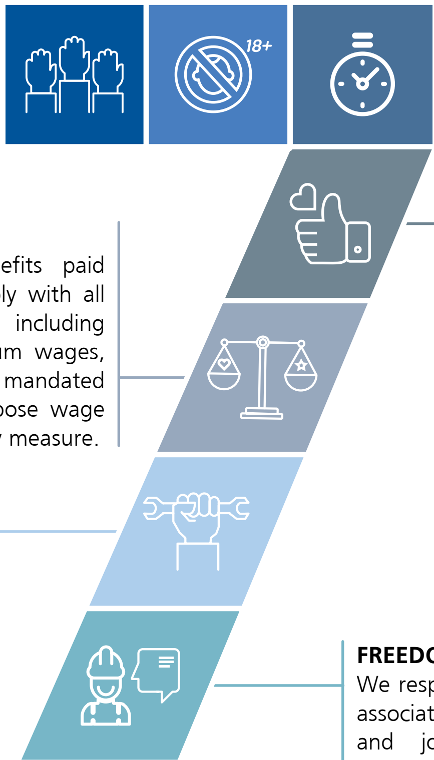
Respect of Labour and Human Rights (cont'd)

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 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 reasonable working hours including overtime, except in emergency or unusual situations. However, overtime is voluntary and employees are paid in accordance with statutory order.



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 Group.

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.

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 religion 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, 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.

Employee Gender and Diversity

At Dufu, opportunities for career progression are based on meritocracy. Employees who are deserving should be promoted because they are good at what they do, regardless of their tenure, gender, race, national origin, disability or religion, and promotions cannot be merely about seniority or superiority.

We treat all our employees equally with regards to these qualities. Equal treatment applies to all aspects of employment, including hiring and promoting employees as long as they are capable of delivering results. A diverse and inclusive culture is cultivated across the Group to ensure every employee is supported, accepted, respected and safe at work. We have zero tolerance behaviour for discrimination, workplace bullying and harassment and are committed to creating a respectful workplace for everyone in the Company.

Number of cases

Financial Year	FY2020	FY2019	FY2018
Full-time employees identify as differently abled Employee	4	4	4
Discrimination and harassment incidents reported	-	-	-
Grievance-relation incidents reported	2	2	8
Child labour incidents	-	-	-
Forced or compulsory labour incidents	-	-	-

In FY2020, a total of 2 grievance-related incidents were reported and resolved. The incidents were related to the expired access card to living condition (hostel), price of food canteen and transportation. The access card to the employees' hostel has been rectified and we have engaged with a new factory canteen operator in FY2020.

Employee Profile

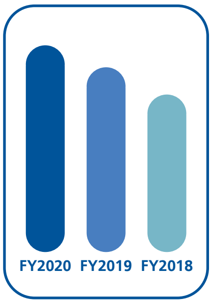
This year, our workforce included 607 permanent staff and 439 contract employees, all of whom work on a full-time basis:

Employees by Local and Non-Local

	Local	Non-Local	TOTAL
FY2020	604	442	1,046
FY2019	437	493	930
FY2018	299	490	789

Employees by Gender

	Male	Female	TOTAL
FY2020	796	250	1,046
FY2019	717	213	930
FY2018	625	164	789



Employees in Executive Position by Local and Non-Local

	Local	Non-Local	TOTAL
FY2020	146	3	149
FY2019	136	3	139
FY2018	123	3	126

Employees in Executive Position by Gender

	Male	Female	TOTAL
FY2020	94	55	149
FY2019	84	55	139
FY2018	71	55	126

Employees by Age FY2020

MALE		
< 30 years old	501	TOTAL 796
< 30-50 years old	269	
> 50 years old	26	

FEMALE		
< 30 years old	157	TOTAL 250
< 30-50 years old	85	
> 50 years old	8	

			TOTAL
658	354	34	1,046

Total Number of Employee Hires in FY2020

MALE		
< 30 years old	329	TOTAL 377
< 30-50 years old	48	
> 50 years old	-	

FEMALE		
< 30 years old	94	TOTAL 109
< 30-50 years old	15	
> 50 years old	-	

			TOTAL
423	63	-	486

Employees Turnover Rate (Month)

FY2020	1.31%
FY2019	1.01%
FY2018	1.11%

Employees Returning to Work After Parental Leave* Ended, by Gender in FY2020

Male		Female
152	No. of staff entitled to parental leave	54
10	No. of staff who took parental leave	5
10	No. of staff who returned to work after parental leave	5

*Note: * Includes maternity and paternity leave.*

Employee Development and Talent Management

Dufu's human capital is developed and strengthened through its people investment. Continuous training and professional development programmes have helped to uplift the hard and soft skills of 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. As we reassess our retention strategies, we are optimising the rewards to align them with our employee preferences. And for this reason, a long-term incentive plan in form of Employee Share Option Scheme ("ESOS") was implemented with effect from 17 June 2019. The ESOS is based on a reward system designed to retain talent and improve employees' long-term performance by providing rewards that tied to creating shareholders wealth.

Newly recruited employee will undergo orientation program to help the new employee feel welcome and to understand the culture and background of the organisation. New employee will also be exposed to on-job structured training programs tailored to their respective roles. On a 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 not limited to meeting Dufu's business needs, but also to enhance individuals' knowledge and skills.

The type of training and development programmes conducted in Dufu are summarised as follows:

Training and Development Programmes	Description
Orientation	Orientation is conducted by Human Resource Department on monthly basis and it's our way of introducing new employees to their responsibilities, co-workers and workplace. Areas of coverage include organisation overview, labour practices and human rights, compensation, benefits, attendance and leave, systems and applications and various policies in place. Orientation for managerial level and above is conducted one-on-one on the first day at work.
On-job training	This is more of an informal training prepared by respective department leaders to help employees gain hands-on knowledge at workplace and allows them to learn while integrating into their everyday work environment.
Technical skills development training	Technical skills refer to the knowledge and expertise needed to accomplish complex actions, tasks and processes relating to Dufu's employees in their day-to-day respective field of work. The Human Resource will usually arrange for such trainings after obtaining feedback from various departmental needs. The training may be software related such as Microsoft Office or Engineering programs such as SPC, Project Management, update on tax or accounting standards and etc which is essential to equip our employees with the latest knowledge and competence to perform their daily task.
Soft skills development training	Soft skills include people skills, social skills, character trait and interpersonal skills are conducted periodically to ensure Dufu's employees will be able to communicate more effectively, develop stronger leadership, improve problem solving and enhance critical thinking. Such trainings are usually targeted at our executive staff.
Mandatory training	Relates to training required either by the Authorities or Certification bodies. For example, the current regulations on safety at work provide that the employer ensure every worker the opportunity to receive sufficient and adequate training on health and safety.

Employee Development and Talent Management (cont'd)

Our training and development programmes consist of both internal and external which has their 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 51 in-house training programmes equivalent to 2,007 training hours in FY2020. The internal trainings were focused in the following areas:

Areas of Internal Training Investment

	FY2020 No. of Training	FY2019 No. of Training	FY2018 No. of Training
Environmental, Health and Safety	8	16	15
Manufacturing	-	7	6
Quality	41	39	25
Machinery	2	10	16
Total No. of Internal Training	**51**	**72**	**62**

External training programmes were organised for employees of all job levels to allow them to hone skills necessary for their career advancement and personal development. We have invested a total of 3,448 external training hours and registered 3.5 average hours of external training per employee in FY2020. Some of the notable external training and development courses made available in-house for our employees in FY2020 were as follows:

- OSH Safety and Health Committee Requirements
- Corporate Liability on Corruption Under the MACC Act 2009
- Win Win Negotiation Skills
- Failure Mode and Effect Analysis ("FMEA")
- Robotic Arm Animation Coaching Service
- Excel SQL Query Editor Workshop
- Kursus Keselamatan dan Kebakaran
- Basic First Aid & CPR Training

The focus area of external training that our employees participated were as follows:

Areas of External Training Investment

	FY2020 No. of Hours	FY2019 No. of Hours	FY2018 No. of Hours
Administrative Skills	72	117	1,029
Engineering and Maintenance	8	-	24
Industrial Safety and Environmental Management	2,376	1,007	480
Information Technology	200	880	208
Management and Performance Development	608	1,304	1,086
Quality System and Productivity Improvement	184	3,040	1,712
Total	**3,448**	**6,348**	**4,539**

Employee Development and Talent Management (cont'd)

FY2020
5,455
Total Training Hours

FY2019
14,448
Total Training Hours

FY2020
Investment of
6 hours
per employee

FY2019
Investment of
17 hours
per employee

* The training hours in FY2020 has been reduced to maintain the overall safety and well-being of employees due to Covid-19 pandemic.

Employee Compensation and Benefits

The Company provides benefits to recognise and appreciate employees' contribution and commitment. Dufu pays wages and salaries that are determined by local relevant competitive market data rather than by legally defined minimum wages although we adhere to legal minimum wages at all times. As a result, we have raised our basic salary higher than statutory minimum wages for new intakes.

On top of that, all full-time employees are entitled to medical benefits, insurance coverage for personal accident and group hospitalization and surgical scheme, festive gifts, uniform and personal protective equipment, various categories of annual leave and special leave such as hospitalisation, compassionate, maternity, paternity and others. We observed 14 public holidays in FY2020. We have two bonus programs based on company performance and profitability where eligible employees were offered ESOS and cash incentives which tied to the Group's profitability. Dufu's in-house facilities include hostel for operators, lockers, prayer rooms, automated teller machine, car parking space, transport services and canteen. We also provide employees with special needs such as dedicated mother's nursing home and sickbay for sick employees.

"Dufu continues to beef up its compensation and benefits scheme as part of its sustainability journey trying to make a good effort at the great place to work for all employees"

Employee Welfare and Wellbeing

The welfare and wellbeing of Dufu's employees are our primary concern, which starts with being a fair and responsible employer. Our focus explicitly on providing the welfare facilities to the employees as it results in their satisfaction towards the organisation and improve quality of work life. This in turn enable the employees to live a richer and more satisfactory life. Dufu has various mechanisms to support the welfare and wellbeing of its employees. The Company's approach is holistic, incorporating both development and support on a wide range of aspects.

Annual Dinner

We started off the new year with Dufu's "Moments Night in Honolulu" theme Annual Dinner 2019 which was held at Spice Convention Center on 4 January 2020. Approximately 900 people including Directors, suppliers, vendors and employees attended the event. This year's event brought in some wonderful entertainer in the form of professional dancers, singers and not forgetting our own employees who struct their talent in various dance acts. There were lucky draws, interactive games. On top of that, service recognition awards was presented to employees with more than 10, 15, 20 and 25 years of service.

Dufu's factory at Bayan Lepas gets new ATM

On 3 October 2020, Dufu has fostered collaboration with AmBank, a local financial institution to install an Automated Teller Machine ("ATM") at its Bayan Lepas factory premises. The installation of the ATM is important because they play a vital role in providing Dufu's working communities with easy access to cash and the convenience to perform wider banking services, without having to travel miles and at the comfort of their work place.

Having an ATM inside our factory compound is timely in view of the threat of Covid-19 has caused everyone around the world to rethink and revise their everyday habits, and these changes will be long-lasting, if not permanent. Using ATM avoid face-to-face or in branch interactions completely and they were able to maintain social distancing. We also take a proactive approach to disinfect the surfaces of the ATM regularly. This is part of our effort to work closely with our employees to support their needs and help them to keep themselves and their families safe and healthy.

Healthier work-life practices

We aim to create a healthy workplace that encourage employees to stay well. Simple, fun, and effective programs help them deal with challenges that affect their ability to be focused and productive. In order to foster a healthier work-life balance in Dufu, we have rolled out various activities for our employees to participate, release stress and develop positive relationship amongst colleagues. Amongst them were:

- (Bi)weekly indoor inter reactive classes such as toastmaster at our plant and outdoor sporting events such as badminton*
- Yearly in-house sports tournament such as bowling, soccer, futsal and badminton tournament*
- Team building for both exempt and non-exempt staff*
- Annual dinner
- Heath screening at workplace*
- Greeting card and gift for employee who falls within the stipulated birthday month
- Wellness programme where free medical check-up for employees aged 40 and above*
- Congratulatory vouchers for the newly-wed, hampers for newly born babies and condolence money for immediate family deaths
- Light meals and takeaway are 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 employee welfare related activities in FY2020 have been cancelled to maintain the overall safety and well-being of employees and also to adhere to government enforcements due to Covid-19 pandemic.

Employer Sponsorship Programme

Dufu has also developed its "Employer Sponsorship Programme". This programme allows Dufu to work along with outstanding employees in grooming them for senior management positions within the organisation. For us, it is a chance to finance continuous higher education for talented employees while encouraging them to stay and grow with the company. Developing high-potential employees pays off in retention, innovation and succession planning. Our willingness to sponsor our employee demonstrates our faith in the employee's future and in return the employees put what they learn to best use at the workplace.

Occupational Health and Safety ("OHS") Policy and Management

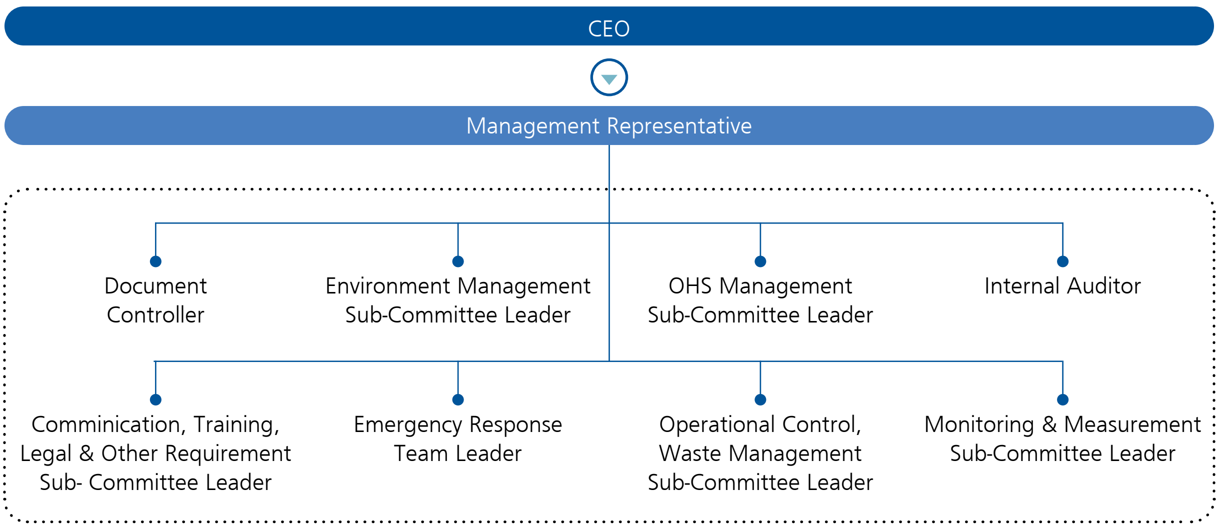
We invest in the health, safety, and wellness of our employees and our system and processes are modelled on the internationally recognized ISO 45001:2018 Occupational Health and Safety Management System Requirements. Through this process, we have and continual to improve our methods for identifying hazards, assessing risk, and applying risk controls consistently across our operations in order to safeguard OSH related to our employees. The Company complies with the Occupational Safety & Health Act, 1994 ("OSHA") for workplace safety and health requirements and maintain occupational safety and health standards that equal or exceed the best practices.

Occupational Health and Safety ("OHS") Policy and Management (cont'd)

We are fully committed to the prevention of injury and ill health in related operational activities through continual improvement of Plan-Do-Check-Act ("PDCA") cycle in the Group's OHS Management System through:

- Compliance with relevant Malaysian OHS Legal and other requirements;
- Recognized the hazards and minimizing the risks in order to protect employees;
- Ensuring suitability and effective implementation of the OHS management programs through periodic Management Review of the policy, objectives and targets;
- Communication to all employees and ensuring adequacy in OHS awareness, skill, knowledge, competency and compliances obligations;
- Communicating and promoting awareness to our customers, suppliers and interested parties, and make the policy available to the public upon request; and
- Recognizes the worker's duty including the management to consult, participate and support company's overall OHS management programs and encourages them to provide suggestions for improvement.

At Dufu, we have an Occupational Safety and Health Management ("OSH") Committee to safeguard, manage, discuss and report areas related to Dufu's health, safety and environment ("HSE") performance. The structure of the HSE Committee is as follows:



For an OSH to be effective, it is essential that management at all levels demonstrate their support of the safety and health program which is accomplished by their participation in safety and health leadership training, committee composition, meetings, inspection tours, and incident investigations. Some of the OSH on-going activities are as follows:

- Identification of chemicals hazardous to health by conducting Chemical Health Risk Assessment ("CHRA");
- Conducting health surveillance and audiometric test recommended in CHRA;
- Conduct Hazard Identification, Risk Assessment and Risk Control ("HIRARC") on monthly basis and ensure remedy action is taken;
- Equip employees with necessary Personal Protective Equipment ("PPE") and provide training to ensure they use it correctly;
- Investigate occupational accidents and disease to determine the root cause and ensure preventive and corrective actions are implemented to mitigate similar accidents from occurring;
- Raise awareness on chemical management and handling to all employees;
- Regular monitoring of employee exposure to indoor pollution levels related to noise, hazards and air pollution in factories, even in areas that may appear to be innocuous;
- Maintain and inspect firefighting system and equipment as per schedule to ensure they are in good working order;
- Provide information, instructions and training on the safety and health hazards of the workplace and the controls of those hazards;
- Conduct of in-house internal safety audit on quarterly basis; and
- Track OSH performance in order to assess OSH related risks and recommend actions for necessary improvements and compliance with relevant regulations.

Occupational Health and Safety ("OHS") Policy and Management (cont'd)

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 in fire and evacuation drills, and provide other assistance. Fire drill is conducted twice a year with the presence of outside resources such as fire and public service department.

Due to the manufacturing environment that we are operating, Dufu's employees are exposed to various safety hazards namely moving parts, sharp edges, chemical mishandling, amongst others. The number of major and minor incidents are as follows:

Type of incidents	FY2020	FY2019	FY 2018
1. Minor incident	4	3	7
2. Major incident	0	0	0

Note: Major incident is defined as an injury with a Lost Time Injury ("LTI") of more than 4 days.

The 4 minor workplace injuries reported in FY2020 are summarised as follows:

Severity Injury	Root cause	Corrective/ Preventive Action
Left arm injury	Left arm unintentionally strikes against boring insert	1. Supervisor to conduct regular inspections and walkthrough 2. Cover-up on the identified exposed sharp edges 3. Brief workers on workplace safety practices
Forehead minor laceration	Spray container containing chemical fell and splash on the forehead	1. Substitute with less hazardous chemical or mild soap to clean the parts under preventive maintenance program 2. Enforce wearing face shield/ safety goggles during maintenance work involving chemical handling
Soft tissue injury on the right index finger	Minor cut on right index finger occurred while performing cutting coil in stamping process	1. Made changes to PPE by substituting "nitrile" gloves with "leather" gloves for material handling and material loading and unloading processes
Left ankle sprain	Sprained left ankle due to prolonged standing effects on security duty	1. Training on good ergonomic practices 2. Provide ergonomic friendly accessories at work station

Overall, the OSH team has made significant progress to comprehend the safety and health of Dufu's employees. It was heartening to know that:

- **Zero** Fatality cases was recorded in 3 years leading to FY2020.
- **No Occupational Illness** was recorded from FY2018 to FY2020.
- There was a **reduction of 39%** for Total Severity Rate from 2019 to 2020.

Occupational Health and Safety ("OHS") Policy and Management (cont'd)

Dufu Health and Safety key data are as follows:

	2020		2019		2018	
	Occupational Accident cases	Occupational, Poisoning and Disease cases	Occupational Accident cases	Occupational, Poisoning and Disease cases	Occupational Accident cases	Occupational, Poisoning and Disease cases
Fatality Rate *	-	-	-	-	-	-
Incident Rate *	4.04	-	2.35	-	8.98	-
Frequency Rate **	2.02	-	1.18	-	4.49	-
Severity Rate **	13.63	-	22.34	-	73.73	-

* 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

Incident Reporting and Investigation

Formal programmes are in place to ensure Dufu's OSH management system are effective to minimise occupational injuries and illness. All our employees and contractors are informed of the incident reporting platform. In the unfortunate event of an incident occurring at our site, all employees and contractors have a duty to ensure the incident is investigated and in certain circumstances depending on its severity and type of hazard, reported to the Regulator. Our incident reporting and investigation process is not merely meant to meet legislative obligations but to provide us with the tools to gather and analyse information and facts relating to the incident. This will then enable the Investigation Team to identify the "contributing factors" that lead up to the incident and finally to identify controls to prevent the incident reoccurring.

OSH awareness and training

Throughout the Group, training and safety-related programmes are continuously carried out to establish and embed a culture of safety among our employees. Our goal is to increase awareness on OHS matters with our training sessions covering various topics including, among others, chemical handling, usage of PPE, Disaster Recovery Plan, fire safety awareness, contractor safety management, machinery hazards, Lockout Tagout ("LOTO"), noise hearing conservation, ergonomics in the workplace, hot work hazard, first aid administration and stacker safety driving.

Response to Covid-19 Pandemic

In early 2020, we saw the outbreak of Covid-19 disrupting businesses worldwide. Dufu temporarily closed its Malaysian operations following the 14-day movement control order ("MCO") by the government on 18 March 2020 to curb the spread of Covid-19 infection in the country. Subsequently, Dufu was allowed to operate with 50% capacity in April 2020 before fully resumed its business operation on 4 May 2020.

In the context of the Covid-19 pandemic, OSH takes on even greater importance. As a responsible employer who cares for its employees' wellbeing, the Group continued to pay full salaries and eligible allowances to all the staff while the affected staffs who came to work were paid additional hardship allowance of RM50 per day. We have also provided meals to staff during the whole duration of the MCO until the period of Recovery Movement Control Order. This is to prevent staff from getting exposed to the virus during their break time. Subsequently, on 7 December 2020, the enhanced movement control order ("EMCO") was implemented in Penang involving two red zone localities, namely, clusters in Persiaran Paya Terubong and Relau which affected some 200 employees. The salaries of the quarantined workers were paid in full during their entire period under confinement. Furthermore, due to restricted movement, the affected employees were also provided with household essentials courtesy of Dufu.

We have put in place various precautionary actions and safety measures adhering to the guidelines issued by the Ministry of Health Malaysia ("MOH") as outlined below.

- Established Covid-19 Emergency Response Team and Management Guideline for Workplaces
- Distributed PPE, such as face mask on daily basis to all employees and visitors
- Developed self-health declaration form for employees and visitors which needs to be fill-up before entering the factory premises
- Body temperature checked before entering factory premises
- Disinfected public areas on regular basis at the workplace and transportation
- Provided hand sanitizers and disinfectant kit at hot spot areas to all departments plant-wide
- Training and continuous engagement with employees to bring awareness with information provided on notice board, banner, emails and social media
- Provided suspected close contact employees and all foreign workers with mandatory Covid-19 test screening and adhere to the quarantine period recommended by MOH with costs including salary of the employee's unrecorded leave fully borne by Dufu
- Rearranged working and break areas such as canteen adhering to social distancing of at least 1 meter







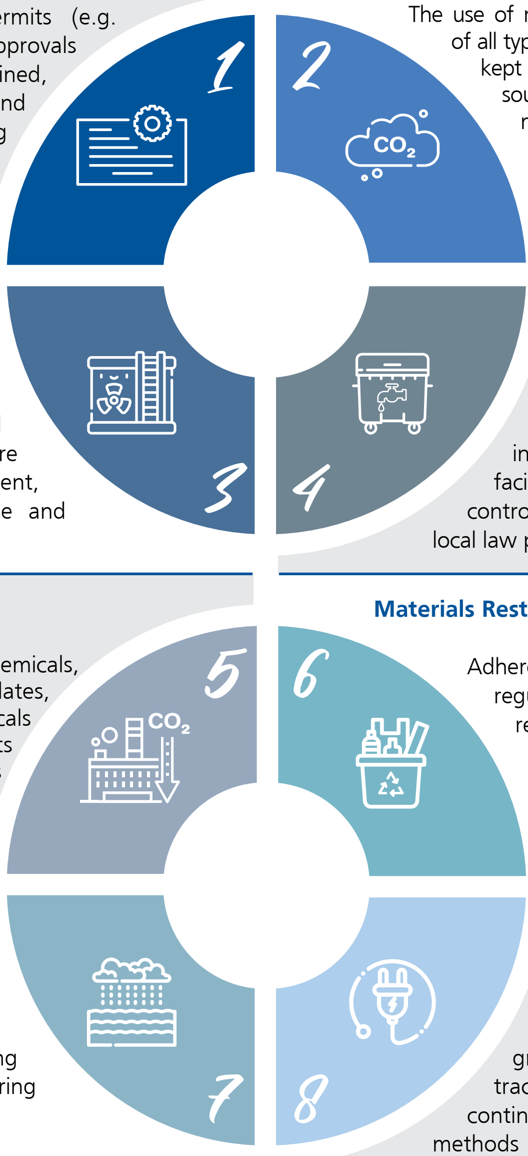


ENVIRONMENT

At Dufu, we're routinely implementing new ways to reduce our environmental impact – from the processes we employ to manufacture products to the way we deliver them to customers. We start with our guiding principles, set forth in our Environmental Management System, registered to ISO 14001.

The adoption of this standard 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 to combat impacts of climate change 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.

Energy Consumption

	2020	2019	2018
Total Energy Consumption within organisation			
Electricity (kWh) in thousand	10,797	9,543	9,733
Energy Intensity (kWh/ Sales RM'000)			
Electricity (kWh)/ Sales (RM'000)	41.29	45.60	49.08

Dufu's plants primarily need energy in the form of electricity which we purchased directly from Tenaga National Berhad ("TNB"). Electricity is mainly used for drives in electric motors in air compressors and pumps for manufacturing machinery and other process engineering equipment. The measurement and control technology, as well as the lighting, requires electricity. None of our plants use steam, coal nor natural gas as a source of energy. Some of our plants consume Liquefied Petroleum Gas ("LPG") for cooking in the staff canteen and diesel for forklifts but the quantum from this energy source is negligible.

Dufu endeavours to manage energy conservation on an ongoing basis and some of the initiatives are listed below:

- Re-engineering of manufacturing facilities and processes to be energy friendly;
- Close monitoring of high energy consumption items such as chiller and air compressor to ensure efficient energy usage;
- Installation of Lighting Emitting Diode ("LED") replacing fluorescent lights;
- Practicing daily office energy conservation habit such as installation of smart movement sensor in common areas such as toilet, power down computers and lightings are turned off at the end of the day.

We are in the midst of planning to install a rooftop solar panel system in one of our manufacturing sites in Bayan Lepas. Installing solar panels allows us to go green. By installing solar panels, we are reducing our reliance on TNB supplied power and lowering our carbon footprint.

Water Management

	2020	2019	2018
Water withdrawal by source*			
Water (liter/ cubic meters)	94,277	99,112	95,736
Water consumption intensity			
Water (liter/cubic meters)/Sales (RM'000)	0.36	0.47	0.47

*Dufu soley draws water from local water grids

Dufu has laid down strict environmental regulations so that its activities have no registerable impact on the surrounding flora and fauna. We operate plants in integrated industrial parks without sensitive adjacent areas. Because of these targeted locations, protected animal and plant species are not visibly affected by Dufu's business activities.

Water is an important resource in the hard disk drive components manufacturing process. Sufficient and clean water supply is critical for our business especially during double disk grinding and washing processes. We continuously monitor our water consumption and implemented initiatives to reduce wastages, recycle and reuse water in our factories to decrease dependency on municipal water supply.

Our on-going water-saving plans include modifying lavatory fixtures with self-push button taps and spray bidet to avoid unnecessary water wastage. All our flush tank has also been fitted with 1 litre of water filled bottle container 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.

Water Management (cont'd)

One of the water management initiative towards end of FY2020 was the Aquos Cascading Water re-use project. Under this project, the Reverse-Osmosis ("RO") water from our washing line will be re-use in other production processes. The Facility Team is currently working towards this project to ensure the recycled water meet our engineering's specification. Once completed, the estimated water savings is expected to be 10,000 cubic-meter per annum.

The wastewater produced by Dufu in the year under review had no measurable impact on biodiversity. Process water and effluents discharge are treated with Industrial Effluent Treatment System. Without fail, we collected the samples of the discharge on a weekly basis and send them to a third party labotaries for further analysis to ensure the parameter of the discharge comply with the legislative requirement. Based on the industrial effluent discharge monitoring report which we have been submitting to Department of Environment ("DOE") on monthly basis, our industrial effluents or mixed effluent generated within the premises are in strict compliance with the specifications under DOE's guideline.

Emissions

The signing of the 2015 Paris Agreement sparked rising interest in climate change around the world at the national and governmental level. As a result, stakeholders have heightened expectations towards the roles private companies should play and the initiatives they should invest in regarding climate change. While remaining aware that the Group uses a large amount of energy across its businesses, we promote the reduction of greenhouse gas ("GHG") emissions throughout product life cycles, from business planning to product disposal, contributing to the realization of a sustainable society.

The intensity of operational CHG emissions is measured and disclosed as follows:

	2020	2019	2018
CHG Emissions			
Scope 2 (tCO_2e)	7,493	6,623	6,755
Intensity (tCO_2e/ Sales (RM'million)			
Scope 2	28.66	31.65	34.06

Note

Scope 2 (Indirect emissions) covers the CHG emission generated from the consumption of purchased electricity.

Over the years, we are committed to reduce carbon emissions especially when we acquired the Bukit Minyak plant where we replaced all the fluorescent with LED lightings. As stipulated in the energy consumption section, Dufu endeavours to continue its carbon emissions conservation with various initiatives which includes the re-engineering of manufacturing facilities and processes, monitoring of high-energy consumption items, day-to-day practices of switching on and off office lightings and air-conditioning. We are in the midst of planning to install a rooftop solar panel system in one of our manufacturing sites in Bayan Lepas.

Effluents and Waste Management

Effective effluents and waste management is important towards environmental sustainability. In this regard, Dufu's Safety Department is tasked to oversee the waste management practices governed by our Environment Policy and guided by our waste management procedures. The standard hierarchy of waste management involves five crucial steps; reuse, reduce, recycling, treatment and disposal. Dufu continues to promote a more effective way of waste management by encouraging the reuse, recovery and recycled method via its 3R program and ultimately reducing landfill wastes.

Effluents and Waste Management (cont'd)

Careful planning alongside efficient resource allocation and management are vital in achieving a sustainable waste management system. At Dufu, only reputable and licensed local waste recovery contractors to handle schedule waste are appointed to recycle or dispose the Group's operational waste. The appointment of the waste recovery contractors is based on thorough selection and continue to be subjected to our audit process. Our on-going 3R program managing various operation waste are as follows:

3R Program	Methodology

Recovery

- Send scheduled waste to the recovery facilities via licensed waste recovery contractors
- Types of scheduled waste generated at Dufu's plant are as follows:

1) Liquid Recovery

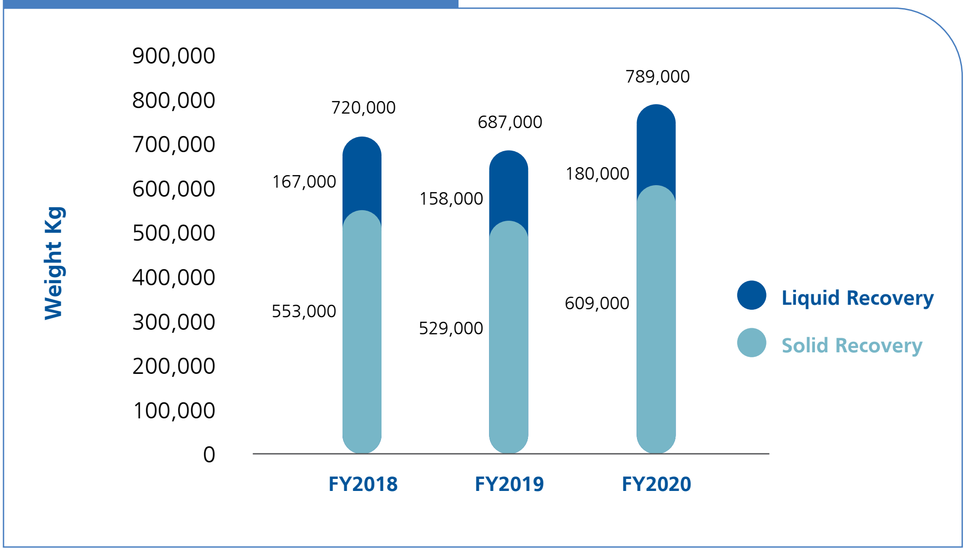
- (SW307) Spent coolant
- (SW306) Spent hydraulic oil
- (SW305) Spent lubricating oil
- (SW402) Spent alkaline
- (SW109) Used COD Reagents

2) Solid Recovery

- (SW104) Dust, slag, dross, ash contained metal
- (SW109) Fluorescent tube/LED wastes
- (SW110) Electrical & electronic assemblies' wastes
- (SW204) Metal hydroxide sludge
- (SW325) Uncured resin
- (SW409) Empty contaminated containers
- (SW410) Contaminated rags/ paper/ filter
- (SW422) Metal chips contaminated with coolant/ oil
- (SW431) Sand Blasting

- The scheduled waste generated are us follows:

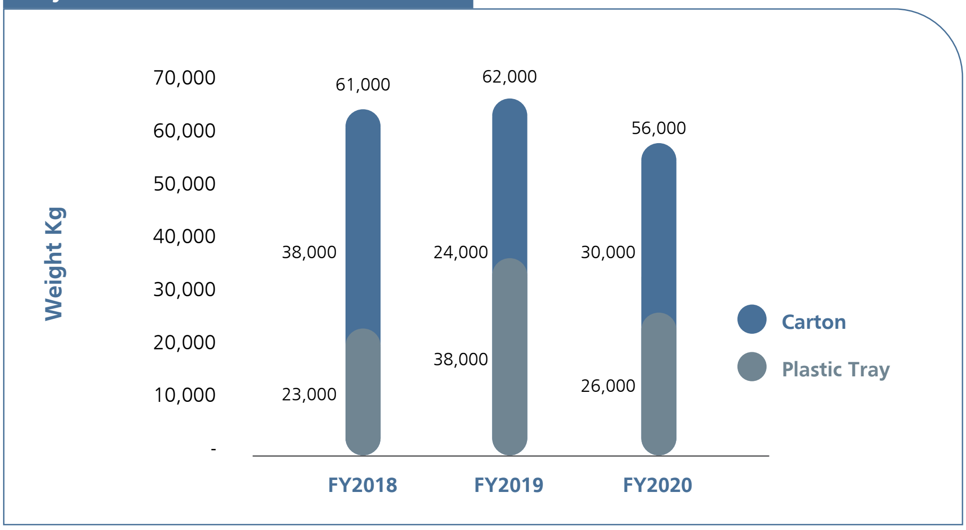
Schedule Waste Generated



Re-use

- Collaborate with the chemical suppliers to return the empty drums to re-use for similar original purposes
- Re-use of carton boxes and pallets for internal packaging
- Re-use of plastic trays for in-process activities such as turning and disk grinding stock keeping
- We did not collect the data for re-use of carton boxes and pallets for internal packaging in FY2020 but will do so in FY2021

Effluents and Waste Management (cont'd)

3R Program	Methodology
Recycle	• Recyclable waste includes metal waste (such as titanium, aluminium, iron, etc), paper, cartons boxes and plastic trays • Recyclable waste is transferred to centralized recycle waste area and sold to approved or licensed collector for further recycling process • The recyclable waste generated are as follows: **Recycle Non-scheduled waste** 
Reduce	• Reduce titanium and aluminium bar end wastages for metal components • Reduce consumption of office paper by electronic means such as invoicing, purchase requisition and etc.
Disposal	• General waste which is non-recyclable (rubbish) • Enclosed bin provided at the designated area and collected by city council. • We do not collect the data for general disposal and will consider to do so in the future.

We continue to raise awareness among our employees on best waste-related practices such as educating our employees on proper waste labelling and segregating waste according to materials. More importantly, all our employees in various departments are encourage to adopt waste minimization strategy which include practices, including, but not limited to inventory management changes to prevent stock obsolesces or end of life stock keeping, equipment replacement or modifications, material changes, product design modifications, operational and maintenance procedure changes.

One of the biggest accomplishments of our waste minimization strategy was the continual improvement to reduce metal bar end wastages. Just like any other metal working facilities, Dufu produces an overwhelming quantity of scrap metal chips and turnings that are saturated with cutting oils. The waste generated from metal components such as steel, aluminium and titanium are compacted before they are disposed to licensed scrap metal recycler. In this respect, Dufu's engineering team continues to find ways to improve yield and also to minimise the bar ends wastages while working on reclamation equipment that spin the cutting oils out of the metal chips.

ENGAGEMENT WITH COMMUNITY

We are fully committed to be socially responsible organisation as we understand that the long-term success of any business cannot be determined by its profitability bottom-line concerns alone and that organisations can no longer operate detached from society and its concerns. With this in mind, the Group is fully committed to its Corporate Social Responsibility ("CSR") programs by engaging in various community service events. In this respect, Dufu supported its CSR Programme by investing a total of RM44,000 in FY2020 namely,

- Sponsorship of RM23,062 for Dufu's "Pledge a Library" initiative which benefited 4 secondary schools in Penang and 1 in Perak.
- Sponsorship of RM1,500 to Be Home, a non-profit organisation – home that cares for special needs.
- Investment of RM7,000 to build a monument to pay tribute to Bayan Baru Fire Service Division and their firefighters for their contribution and recognition made in service to their communities.

Dufu and its employees' chips in toward Be Home Penang's monthly operational costs

On 28 October 2020, Dufu donated RM1,500 and mobility aids such as wheel chair and walker to Be Home, Penang. The visitation and donation also saw Dufu's employees making a voluntarily contribution of RM3,400 to help support the 19 mental retardation residents in the home. Unlike in the previous years where our employees would usually engage with the under privileged with foods and drinks under our program "Mesra Bersama Dufu", this year event was a subdued affair due to the rise in Covid-19 cases where we just handed in the gifts to their representative.

Be Home Penang, a non-profit organisation entirely relies on the support and assistance of benevolent people, caring social workers, service organizations, and companies in various fields to maintain the operation of the center. At present, Be Home Penang has adopted and cared for people with different symptoms, and looked after them for different needs, including physical therapy, life skills training, teaching them self-care and strengthening their adaptability. The donation is also part of the Company's corporate social responsibility programme. Previous beneficiaries include Penang Cheshire Home and Charis Home in Relau.

Dufu become a corporate partner with Bayan Baru Fire Service Division

We work collaboratively with Bayan Baru Fire Service Division ("BBFS") to become part of the safety infrastructure providing an unsurpassed level of in-house turnkey safety programs. Under their guidance, BBFS provided their personnel to train in a hands-on way in realistic environments with our in-house Emergency Response Team. This is pivotal to ensure safe and effective fire response which ultimately enhanced our safety and health risk management to enable us to operate safety and effectively in our plants.

The BBFS amongst the 20 firefighting divisions in Penang was chosen in 2019 to represent the Penang state's fire service division where it was acknowledged that about 30,000 people visited their division for educational purposes and to attend various courses and training. Thus, on 5 March 2020, Dufu sponsored a total of RM7,000 to build a monument to pay tribute to BBFS and their firefighters for their contribution and recognition made in service to their communities.

Dufu's "Pledge a Library" initiative distributes 605 books and magazines to school libraries

On 11 November 2020, Dufu pledged to distribute 605 books and monthly educational magazines for a year's supply to disseminate to secondary school students and also teachers in the identified 5 private schools to augment their libraries. The reading materials cover diverse topics of popular interest and current events which is related to science, geography, financial management, languages, self-cultivation, life psychology, historical findings, information technology and social issues. The schools which benefitted from our year long supply of reading materials worth RM23,062 were as follows:

- S.M. San Min (SUWA) Teluk Intan;
- Chung Ling Private High School, Penang;
- Penang Chinese Girls' Private High School;
- Phor Tay Private High School, Penang; and
- Jit Sin Independent High School

"Reading is the gateway to lifetime learning. In order to overcome the issue of low readership among the public, the reading habit should be cultivated from young. We want every child to have a book in his or her hands to read. If children can read and love to read, they will continue to read all their lives. Reading has a domino effect on their success in postsecondary education, careers and life. It builds their confidence, vocabulary, knowledge and creativity."

Transforming Local Hiring Practices

The Malaysian Human Resources Ministry has introduced several measures, in its efforts to prioritise the employment of locals over foreign workers over the years. A high-dependence on cheap foreign workers, if left unabated, will weaken the case for automation, suppress overall wages, and deter adoption of productivity enhancing efforts. It will also hinder the creation of high-skilled jobs and adversely shapes Malaysia's reputation as a low-skilled, labour-intensive investment destination and also compound the socio-economic costs.

Understanding the prolonging dependence on foreign workers would bring negative impact into our workforce composition and entails risk management issues to both the Company and country if left unchecked, we started to take heed of the Government's advice and started to transform our people practices in the beginning of 2019 to improve our ability to attract, recruit, develop, engage and retain local talent.

It wasn't easy at first. For a start, locals do not like to be seen taking instructions from the more experience foreigners. Secondly, rigid reliance on past hiring methods was creating an obstacle for us on the hunt for local workers. Knowing well that in Penang, the market faces scarcity of labour force, we made concerted efforts to attract and retain local talents to work in Dufu. This involved revamping our hiring processes by shortening the job interview cycle and waiting time. We ensured interviewee feels at home and standardized the interview questionnaires during recruitment session. Inroad local sourcing were intensified by our aggressive participation in various career fair and "open interview" sessions held in the outskirt of northern region. We adopted data analytics analogy to understand the employee's insights based on the data collected from various surveys such as "New Hire" and "Leaver" survey so that we can improvised on our shortcomings which we may came to be aware from the survey. Our intention is to build Dufu into an inclusive workplace that makes diverse employees feel valued, welcome, integrated and included as part of our family.

> **"Despite the early hiccups, our local hiring practices transformation has been successful thus far. We have reduced the foreign workers workforce composition of 62% as at 31 December 2018 to 53% as at 31 December 2019. We have improved this ratio since then. As at 31 December 2020, the composition of foreign workforce has reduced further to 42%. With 1,046 employees now compared to 789 in 2018, the net addition of 257 workforce over the last two years are coming from local talent."**

Collaborating with Local Higher Institutions to Create Career-Ready Graduates

As part of our Corporate Social Responsibility initiative, we are fostering partnership with local higher institutions in our bid to increase graduate employability by equipping students with current and future-ready skills. The features of the collaboration include apprenticeships, hands-on training, real-life simulations and specialised employer training programmes. We hope that we can recruit some of these students eventually but on broader horizon, it is our wish to see the internship students have successfully address their skills gap for their own advancement of their social progress and economic opportunity. Initially started in 2019, some of the local higher institutions which we have collaborated included Institute Kemahiran Tinggi Belia Negara, Jitra ("IKTBN") and Kolej Kemahiran Tinggi MARA, Balik Pulau ("KKTM"). Some of the students from IKTBN enrolled in a 3-month internship training with Dufu in January 2020.

We have also conducted an interview session with students from Kulim Advance Technology Sdn Bhd on 16 January 2020 of which some of them were offered a 3-month technical internship courses in Computer Numerical Control ("CNC"), Stamping and Quality Control Departments in early February 2020. On top of this, a total of 16 higher learning students from both local and foreign institutions also took part in our internship programme in FY2020.

This Statement is made in accordance with the resolution of the Board of Directors dated 23 March 2021.

Global Report Initiative Sustainability Reporting Standards ('GRI' Index) Core Option			
GRI Content Index			
Disclosure Number	**Disclosure Title**	**Response**	**Page Reference**
GRI 102: General Disclosures			
1.	**Organisational profile**		
102-1	Name of the organization	Dufu Technology Corp. Berhad ("Dufu") or ("We")	-
102-2	Activities, brands, products and services	Management Discussion and Analysis	20-29
102-3	Location of headquarters	19, Hilir Sungai Keluang 2, Taman Perindustrian Bayan Lepas Phase IV, 11900 Penang, Malaysia	-
102-4	Location of operations	Management Discussion and Analysis	20-29
102-5	Ownership and legal form	Analysis of Shareholdings	96-97
102-6	Markets served	Management Discussion and Analysis	20-29
102-7	Scale of the organisation	Group Structure and Financial Statements	7, 102-163
102-8	Information on employees and other workers	Sustainability Statement – Employee Gender and Diversity, Employee Profile We do not have acknowledge of any substantial portion of Dufu's work being performed by workers who are not employees. There are no significant seasonal variations in employment numbers of Dufu.	47-48
102-9	Supply chain	Sustainability Statement – Supply Chain Management	39-40
102-10	Significant changes to the organisation and its supply chain	There were no significant changes during the year with the exceptions of changes in shareholding in Dufu Metal Sdn Bhd and Superior Plating Technology (Thailand) Co., Ltd. Details of the changes are obtainable in the Financial Statement FY2020.	-
102-11	Precautionary principles or approach	We do not specifically apply the Precautionary principles or approach	-
102-12	External initiatives	We have adhered to the Responsible Business Alliance ("RBA") common Code of Conduct to support continual improvement in the social, environmental and ethical responsibility of our business operations.	-
102-13	Membership of associations	None.	-
2.	**Strategy**		
102-14	Statement from senior decision-maker	Chairman's Statement	8-11
3.	**Ethics and integrity**		
102-16	Values, principles, standards and norms of behaviour	Sustainability Statement – Sustainability and Our Business, Corporate Governance	2-3, 30, 41-45
4.	**Governance**		
102-18	Governance structure	Profile of Directors, Profile of Key Senior Management Team, Corporate Governance Overview Statement Sustainability Statement – Sustainability Governance, Corporate Governance	12-17, 72-76, 30, 41-45
5.	**Stakeholder engagement**		
102-40	List of stakeholder groups	Sustainability Statement – Stakeholder Engagement	31-32
102-41	Collective bargaining agreements	Sustainability Statement – Respect of Labour and Human Rights We do not have any collective bargaining agreement in place. Nevertheless, we respect the rights of employees to associate or join workers' councils with local laws.	45-48

Global Report Initiative Sustainability Reporting Standards ('GRI' Index) Core Option (cont'd)			
GRI Content Index			
Disclosure Number	**Disclosure Title**	**Response**	**Page Reference**
GRI 102: General Disclosures (cont'd)			
5.	**Stakeholder engagement (cont'd)**		
102-42	The basis of identifying and selecting stakeholders with whom to engage	Sustainability Statement – Stakeholder Engagement, Stakeholder Prioritization	31-32, 33
102-43	Approach to stakeholder engagement	Sustainability Statement – Stakeholder Engagement, Stakeholder Prioritization	31-32, 33
102-44	Key topics and concerns raised	Sustainability Statement – Stakeholder Engagement, Materiality Assessment, Stakeholder Prioritization, Materiality Matrix	31-34
6.	**Reporting practice**		
102-45	Entities included in the consolidated financial statements	Financial Statements	102-163
102-46	Defining report content and topic boundaries	Sustainability Statement – Basis of Preparation, Stakeholder Engagement, Materiality Assessment, Stakeholder Prioritization, Materiality Matrix	30,31-34
102-47	List of material topics	Sustainability Statement – Materiality Assessment, Stakeholder Prioritization, Materiality Matrix	32-34
102-48	Restatements of information	There were no essential changes or corrections in 2020 compared to prior Sustainability Statement.	-
102-49	Changes in reporting	Sustainability Statement – Basis of Preparation	30
102-50	Reporting period	Sustainability Statement – Basis of Preparation	30
102-51	Date of most recent report	The last sustainability information published on Dufu in printed form was made available in April 2020 as part of the 2019 Annual Report.	-
102-52	Reporting cycle	The reporting cycle of the GRI content index comprises 1 January through 31 December and is therefore identical to the financial year of Dufu on annual basis.	-
102-53	Contact point for questions regarding the report	Questions about this report should be address to: Mr. David Khoo Chong Beng Tel: 604-6161328 Fax: 604-6161372 Email: corporateaffairs@dufu.com.my	-
102-54	Claims of reporting in accordance with the GRI Standards	Sustainability Statement – Basis of Preparation	30
102-55	GRI content index	The GRI content index is reflected in this table	-
102-56	External assurance	We have not sought external assurance for this reporting period and will consider it for future reports.	-
GRI 103: Management Approach			
103-1	Explanation of the material topic and its boundary	Sustainability Statement – Basis of Preparation, Materiality Assessment, Stakeholder Prioritization, Materiality Matrix	30, 32-34
103-2	The management approach and its components	Sustainability Statement – Sustainability Approach, Economic, Corporate Governance, Labour Practices, Climate Change, Engagement with Community Communities	35-37, 38-64
103-3	Evaluation of the management approach	Sustainability Statement – Sustainability Approach, Economic, Corporate Governance, Labour Practices, Climate Change, Engagement with Community Communities	35-37, 38-64

Global Report Initiative Sustainability Reporting Standards ('GRI' Index) Core Option (cont'd)			
GRI Content Index			
Disclosure Number	**Disclosure Title**	**Response**	**Page Reference**
Economic			
GRI 201: Economic Performance			
201-1	Direct economic value generated and distributed	Sustainability Statement – Financial Performance and Strategic Growth Direct Economic Value Generated and Distributed	38-39
201-2	Financial implications and other risks and opportunities due to climate change	For future consideration	-
201-3	Defined benefit plan obligations and other retirement plans	Financial Statements	102-163
201-4	Financial assistance received from government	Financial Statements	102-163
GRI 202: Market Presence			
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Dufu pays wages and salaries that are determined by local relevant competitive market data rather than by legally defined minimum wages (however, minimum legal wage standards are always adhered to). Therefore, Dufu does not keep statistics of the salaries in relationship to minimum wages.	-
202-2	Proportion of senior management hired from the local community	All our Senior Management Team as disclosed in the Annual Report FY2020 is hired from their respective local countries in which they are operating.	-
GRI 203: Indirect Economic Impacts			
203-1	Infrastructure investments and services supported	Sustainability Statement – Engagement with Community	62-64
203-2	Significant indirect economic impacts	Sustainability Statement – Engagement with Community Dufu's activities as an employer, as a consumer of local products and services, and as a payer of taxes and fees as well as providing local employment support local economic development.	62-64
GRI 204: Procurement Practices			
204-1	Proportion of spending on local supplies	Sustainability Statement – Local Procurement Practices	40
GRI 205: Anti-corruption			
205-1	Operations assessed for risks related to corruption	Sustainability Statement – Code of Conduct and Ethics and Whistleblowing, Anti-Corruption and Bribery Policy, Risk Management Statement on Risk Management and Internal Control – Internal Audit	42-43, 80-83
205-2	Communication and training about anti-corruption policies and procedures	Sustainability Statement – Anti-Corruption and Bribery Policy, Employee Training and Talent Management	42-43, 49-51
205-3	Confirmed incidents of corruption and actions taken	Sustainability Statement – Anti-Corruption and Bribery Policy	42-43
GRI 206: Anti-competitive Behaviour			
206-1	Legal actions for anti-competitive behaviour, anti-trust and monopoly practices	There were no reported legal actions for anti-competitive behaviour or antitrust or monopolistic practices.	-
GRI 301: Materials			
301-1	Materials used by weight or volume	For future consideration	-

Global Report Initiative Sustainability Reporting Standards ('GRI' Index) Core Option (cont'd)			
GRI Content Index			
Disclosure Number	**Disclosure Title**	**Response**	**Page Reference**
GRI 301: Materials (cont'd)			
301-2	Recycled input material used	The percentage of recycled input material used is low due to the nature of the production process, as recycled raw materials cannot be used very often due to the requirements regarding purity or because customer's standards must be met.	-
301-3	Reclaimed products and their packaging materials	Dufu provides fresh packaging materials and trays when supplying to customers mainly due to the concern of its highly sensitive precision parts. Dufu uses mostly reusable packaging and trays when supplying vendors for in-process treatments.	-
GRI 302: Energy			
302-1	Energy consumption within the organisation	Sustainability Statement – Energy Consumption	58
302-2	Energy consumption outside the organisation	For future consideration	-
302-3	Energy intensity	Sustainability Statement – Energy Consumption	58
302-4	Reduction of energy consumption	Sustainability Statement – Energy Consumption	58
302-5	Reductions in energy requirements of products and services	We understand the requirements of our customers and align our processes to deliver quality products in an energy cost-efficient manner.	-
GRI 303: Water and Effluents			
303-1	Interactions with water as a shared resource	Sustainability Statement – Water Management	58-59
303-2	Management of water discharge-related impacts	Sustainability Statement – Water Management	58-59
303-3	Water withdrawal	Sustainability Statement – Water Management Dufu draws water solely from municipal supply water but not in volumes that would significantly impair the water system.	58-59
303-4	Water discharge	Sustainability Statement – Water Management	58-59
303-5	Water consumption	Sustainability Statement – Water Management	58-59
GRI 305: Emissions			
305-1	Direct (Scope 1) GHG emissions	We have yet to collect the data for Scope 1 which covers CHG emission generated from activities related to on-site fuel combustion such as automobiles, trucks and buses. Nevertheless, the amount would be insignificant given the number and types of vehicles operated by Dufu.	-
305-2	Energy indirect (Scope 2) GHG emissions	Sustainability Statement – Emissions	59
305-3	Other indirect (Scope 3) GHG emissions	We have yet to collect the data for Scope 3 (indirect emission) which relates to business travel. Nevertheless, we have been promoting the use of personal video conferencing facilities to replace air and ground travel.	-
305-4	GHG emissions intensity	Sustainability Statement – Emissions	59
305-5	Reduction of GHG emissions	Sustainability Statement – Emissions	59
305-6	Emissions of ozone-depleting substances (ODS)	For future consideration	-

Global Report Initiative Sustainability Reporting Standards ('GRI' Index) Core Option (cont'd)			
GRI Content Index			
Disclosure Number	**Disclosure Title**	**Response**	**Page Reference**
GRI 305: Emissions (cont'd)			
305-7	Nitrogen oxides (Nox), sulfur oxides (SOx) and other significant air emissions	None of Dufu's business operations produce any Nitrogen oxides (NOx) and Sulfur oxides (SOx) emissions.	-
GRI 306: Effluents and Waste			
306-1	Water discharge by quality and destination	For future consideration	-
306-2	Waste by type and disposal method	Sustainability Statement – Effluents and Waste Management	59-61
306-3	Significant spills	No significant spills as of FY2020	-
306-4	Transport of hazardous waste	For future consideration	-
306-5	Water bodies affected by water discharges and/or runoff	For future consideration	-
GRI 307: Environmental Compliance			
307-1	Non-compliance with environmental laws and regulations	We have not identified any non-compliance with environmental laws and regulations as of FY2020.	-
GRI 308: Supplier Environmental Assessment			
308-1	New suppliers that were screened using environmental criteria	Sustainability Statement – Supply Chain Management	39-40
308-2	Negative environmental impacts in the supply chain and actions taken	Sustainability Statement – Supply Chain Management	39-40
GRI 401: Employment			
401-1	New employee hires and employee turnover	Sustainability Statement – Employee Gender and Diversity, Employee Profile	47-48
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Sustainability Statement – Employee Welfare and Wellbeing, Employee Compensation and Benefits The Group does not recruit or employ any temporary or part-time employees in FY2020.	51-52
401-3	Parental leave	Sustainability Statement – Employee Profile, Employee Development and Talent Management	47-48, 49-52
GRI 402: Labour/Management Relations			
402-1	Minimum notice periods regarding operational changes	Depending on the circumstances, there is no fixed minimum notice regarding operational change. However, to the extent possible, we inform our employees well in advance the intention and details of the change. Prior to such change, we will conduct briefing for employees to collect their feedback and try to put relevant notice within a month's time.	-
GRI 403: Occupational Health and Safety			
403-1	Occupational health and safety management system	Sustainability Statement – OSH Policy and Management	52-56
403-2	Hazard identification, risk assessment and incident investigation	Sustainability Statement – OHS Policy and Management	52-56
403-3	Occupational health services	Sustainability Statement – OHS Policy and Management	52-56
403-4	Worker participation, consultation and communication on occupational health and safety	Sustainability Statement – OHS Policy and Management	52-56

Global Report Initiative Sustainability Reporting Standards ('GRI' Index) Core Option (cont'd)			
GRI Content Index			
Disclosure Number	**Disclosure Title**	**Response**	**Page Reference**
GRI 403: Occupational Health and Safety (cont'd)			
403-5	Worker training on occupational health and safety	Sustainability Statement – OHS Policy and Management, Employee Development and Talent Management	52-56, 49-51
403-6	Promotion of worker health	Sustainability Statement – OHS Policy and Management, Healthier work-life practices	52-56, 51-52
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Sustainability Statement – Supply Chain Management, OHS Policy and Management	39-40 52-56
403-8	Workers covered by an occupational health and safety management system	Sustainability Statement – OHS Policy and Management	52-56
403-9	Work-related injuries	Sustainability Statement – OHS Policy and Management	52-56
403-10	Work-related ill-health	Sustainability Statement – OHS Policy and Management	52-56
GRI 404: Training and Education			
404-1	Average hours of training per year per employee	Sustainability Statement – Employee Development and Talent Management	49-51
404-2	Programmes for upgrading employee skills and transition assistance programmes	Sustainability Statement – Employee Development and Talent Management	49-51
404-3	Percentage of employees receiving regular performance and career development reviews	Sustainability Statement – Employee Development and Talent Management All our employees receive their Performance Appraisal twice a year. Salary and promotion is conducted twice a year for non-exempt staff and once a year for exempt staff.	49-51
GRI 405: Diversity and Equal Opportunity			
405-1	Diversity of governance bodies and employees	Profile of Board of Directors, Profile of Key Senior Management Team, Sustainability Statement – Employee Gender and Diversity, Employees Profile	12-17, 47-48
405-2	Ratio of basic salary and remuneration of women to men	For future consideration	-
GRI 406: Non-discrimination			
406-1	Incidents of discrimination and corrective actions taken	Sustainability Statement – Employee Gender and Diversity	47-48
GRI 407: Freedom of Association and Collective Bargaining			
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Sustainability Statement – Supply Chain Management, Respect of Labour and Human Rights	39-40, 45-46
GRI 408: Child Labour			
408-1	Operations and suppliers at significant risk for incidents of child labour	Sustainability Statement – Supply Chain Management, Respect of Labour and Human Rights, Employee Gender and Diversity	39-40, 45-48
GRI 409: Forced or Compulsory Labour			
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	Sustainability Statement – Supply Chain Management, Respect of Labour and Human Rights, Employee Gender and Diversity	39-40, 45-48

Global Report Initiative Sustainability Reporting Standards ('GRI' Index) Core Option (cont'd)			
		GRI Content Index	
Disclosure Number	**Disclosure Title**	**Response**	**Page Reference**
GRI 412: Human Rights Assessment			
412-1	Operations that have been subject to human rights reviews or impact assessments	Sustainability Statement – Supply Chain Management, Labour Practices, Respect of Labour and Human Rights	39-40, 45-47
412-2	Employee training on human rights policies or procedures	Sustainability Statement – Employee Development and Talent Management	49-51
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Sustainability Statement – Supply Chain Management, Labour Practices, Respect of Labour and Human Rights	39-40, 45-47
GRI 413: Local Communities			
413-1	Operations with local community engagement, impact assessments and development programmes	Sustainability Statement – Engagement with Community	62-64
413-2	Operations with significant actual and potential negative impacts on local communities	Sustainability Statement – Engagement with Community	62-64
GRI 414: Supplier Social Assessment			
414-1	New suppliers that were screened using social criteria	Sustainability Statement – Supply Chain Management, Conflict-free Minerals Policy	39-40
414-2	Negative social impacts in the supply chain and actions taken	Sustainability Statement – Supply Chain Management, Conflict-free Minerals Policy	39-40
GRI 415: Public Policy			
415-1	Political Contributions	Sustainability Statement – Anti-Corruption and Bribery Policy We do not make charitable donations or contributions to political parties.	42-43
GRI 418: Customer Policy			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Sustainability Statement – Data Privacy and Security	43
GRI 419: Socioeconomic Compliance			
419-1	Non-compliance with laws and regulations in the social and economic area	We have not identified any non-compliance with laws and regulations in the social and economic area as of FY2020.	-

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 2020 ("FY2020"). 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 2020 of the Company ("CG Report") which is available on the Company's website at www.dufutechnology.com.

The CG Report provides the details on how the Company has applied each Practice as set out in the MCCG during FY2020.

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.

The Board then planned and has continued its efforts in raising 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 RESPONSIBILITES

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

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 continues 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 six (6) Committees, namely the Audit Committee, Nominating Committee, Remuneration Committee, Investment Committee, Employees Share Option Scheme 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.

The Board last reviewed its Board Charter on 2 November 2020 to keep abreast 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 which 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.

A copy of the Board Charter, CCE Policy and Whistle Blowing Policy last reviewed by the Board on 2 November 2020 are available at the Company's website, www.dufutechnology.com.

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

I. BOARD RESPONSIBILITES (cont'd)

The Board has in place the Group's Anti-Corruption and Bribery Policy outlines the Group's commitment to conduct business ethically as well as complying with all applicable laws, including the Malaysian Anti-Corruption Commission Act 2009 (Amendment 2018) ("MACC Act") and any of its amendments made by the relevant authority from time to time. The Anti-Corruption and Bribery Policy provides policy guidance to Directors, employees and business associates the way to recognise and deal with any act of corruption and bribery that may arise in the course of daily business and operation activities within the Group. Besides, the Board of Dufu has also approved the Group's Charitable and Sponsorship Policy on 1 June 2020. The Charitable and Sponsorship Policy provides comprehensive guidelines and parameters to aid in responding to the many requests for charitable donations, event sponsorships and in-kind requests received by the Group and the relevant approving authority required. Both the Anti-Corruption and Bribery Policy as well as the Charitable and Sponsorship Policy of the Group 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.

The Board is updated regularly by the Company Secretary and management on the training programme available by regulators and professional bodies. The present Board members have attended the following trainings:

Director	Date	Description
Lee, Hui-Ta also known as Li Hui Ta	7 February 2020	Corporate Liability under the MACC Act 2009
Wu, Mao-Yuan	10 August 2020	Review of Financial Reporting
Sung, Cheng-Hsi	10 August 2020	Review of Financial Reporting
Joyce Wong Ai May	7 February 2020	Corporate Liability under the MACC Act 2009
	17 July 2020	Preparing Capital Statements, Taxation of Shadow Economy and how to handle tax appeals
	13 August 2020	The implications of Digital Tax in Malaysia with latest updates
	1 December 2020	Fraud Risk Management Workshop
	22 December 2020	Applying Ethics during the Pandemic and Beyond
Yin Chih Chu also known as Laurence Yin	7 February 2020	Corporate Liability under the MACC Act 2009
Lee Yoke Khay	7 February 2020	Corporate Liability under the MACC Act 2009

The number of Board meetings attended by the respective Directors during FY2020 are as follows:

Director	**No. of meetings attended**
Lee, Hui-Ta also known as Li Hui Ta	4/4
Wu, Mao-Yuan	4/4
Sung, Cheng Hsi	4/4
Joyce Wong Ai May	4/4
Yin Chih-Chu also known as Laurence Yin	4/4
Lee Yoke Khay	4/4

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

II. BOARD COMPOSITION

In order to achieve the intended outcome of the Code, Board decisions are made objectively in the best interests of the Company taking into account diverse perspectives and insights. The Group met most of the recommended practices set out in the Code detailed in the CG Report 2020.

The Board has through its Nominating Committee ("NC") conduct the annual assessment on its size and composition. Based on their 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	40 – 49 years	50 – 59 years	60 – 70 years	Chinese	Foreigner	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*				√	√		√			√	√		√	

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 in broadening the diversity of the Board and Senior Management from time to time.

The activities carried out by the NC during FY2020 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 of the Directors; and
- undertaken review of independency of Independent Directors.

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

II. BOARD COMPOSITION (cont'd)

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 2021 was circulated on 2 November 2020.

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 and the Group 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.

Aggregate remuneration of Directors for the FY2020 categorised into appropriate components are as follows:

Category	Fee RM	Salaries RM	Bonus RM	Allowances RM	Share-based payments RM	Total RM
Executive Directors						
Lee, Hui-Ta also known as Li Hui Ta						
- Company	36,000	-	-	7,500	-	43,500
- Subsidiaries	-	749,060	590,072	-	-	1,339,132
	36,000	749,060	590,072	7,500	-	1,382,632
Wu, Mao-Yuan						
- Company	36,000	-	-	6,000	-	42,000
- Subsidiaries	-	445,635	1,166,531	-	359,082	1,971,248
	36,000	445,635	1,166,531	6,000	359,082	2,013,248
Total Executive Directors						
- Company	72,000	-	-	13,500	-	85,500
- Subsidiaries	-	1,194,695	1,756,603	-	359,082	3,310,380
	72,000	1,194,695	1,756,603	13,500	359,082	3,395,880
Non-Executive Directors						
- Company						
Sung, Cheng-Hsi	36,000	-	-	7,500	-	43,500
Joyce Wong Ai May	60,000	-	-	12,500	-	72,500
Yin, Chih-Chu also known as Laurence Yin	36,000	-	-	7,500	-	43,500
Lee Yoke Khay	36,000	-	-	7,500	-	43,500
	168,000	-	-	35,000	-	203,000
Total						
- Company	240,000	-	-	48,500	-	288,500
- Subsidiaries	-	1,194,695	1,756,603	-	359,082	3,310,380
	240,000	1,194,695	1,756,603	48,500	359,082	3,598,880

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee

The 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 the 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.

II. 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.

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 is led by the Chief Executive Officer, the Chief Financial Officer acting as Secretary and Department Heads as its members.

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

The 18th Annual General Meeting and an Extraordinary General Meeting of the Company were held on a fully virtual basis at the Broadcast Venue: Conference Room of Plot 19, Hilir Sungai Keluang 2, Taman Perindustrian Bayan Lepas, Phase IV, 11900 Penang on Friday on 19 June 2020 due to Covid-19 pandemic.

The Board took note the advantages of electronic voting as promoted by the MCCG. However, the Board is of the opinion that the implementation of the remote shareholders meeting will only be conducted based on various consideration taking account on the number of shareholders and their location and costs involved.

This Statement is made in accordance with the resolution of the Board of Directors dated 23 March 2021.

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 2020 ("FY2020").

Introduction

The AC was established to assist the Board in fulfilling its responsibilities with respect to its oversight responsibilities. The AC is committed to ensure 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 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

Ms. Joyce Wong Ai May, the AC Chairman 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 Certified Practicing Accountants, Australia. Her credentials meet 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 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 industrial-wide knowledge. Mr. Lee Yoke Khay is a practicing advocate & solicitor in profession and is currently a partner of Messrs. Ooi Lee & Co., a legal firm based in Penang. All the AC members are financially literate and able to analyse and interpret financial statements to effectively discharge their duties and responsibilities as AC members.

The Board had on 26 February 2021 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 FY2020, the AC had convened four (4) 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
Joyce Wong Ai May	4	4
Sung, Cheng-Hsi	4	4
Yin, Chih-Chu also known as Laurence Yin	4	4
Lee Yoke Khay	4	4

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

The AC conducted its meeting 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 meeting to brief the AC on specific issues. The Chief Financial Officer also attended the AC meetings to present the unaudited quarterly financial statements, as well as other financial reporting related matters for the AC's deliberation and recommendation to the Board for approval, whereas the Group Chief Executive Officer presented the Group's outlook and operational update where appropriate.

Composition and Meeting (cont'd)

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 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 of the AC for the FY2020 are summarized 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 FY2020 on 26 February 2021.

The Committee also reviewed the first, second and third quarterly financial statements of the Group for the FY2020 and recommended the same to the Board for approval during its AC meetings held on 5 May 2020, 4 August 2020 and 2 November 2020 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 26 February 2020, the AC met with the External Auditors without the presence of the Executive Directors and Management to understand the audit status of the financial statements of the Company and Group for FY2019 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. The AC also deliberated on audit issues raised by the External Auditors and the action plans required to address those issues.

During the Meeting, the AC enquired the External Auditors whether they have encountered any matter/concern/issue during the course of audit including the co-operation rendered by the staff thus far which will in any way cause difficulties to discharge their duties that warrant the AC's attention. The External Auditor, Baker Tilly Monteiro Heng PLT ("BTMH") informed that the Management had granted full co-operation to them during their course of audit.

On 26 February 2020, the AC recommended the appointment of Messrs. Crowe Malaysia PLT as the External Auditors of the Group for the ensuing year ending 31 December 2020, in place of the retiring Auditors of the Group and the appointment of Crowe Malaysia PLT was approved by the shareholders on its Annual General Meeting held on 19 June 2020.

On 2 November 2020, the External Auditors, Crowe Malaysia PLT tabled the Audit Plan prior to the commencement of the audit of the financial statements for FY2020, more particularly outlined the audit approach, areas of audit emphasis, and the Accounting standard update. The External Auditors informed that the Management, Committee and the Board of Directors to address the extent of the financial impact of the Covid-19 pandemic to the Group's operation in the preparation of the financial statements.

The External Auditors also confirmed that they have complied with the requirements for independence as required by International Standards on Auditing ("ISA") 260: The Auditor's Communication with Those Charged with Governance.

In addition 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.

The AC had two private meetings on 2 November 2020 and 26 February 2021 with the External Auditors without the presence of the Executive Directors or Management to reinforce the independence of the external audit function of the Company during FY2020.

External Auditors (cont'd)

On 26 February 2021, 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, audit fees 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 the External Auditors.

Based on the assessment, the AC recommended the re-appointment of Crowe Malaysia PLT as the External Auditors of the Group for the ensuing year ending 31 December 2021 after having satisfied with its audit independence and the performance of Crowe Malaysia PLT throughout its course of audit for the FY2020, amongst others:-

- satisfied that the quality processes/ performance of the External Auditors;
- able to give adequate technical support when an audit issue arises; and
- adequate experience and resources of Crowe Malaysia PLT 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 Company has outsourced the Internal Audit functions to Eco Asia Advisory Sdn. Bhd. ("Eco Asia"), an independent professional firm as the Internal Auditors for FY2020. During the financial year, Eco Asia carried out a total of four (4) audit assignments comprising eight (8) operating cycles on the Group in accordance with the audit plan. The Internal Auditors issue their internal audit findings and reports to the AC on quarterly basis.

On 26 February 2020, the Internal Audit Plan for year 2020 was tabled for the 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 AC approved the said Plan upon incorporation of the comments from the Committee and advise 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 suggestions 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 FY2020 was RM84,585.

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 26 February 2021, the AC reviewed the Statement on Risk Management and Internal Control for inclusion in this Annual Report. The Committee is of the opinion that the amount spent in FY2020 is adequate to provide an effective internal audit function.

Related Party Transactions

The AC reviewed and discussed the recurrent related party transactions on a quarterly basis 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.

Employees' Share Option Scheme ("ESOS") Allocation

On 26 February 2021, the AC reviewed and verified the summary allocation list of ESOS as at 31 December 2020 and noted that there was no granting of ESOS during the FY2020.

This Statement is made in accordance with the resolution of the Board of Directors dated 23 March 2021.

Introduction

The Malaysian Code on Corporate Governance 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, 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.

This statement does not cover associate companies which the Group does not have any direct control. Nevertheless, the Board appointed representatives in the board of associate companies to oversight the business and to update key matters and significant information to the Board.

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 operation 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.

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 quarterly RMC meetings. 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 is led by the Group Chief Executive Officer, Chief Financial Officer acting as Secretary and Department Heads as its members. 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. In addition to this, seven (7) risk areas have been created following the incorporation of the risk associated with Anti-Corruption and Bribery. 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; and
- 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, significant to high depending upon the severity of consequence and the likelihood of its occurrence and financial impact on the Group's cash flow and profit. The Chief Financial Officer, and where applicable the owner of the respective risk profiles 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 currently 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.

In addition, the committees made up predominantly of non-executive directors such as Audit Committe, Remuneration Committee, Nominating Committee and IVC with defined terms of reference and functions, provide the essential support to the Board.

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 Responsible Business Alliance ("RBA"), EMS 14001 Environmental Management System, ISO 45001:2018 Occupational Health & Safety Management System and Quality Management System ISO 9001:2015 and IATF 16949:2016 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.

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 operational reviews on its various business 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 KPI meetings are chaired by the Group Chief Executive Officer and comprises of Senior Management, 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 "Management Review" meeting is held once a year.

Internal Audit

The AC is responsible to review and monitor the adequacy and effectiveness of the Group's system of internal control via the internal audit function. The internal audit function assists the AC to achieve the following objectives:

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

The Company has outsourced the internal audit functions to Eco Asia Advisory Sdn. Bhd. ("Eco Asia"), an independent professional firm as the Internal Auditors since 2018. During the financial year ended 31 December 2020 ("FY2020"), Eco Asia carried out a total of four (4) audit assignments comprising eight (8) operating cycles on the Group in accordance with their audit plan. The Internal Auditors issue their internal audit findings and reports to the AC on a quarterly basis. The Internal Audit Review Report for FY2020 prepared by Eco Asia covered the review of the Group's two main subsidiaries namely Dufu Industries Sdn Bhd and Dufusion Sdn Bhd in the following areas:

- Cash Management
- Sales and Marketing
- Property, Plant and Equipment Management
- Inventory Management
- Human Resources Management
- Malaysian Anti-Corruption Commission Policy
- Procurement
- Production and Conversion

On 26 February 2020, the Internal Audit Plan for year 2020 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 AC approved the said Plan upon incorporation of the comments from the Committee and advise 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 total cost incurred for the Internal Audit function for the FY2020 was RM84,585.

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 FY2020 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 Chief Financial Officer that the Group's Risk Management and Internal Control system is operating adequately and effectively, in all material aspects, based on the Risk Management and Internal Control system of the Group.

Pursuant to Paragraph 15.23 of the Bursa Malaysia Securities Berhad Listing Requirements, the External Auditors have reviewed this Statement for inclusion in the 2020 Annual Report. As set out in their terms of engagement, the limited assurance review was performed in accordance with Malaysian Approved Standard on Assurance Engagements, ISAE 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information and Audit and Assurance Practice Guide 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report.

Based on the review by the External Auditors, the External Auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement intended to be included in the annual report is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of the Listed Issuers to be set out, nor is this Statement factually inaccurate.

The Board is of the view that the ERM and system of internal controls in place for the FY2020 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 is made in accordance with the resolution of the Board of Directors dated 23 March 2021.

1. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

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

2. 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 2020 ("FY2020") 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	122,000	11,800
Subsidiaries	116,000	15,000
Total	238,000	26,800

* Non-audit fees consist of review of Statement on Risk Management and Internal Control and tax fees.

3. EMPLOYEES' SHARE SCHEME

The shareholders of the Company had via its Extraordinary General Meeting held on 12 June 2019, amongst others, approved the establishment, implementation and administration of an Employees' Share Option Scheme ("ESOS") of up to 10% of the total number of issued shares of the Company at any point of time during the duration of the ESOS for eligible Executive Directors and Employees of the Company and its subsidiaries. The implementation of the ESOS is effective from 17 June 2019.

The total number of ESOS granted, forfeited, exercised and outstanding during FY2020 are set out below:-

Category	Number of ESOS as at 31 December 2020					
	Balance as at 1 January 2020	Granted	*Bonus Issue	Exercised	Lapse/ Forfeited	Balance as at 31 December 2020
Directors	860,000	-	860,000	(880,000)	-	840,000
Chief Executive Officer	1,075,000	-	775,000	(800,000)	-	1,050,000
Employees	7,088,000	-	4,245,000	(3,958,000)	(157,000)	7,218,000
Total	**9,023,000**	**-**	**5,880,000**	**(5,638,000)**	**(157,000)**	**9,108,000**

* Adjustment made to number of ESOS Option pursuant to the completion of bonus shares on the basis of 1 Bonus Share for every 1 existing Dufu share held on 5 August 2020.

Pursuant to the Company's ESOS, not more than 50% of the options available under the scheme shall be allotted, in aggregate, to the Executive Directors and Senior Management. Since the commencement of the scheme, 40.5% of the options available under the scheme have been granted to Executive Directors and Senior Management.

There were no options granted to Executive Directors and Senior Management during the FY2020.

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

PURSUANT TO PARAGRAPH 15.26(A) OF THE BURSA MALAYSIA SECURITIES BERHAD MAIN MARKET LISTING REQUIREMENTS ("MMLR")

The Directors are responsible to ensure that the financial statements of the Group and the Company are properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, the provisions of the Companies Act 2016 in Malaysia ("the Act") and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, so as to give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year and of the financial performance and cash flows of the Group and the Company for the financial year then ended.

In preparing these financial statements, the Directors have considered the following:-

- That the Group and the Company have used appropriate accounting policies, and these are applied consistently;
- That reasonable and prudent judgements and estimates were made;
- That the approved accounting standards in Malaysia have been adopted; and
- That the financial statements have been prepared on a going concern basis.

The Directors have general responsibility for taking such steps that are reasonably available to them to safeguard the assets of the Group and of the Company, and to prevent and detect fraud and other irregularities.

This statement is made in accordance with the resolution of the Board of Directors dated 23 March 2021.

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 31.12.2020 (RM)	Year of last revaluation	Year 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 on 26.12.2051	Industrial land	177,691 sq. feet	2,842,334	1997	-
No. H.S.(D) 42631, Lot No. 320, Mukim 13, Daerah Seberang Perai Tengah, Pulau Pinang	60 years leasehold expiring on 01.3.2059	Industrial Land	87,123 sq. feet	3,657,714	-	Year 2019
Building						
Plot 19 Free Industrial Zone, Phase IV, Bayan Lepas 11900 Penang		Industrial complex - 1 single-storey office-cum-production building (23 years) - 1 double-storey office-cum-production building (16 years) - 1 three-storey production building (14 years) - 1 three-storey office cum production building (13 years)	 18,209 sq. feet 33,793 sq. feet 65,811 sq. feet 32,816 sq. feet	2,264,761	-	Year 1997 – 2007

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 31.12.2020 (RM)	Year of last revaluation	Year of acquisition
Building (cont'd)						
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	1,073,493	-	Year 2015
No 691, Lorong Perindustrian Bukit Minyak 11, Taman Perindustrian Bukit Minyak, 14100 Simpang Ampat, Pulau Pinang		A unit of single storey factory and a double storey office building (2 years)	70,684 sq. feet	9,425,079	-	Year 2019
Registered Owner: Guangzhou Futron Technology Co. Ltd.						
Building						
No. 1, Gao Tian Industrial Zone, Tai Ping Town, Cong Hua City.		- 1 three-storey production building (17 years)	41,383 sq. feet	1,190,868	-	Year 2003 – 2018
		- 1 steel production workshop (7 years)	8,092 sq. feet			
		- 1 warehouse (3 years)	7,089 sq. feet			
		- 1 five-storey hostel (17 years)	21,348 sq. feet	107,334	-	Year 2003

List of PROPERTIES HELD (CONT'D)

Title/ Location	Tenure/ Date of expiry of lease	Description/ Existing use (approximate age of building)	Land area/ Built-up area	Net book value as at 31.12.2020 (RM)	Year of last revaluation	Year of acquisition
Registered Owner: Guangzhou Futron Precision Industries Co., Ltd.						
Land use rights						
Plot 18411320180005 at South Side of Longxing Siheng Road, Longxing District, Conghua Industrial Park, Conghua District, Guangzhou, People's Republic of China	50 years leasehold expiring on 13.01.2069	Industrial land	216,385 sq. feet	7,251,738	-	Year 2018
Registered Owner: Dufusion Sdn Bhd						
Land						
Lot No. 8478 Mukim 12, District of Barat Daya, Penang	60 years leasehold expiring on 22.5.2050	Industrial land	51,451 sq. feet	5,205,146	-	Year 2012
Lot No. 9232 Mukim 12, District of Barat Daya, Penang	60 years leasehold expiring on 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 (9 years)	61,587 sq. feet	3,096,216	-	Year 2012
			TOTAL	36,114,683		

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;

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); and

d) The treasury shares may also be transferred for the purpose of rewarding employees under an employees' share scheme, or such other purposes as allowed under the Companies Act 2016.

3. Retained Earnings

Based on the Audited Financial Statements of the Company as at 31 December 2020 the retained earnings of the Company stood at RM27,682,463.

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 earnings. 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 RM4,276,744 based on the Audited Financial Statements of DUFU as at 31 December 2020.

In the event borrowings are used for the purchase of DUFU Shares, the Board of Directors of DUFU ("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.

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 26 February 2021 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:-

	Before the Proposed Renewal of Share Buy-Back Mandate				After the Proposed Renewal of Share Buy-Back Mandate							
	As at the LPD				Minimum Scenario				Maximum Scenario			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
Directors	**No. of Shares**	**%[a]**	**No. of Shares**	**%[a]**	**No. of Shares**	**%[b]**	**No. of Shares**	**%[b]**	**No. of Shares**	**%[c]**	**No. of Shares**	**%[c]**
Lee, Hui-Ta also known as Li Hui Ta [1]	49,635,698	9.52	56,337,900[6]	10.81	49,635,698	10.31	56,337,900[6]	11.70	49,635,698	10.13	56,337,900[6]	11.50
Wu, Mao-Yuan	18,509,000	3.55	-	-	18,509,000	3.84	-	-	19,349,000	3.95	-	-
Sung, Cheng-Hsi	52,000	0.01	-	-	52,000	0.01	-	-	52,000	0.01	-	-
Joyce Wong Ai May	-	-	-	-	-	-	-	-	-		-	-
Yin, Chih-Chu also known as Laurence Yin	-	-	-	-	-	-	-	-	-		-	-
Lee Yoke Khay	-	-	-	-	-	-	-	-	-		-	-
Substantial Shareholder												
PCSB	51,340,000	9.85	-	-	51,340,000	10.66	-	-	51,340,000	10.48	-	-
PFYSB	56,337,900	10.81	-	-	56,337,900	11.70	-	-	56,337,900	11.50	-	-
Wong Ser Yian	26,958,386	5.17	-	-	26,958,386	5.60	-	-	26,958,386	5.50	-	-
Lee, Wen-Jung [2]	65,000	0.01	51,340,000[7]	9.85	65,000	0.01	51,340,000[7]	10.66	170,000	0.03	51,340,000[7]	10.48
Lee, Su Hui-Fen	340,200	0.07	51,340,000[7]	9.85	340,200	0.07	51,340,000[7]	10.66	340,200	0.07	51,340,000[7]	10.48
Wang, Kuei-Hua [3]	10,112,130	1.94	56,337,900[6]	10.81	10,112,130	2.10	56,337,900[6]	11.70	10,112,130	2.06	56,337,900[6]	11.50
Person Connected to Director and Substantial Shareholder												
Wu, Ming-Hsiu [4]	110,000	0.02	-	-	110,000	0.02	-	-	215,000	0.04	-	-
Hsu, Sung-Hsiang [4]	120,000	0.02	-	-	120,000	0.02	-	-	330,000	0.07	-	-
Ng Hwee Ngee [5]	85,000	0.02	-	-	85,000	0.02	-	-	190,000	0.04	-	-
Wong Ser Hiang [5]	-	-	-	-	-	-	-	-	-	-	-	-

Note:
Minimum Scenario - Assuming none of the 9,108,000 ESOS Options are exercised and DUFU implements the Proposed Renewal of Share Buy-back Mandate in full.
Maximum Scenario - Assuming full exercise of the 9,108,000 ESOS Options and DUFU implements the Proposed Renewal of Share Buy-back Mandate in full.

(a) Based on the total number of issued shares of 521,374,246 Shares, exclusive of 13,792,488 shares held as treasury shares

(b) Based on the total number of issued shares of 481,650,061 Shares without exercising the ESOS Options and the Proposed Share Buy-Back is carried out in full and all that shares so purchased are held as treasury shares

5. Interests of Directors' and Substantial Shareholders' and Persons Connected to Them (cont'd)

(c) *Based on the total number of issued shares of 489,847,261 Shares after full exercise of 9,108,000 ESOS Options with the assumption that the Directors / Substantial Shareholders and Persons Connected to them (whose also an eligible person to the Company's ESOS) fully exercised their ESOS Options:-*

- *Wu, Mao-Yuan - 840,000 ESOS Options*
- *Lee, Wen-Jung – 105,000 ESOS Options*
- *Wu, Ming-Hsiu – 105,000 ESOS Options*
- *Hsu, Sung-Hsiang – 210,000 ESOS Options*
- *Ng Hwee Ngee - 105,000 ESOS Options*
- *Wong Ser Hiang – 105,000 ESOS Options*

(1) Also *Substantial Shareholder of the Company.*
(2) *Also an eligible person to the Company's ESOS*
(3) *Spouse of Lee, Hui-Ta also known as Li Hui Ta*
(4) *Person Connected to Wu, Mao-Yuan*
(5) *Person Connected to Wong Ser Yian*
(6) *Indirect Interest by virtue of his/her substantial interest in Perfect Full Yen Sdn Bhd ("PFYSB").*
(7) *Indirect Interest by virtue of his/her substantial interest in Perfect Commerce Sdn Bhd ("PCSB").*

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

The effects of the Proposed Renewal of Share Buy-Back Mandate on the total number of issued shares of DUFU are as follows:-

Minimum Scenario - Assuming none of the 9,108,000 ESOS Options are exercised and DUFU implements the Proposed Renewal of Share Buy-back Mandate in full.
Maximum Scenario - Assuming full exercise of the 9,108,000 ESOS Options and DUFU implements the Proposed Renewal of Share Buy-back Mandate in full.

	Minimum Scenario	Maximum Scenario
	No. of Shares	**No. of Shares**
As at 26 February 2021	535,166,734	535,166,734
Shares to be issued pursuant to the ESOS	0	9,108,000
	535,166,734	544,274,734
Proposed Renewal of Share Buy-Back Mandate (assuming all Purchased Shares are held as treasury shares)	53,516,673	54,427,473
Total number of issued share after the Proposed Renewal of Share Buy-Back Mandate	481,650,061	489,847,261

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.

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

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 2021 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 on 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 26 February 2021, 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.

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, Resold, Transfer and Cancellation made by the Company of its own Shares in the preceding twelve (12) months

The company had not purchased, resold, transferred or cancelled any shares in the preceding twelve (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; or
- to retain the Shares so purchased in treasury for distribution to eligible employee(s) pursuant to an employees' share scheme, or such other purposes as allowed under Companies Act 2016.

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:-

	Highest RM	Lowest RM
2020		
March	2.20	0.94
April	1.96	1.47
May	2.56	1.82
June	2.65	2.23
July	3.70	2.43
August	3.98	2.99
September	3.65	2.90
October	3.62	3.13
November	3.54	3.00
December	3.31	3.08
2021		
January	4.04	3.09
February	4.48	3.61

Last transacted market price as at 23 March 2021 (being the latest practical date prior to the printing of this Statement) was RM3.53.

(Source: Bloomberg)

12. Public Shareholding Spread

As at 26 February 2021, the public shareholding spread of the Company was approximately 60.72%. 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.

13. Director's Statement

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

14. Director's Recommendation

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

15. 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.

16. 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 on public holidays) from the date of this Statement up to and including the date of the forthcoming AGM:

(i) Constitution of DUFU; and

(ii) The audited consolidated financial statements of DUFU for the past two (2) financial years ended 31 December 2019 and 2020.

17. 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 26 FEBRUARY 2021

Total Number of Issued Shares	:	521,374,246+
Class of Share	:	Ordinary Shares with equal voting rights
Number of Shareholders	:	8,885

+ *Excluding a total of 13,792,488 shares purchased and retained as treasury shares.*

DISTRIBUTION OF SHAREHOLDERS AS AT 26 FEBRUARY 2021

Holdings	No. of Holders	Total Holdings	%
1 – 99	435	14,148	0.00
100 – 1,000	3,104	1,831,100	0.35
1,001 – 10,000	3,938	15,521,708	2.98
10,001 – 100,000	1,115	33,505,804	6.43
100,001 – 26,068,711	289	286,229,502	54.90
26,068,712 and above	4	184,271,984	35.34
Total	8,885	521,374,246	100.00

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT 26 FEBRUARY 2021

	Name	Shareholdings	%
1.	Perfect Full Yen Sdn Bhd	56,337,900	10.81
2.	Perfect Commerce Sdn Bhd	51,340,000	9.85
3.	Lee, Hui-Ta @ Li Hui Ta	49,635,698	9.52
4.	Wong Ser Yian	26,958,386	5.17
5.	Wu, Mao-Yuan	18,509,000	3.55
6.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Qualifier: Deutsche Trustees Malaysia Berhad for Eastspring Investmentssmall-Cap Fund	11,405,100	2.19
7.	Wang, Kuei-Hua	10,112,130	1.94
8.	Tokio Marine Life Insurance Malaysia Bhd as Beneficial Owner (PF)	9,586,900	1.84
9.	CIMB Group Nominees (Tempatan) Sdn Bhd Qualifier: CIMB Commerce Trustee Berhad - Kenanga Growth Fund	8,283,000	1.59
10.	Yeoh Yew Choo	6,714,100	1.29
11.	Citigroup Nominees (Tempatan) Sdn Bhd Qualifier: Kumpulan Wang Persaraan (Diperbadankan) (Kenanga)	6,472,200	1.24
12.	Perfect Hua Ta Sdn. Bhd.	6,276,500	1.20
13.	Amanahraya Trustees Berhad Qualifier: PB Growth Fund	5,975,500	1.15
14.	Amanahraya Trustees Berhad Qualifier: Public Islamic Opportunities Fund	5,948,500	1.14
15.	Tokio Marine Life Insurance Malaysia Bhd as Beneficial Owner (TMEF)	5,599,400	1.07
16.	CIMB Group Nominees (Tempatan) Sdn Bhd Qualifier: CIMB Commerce Trustee Berhad for Kenanga Growth Opportunities Fund (50154 TR01)	5,069,260	0.97
17.	Citigroup Nominees (Asing) Sdn Bhd Qualifier: CBNY for Norges Bank (FI 17)	5,056,600	0.97
18.	HSBC Nominees (Tempatan) Sdn Bhd Qualifier: HSBC (M) Trustee Bhd for Manulife Insurance Berhad (Equity Fund)	4,833,100	0.93
19.	CIMSEC Nominees (Tempatan) Sdn Bhd Qualifier: CIMB for Lim Ka Kian (PB)	4,549,600	0.87

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT 26 FEBRUARY 2021 (cont'd)

	Name	Shareholdings	%
20.	CIMB Islamic Nominees (Tempatan) Sdn Bhd Qualifier: CIMB Islamic Trustee Berhad - Kenanga Syariah Growth Fund	4,484,000	0.86
21.	HSBC Nominees (Tempatan) Sdn Bhd Qualifier: HSBC (M) Trustee Bhd for Manulife Investment Progress Fund (4082)	4,411,600	0.85
22.	Maybank Nominees (Tempatan) Sdn Bhd Qualifier: Maybank Trustees Berhad for Areca Equitytrust Fund (211882)	4,167,800	0.80
23.	CIMB Group Nominees (Tempatan) Sdn Bhd Qualifier: CIMB Commerce Trustee Berhad for Kenanga Shariah Growth Opportunities Fund (50156 TR01)	4,129,154	0.79
24.	Maybank Nominees (Tempatan) Sdn Bhd Qualifier: National Trust Fund (IFM Kenanga) (410196)	4,100,800	0.79
25.	Amanahraya Trustees Berhad Qualifier: Public Strategic Smallcap Fund	3,967,800	0.76
26.	HSBC Nominees (Tempatan) Sdn Bhd Qualifier: HSBC (M) Trustee Bhd for Pertubuhan Keselamatan Sosial (UOB AMM6939-406)	3,760,000	0.72
27.	HSBC Nominees (Asing) Sdn Bhd Qualifier: SEB AB for Evli Emerging Frontier Fund	2,999,930	0.58
28.	HSBC Nominees (Tempatan) Sdn Bhd Qualifier: HSBC (M) Trustee Bhd for Manulife Investment Al-Fauzan (5170)	2,987,000	0.57
29.	Alliancegroup Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Ting Siew Pin (8118995)	2,832,000	0.54
30.	Amanahraya Trustees Berhad Qualifier: Public Dividend Select Fund	2,817,300	0.54

SUBSTANTIAL SHAREHOLDERS AS AT 26 FEBRUARY 2021

	Name	Direct No. of shares held	%	Indirect No. of shares held	%
1.	Perfect Full Yen Sdn Bhd (PFYSB)	56,337,900	10.81	-	-
2.	Perfect Commerce Sdn Bhd (PCSB)	51,340,000	9.85	-	-
3.	Lee, Hui-Ta also known as Li Hui Ta	49,635,698	9.52	56,337,900#	10.81#
4.	Wang, Kuei-Hua	10,112,130	1.94	56,337,900#	10.81#
5.	Wong Ser Yian	26,958,386	5.17	-	-
6.	Lee, Su Hui-Fen	340,200	0.07	51,340,000^	9.85^
7.	Lee, Wen-Jung	65,000	0.01	51,340,000^	9.85^

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

DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S SHAREHOLDINGS AS AT 26 FEBRUARY 2021

	Name	Direct No. of shares held	%	Indirect No. of shares held	%
1.	Lee, Hui-Ta also known as Li Hui Ta	49,635,698	9.52	56,337,900#	10.81#
2.	Wu, Mao-Yuan	18,509,000	3.55	-	-
3.	Sung, Cheng-Hsi	52,000	0.01	-	-
4.	Joyce Wong Ai May	-	-	-	-
5.	Yin, Chih-Chu also known as Laurence Yin	-	-	-	-
6.	Lee Yoke Khay	-	-	-	-
7.	Yeoh Beng Hooi*	595,720	0.11	-	-

Indirect Interest by virtue of his substantial interest in PFYSB.
* Chief Executive Officer of the Group.

NOTICE IS HEREBY GIVEN that the Nineteenth Annual General Meeting of the Company will be held at Function Room 5 and 6 at Spice Convention Centre, SPICE, No. 108, Jalan Tun Dr. Awang, 11900, Penang, Malaysia on Wednesday, 5 May 2021 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 2020 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 3.75 sen per share for the year ended 31 December 2020. (Resolution 1)

3. To approve the Directors' Fee of up to RM299,000/- for the period from 1 June 2021 until the next Annual General Meeting of the Company and payment of such fee to the Directors. (Resolution 2)

4. To approve the payment of other benefits (excluding Directors' Fee) of up to RM50,000/- for the period from 1 June 2021 until the next Annual General Meeting of the Company. (Resolution 3)

5. To re-elect the following Directors retiring under Paragraph 102(1) of the Company's Constitution and who, being eligible offer themselves for re-election:-
   a. Lee, Hui-Ta also known as Li Hui Ta (Resolution 4)
   b. Joyce Wong Ai May (Resolution 5)

6. To re-appoint Messrs. Crowe Malaysia PLT 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) <u>Authority to Issue Shares</u> (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."

7. To consider and if thought fit, to pass the following resolutions: - (cont'd)

Ordinary Resolutions

b) Renewal of Authority to Purchase its own Shares (Resolution 8)

"That subject to the Companies Act 2016, provisions of the Company's Constitution 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 2020, the audited retained profits of the Company stood at RM27,682,463.

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; or
- to retain the shares so purchased in treasury for distribution to eligible employee(s) pursuant to the Employees' Share Scheme of the Company (if applicable).

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 Constitution, 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) / SSM PC NO. 202008000869
OOI EAN HOON (MAICSA 7057078) / SSM PC NO. 202008000734
Secretaries

Penang
30 March 2021

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 Constitution 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 19th Annual General Meeting, the Company shall be requesting the Record of Depositors as at 26 April 2021. Only a depositor whose name appears on the Record of Depositors as at 26 April 2021 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 may appoint up to two (2) proxies in relation to the general meeting provided that he specifies the proportion of his shareholdings 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 under the hand of the member or of his attorney duly authorised in writing or, if the member is a corporation, shall either be executed under the corporation's seal or under the hand of two (2) authorised officers, one of whom shall be a director, or of its attorney duly authorised in writing.*

4. *The instrument appointing a proxy must be deposited at the Registered Office, 57-G Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang, Malaysia at least 48 hours before the time for holding the Meeting or any adjournments thereof, i.e. by Monday, 3 May 2021 at 9.00 a.m. Proxy Form transmitted by facsimile or electronic mail will not be accepted unless the original copy is received at the Registered Office.*

Explanatory Note on Special Business:

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 2021) 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 2021 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 Eighteenth 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 2020.

Notice of Dividend Entitlement AND PAYMENT

NOTICE IS HEREBY GIVEN that the Single Tier Final Dividend of 3.75 sen per share for the year ended 31 December 2020 if approved, will be paid on 16 June 2021 to depositors registered in the Records of Depositors on 31 May 2021:-

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

a) shares transferred into the Depositor's Securities Account before 4.30 p.m. on 31 May 2021 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) / SSM PC NO. 202008000869
OOI EAN HOON (MAICSA 7057078) / SSM PC NO. 202008000734
Secretaries

Penang
30 March 2021

Financial STATEMENTS

The directors hereby submit their report and the audited financial statements of the Group and the Company for the financial year ended 31 December 2020.

Principal activities

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

Results

	Group RM	Company RM
Profit/(Loss) for the financial year attributable to:-		
- Owners of the Company	51,811,713	22,333,853
- Non-controlling interests	(241,100)	0
	51,570,613	22,333,853

Dividends

During the financial year, the Company paid the following dividends:-

	RM
Final single tier dividend of 6.0 sen per share in respect of the financial year ended 31 December 2019	15,378,547
Interim single tier dividend of 1.25 sen per share in respect of the financial year ended 31 December 2020	6,514,073
	21,892,620

A final single tier dividend of 3.75 sen per share in respect of the financial year ended 31 December 2020 will be proposed for shareholders' approval at the forthcoming annual general meeting.

Reserves and provisions

All material transfers to or from reserves or provisions during the financial year have been disclosed in the financial statements.

Issue of shares or debentures

During the financial year, the Company issued 5,638,000 new ordinary shares pursuant to the Employees' Share Option Scheme ("ESOS") as follows:-

Number of shares	Exercise price RM	Cash consideration RM
3,118,000	1.390	4,334,020
2,520,000	0.695	1,751,400
5,638,000		6,085,420

Issue of shares or debentures (cont'd)

In addition, the Company issued 266,323,367 new ordinary shares by way of bonus issue on the basis of 1 new ordinary share for every 1 existing ordinary share held in the Company.

The Company did not issue any debentures during the financial year.

Share options

The shareholders of the Company, by a resolution passed at the Extraordinary General Meeting held on 12 June 2019, approved the ESOS of the Company. The ESOS became effective on 17 June 2019.

The principal features of the ESOS are disclosed in Note 18 to the financial statements.

The movements in the number of options during the financial year are as follows:-

Grant date	Exercise price* RM	Exercise price** RM	Number of options over ordinary shares Balance at 1.1.2020	Granted	Bonus issue	Exercised	Forfeited	Balance at 31.12.2020
1 July 2019	1.39	0.695	9,023,000	0	5,880,000	(5,638,000)	(157,000)	9,108,000

* *Before bonus issue*
** *After bonus issue*

Bad and doubtful debts

Before the financial statements 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 provision for doubtful debts, and satisfied themselves that all known bad debts had been written off and that adequate provision 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 provision for doubtful debts inadequate to any substantial extent.

Current assets

Before the financial statements 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 the value of current assets as shown in the accounting records have been written down to an amount which the current assets 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 current assets in the financial statements misleading.

Valuation methods

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

Contingent and other liabilities

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

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

(ii) any contingent liability which has arisen since the end of the financial year.

No contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may affect the ability of the Group or the Company to meet their obligations 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 which would render any amount stated in the financial statements misleading.

Items of an unusual nature

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

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

Directors

The directors in office since the beginning of the financial year are:-

<u>Directors of the Company</u>

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
Lee Yoke Khay

<u>Directors of subsidiaries (other than directors of the Company)</u>

Yeoh Beng Hooi
Wong Ser Yian
Tay Lon @ Tay Tong Loon
Lee, Wen-Jung
Cheah Wai Leong (Resigned on 8.9.2020)
Tan Chie Pin (Resigned on 8.9.2020)
Nah Ren Howe (Appointed on 8.9.2020)

Directors' interests

According to the register of directors' shareholdings, the interests in shares in the Company of the directors in office at the end of the financial year are as follows:-

	Number of ordinary shares						
	Direct interest					Deemed interest	
Name of director	Balance at 1.1.2020	Bought	Bonus issue	(Sold)	Balance at 31.12.2020	Balance at 1.1.2020	Balance at 31.12.2020
Lee, Hui-Ta also known as Li Hui Ta	24,817,849	0	24,817,849	0	49,635,698	28,168,950*	56,337,900*
Wu, Mao-Yuan	8,765,000	1,145,500	8,874,500	0	18,785,000	0	0
Sung, Cheng-Hsi	0	41,000	11,000	0	52,000	0	0

	Number of options over ordinary shares				
Name of Director	Balance at 1.1.2020	Granted	Bonus issue	Exercised	Balance at 31.12.2020
Wu, Mao-Yuan	860,000	0	860,000	(880,000)	840,000

* *Deemed interest by virtue of shares held by company in which the director has interest*

By virtue of his interests in shares in the Company, Lee, Hui-Ta also known as Li Hui Ta is deemed to have interests in shares in the subsidiaries to the extent of the Company's interests, pursuant to Section 8 of the Companies Act 2016.

Directors' benefits

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than the directors' remuneration as disclosed in Note 22 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 except for any benefits which may be deemed to have arisen by virtue of certain related party transactions as disclosed in Note 28 to the financial statements.

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

Indemnity and insurance for 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 Group and the Company were RM10,000,000 and RM17,580 respectively.

Auditors

The auditors, Crowe Malaysia PLT, have expressed their willingness to continue in office. The auditors' remuneration is disclosed in Note 23 to the financial statements. The Company has agreed to indemnify the auditors of the Company as permitted under Section 289 of the Companies Act 2016. No payment has been made to indemnify the auditors during the financial year.

Signed in accordance with a resolution of the directors dated 23 March 2021

Lee, Hui-Ta also known as Li Hui Ta **Wu, Mao-Yuan**

Statement BY DIRECTORS

In the opinion of the directors, the financial statements set out on pages 112 to 163 give a true and fair view of the financial position of the Group and the Company as at 31 December 2020 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed in accordance with a resolution of the directors dated 23 March 2021

Lee, Hui-Ta also known as Li Hui Ta

Wu, Mao-Yuan

Statutory DECLARATION

I, David Khoo Chong Beng (MIA membership no.: 20159), being the officer primarily responsible for the financial management of Dufu Technology Corp. Berhad, do solemnly and sincerely declare that the financial statements set out on pages 112 to 163 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovenamed David Khoo Chong Beng at George Town in the State of Penang on this 23 March 2021

David Khoo Chong Beng

Before me

Shamini A/P M Shanmugam
No. P157
Commissioner for Oaths

Independent AUDITORS' REPORT

TO THE MEMBERS 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 2020 of the Group and the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 112 to 163.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2020, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and 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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

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 the Company of the current period. These matters were addressed in the context of our audit of the financial statements of the Group and the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	*How our audit addressed the key audit matter*

Valuation of inventories (Refer to Notes 3 and 11 to the financial statements)
 	
The Group carries significant inventories. The assessment of inventory write-downs due to excess quantities, obsolescence and decline in net realisable value below cost involves judgements and estimation uncertainty in forming expectations about future sales and demands.
	Our audit procedures included, among others:-
	• Obtaining an understanding of:-
	  • the Group's inventory management process;
	  • how the Group identifies and assesses inventory write-downs; and
	  • how the Group makes the accounting estimates for inventory write-downs.
	• Reviewing the ageing analysis of inventories and testing the reliability thereof.
	• Examining the perpetual records for inventory movements and to identify slow moving aged items.
	• Making inquiries of management regarding the action plans to clear slow moving aged and obsolete inventories.
	• Reviewing the net realisable value of major inventories.
	• Evaluating the reasonableness and adequacy of the allowance for inventories recognised for identified exposures.

Key audit matters (cont'd)

Key audit matter	*How our audit addressed the key audit matter*

Impairment of receivables (Refer to Notes 3 and 12 to the financial statements)
 	
The Group carries significant receivables and is subject to major credit risk exposure. The Group recognises loss allowance for expected credit losses on receivables based on an assessment of credit risk. Such assessment involves judgements and estimation uncertainty in analysing information about past events, current conditions and forecasts of future economic conditions.
	Our audit procedures included, among others:-
	• Obtaining an understanding of:-
	  • the Group's control over the receivable collection process;
	  • how the Group identifies and assesses the impairment of receivables; and
	  • how the Group makes the accounting estimates for impairment.
	• Reviewing the ageing analysis and past due status of receivables and testing the reliability thereof.
	• Reviewing the subsequent cash collections for major receivables and overdue amounts.
	• Making inquiries of management regarding the action plans to recover overdue amounts.
	• Comparing and challenging management's view on the recoverability of overdue amounts to historical patterns of collections.
	• Reviewing the computation of historical observed default rates and adjustment for forward-looking estimates used to develop the provision matrix.
	• Evaluating the reasonableness and adequacy of the resulting loss allowance recognised.

We have determined that there are no key audit matters to communicate in our report in respect of the audit of the financial statements of the Company.

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 the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and 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 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 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 the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 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 the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and 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.

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 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 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 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 the Company, including the disclosures, and whether the financial statements of the Group and the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- 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, actions taken to eliminate threats or safeguards applied.

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 the Company of the current period 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

The financial statements of the Group for the financial year ended 31 December 2019 were audited by another firm of auditors who expressed an unmodified opinion on those statements on 3 March 2020.

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 content of this report.

Crowe Malaysia PLT
201906000005 (LLP0018817-LCA) & AF 1018
Chartered Accountants

Eddy Chan Wai Hun
02182/10/2021 J
Chartered Accountant

Date: 23 March 2021

Penang

Consolidated Statement of FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Note	31.12.2020 RM	31.12.2019 RM (Restated)	1.1.2019 RM (Restated)
Non-current assets				
Property, plant and equipment	4	55,143,482	52,442,408	41,607,589
Investment properties	5	8,301,362	8,541,017	9,090,423
Right-of-use assets	6	15,438,343	15,826,716	11,066,217
Investment in associate	8	4,452,353	3,599,534	3,783,076
Investments in club memberships	9	56,122	66,966	79,395
Deferred tax assets	10	558,990	1,176,798	375,097
		83,950,652	81,653,439	66,001,797
Current assets				
Inventories	11	53,989,837	59,785,190	53,797,089
Receivables	12	89,692,696	77,030,534	58,162,206
Prepayments		2,997,553	6,503,389	718,503
Current tax assets		313,019	26,488	0
Cash and cash equivalents	13	80,082,722	43,680,611	41,513,502
		227,075,827	187,026,212	154,191,300
Current liabilities				
Payables	14	30,981,424	33,129,942	30,323,925
Loans and borrowings	15	7,254,561	5,184,037	3,218,185
Lease liabilities	16	339,614	435,375	756,565
Contract liabilities	17	901,451	0	0
Current tax liabilities		5,763,469	3,231,705	4,385,691
		45,240,519	41,981,059	38,684,366
Net current assets		181,835,308	145,045,153	115,506,934
Non-current liabilities				
Loans and borrowings	15	9,279,792	10,853,599	6,508,814
Lease liabilities	16	672,724	1,047,689	197,971
Deferred tax liabilities	10	1,003	1,019	321,068
		9,953,519	11,902,307	7,027,853
Net assets		255,832,441	214,796,285	174,480,878
Equity				
Share capital	18	97,263,464	87,735,185	87,735,185
Treasury shares	18	(3,452,490)	(3,452,490)	(9,562,523)
Currency translation reserve		3,911,761	1,902,838	2,992,695
Share option reserve		2,559,960	2,426,824	0
Statutory reserve		4,235,268	1,905,301	1,323,940
Reverse acquisition reserve		(24,110,002)	(24,110,002)	(24,110,002)
Retained profits		175,424,480	147,959,802	115,255,514
Equity attributable to owners of the Company		255,832,441	214,367,458	173,634,809
Non-controlling interests	19	0	428,827	846,069
Total equity		255,832,441	214,796,285	174,480,878

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

Consolidated Statement of COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	2020 RM	2019 RM (Restated)
Revenue	20	297,999,855	249,068,843
Interest income		487,608	732,152
Impairment gains/(losses) on financial assets	21	599,575	(26,408)
Other income		5,180,300	5,544,381
Amortisation and depreciation		(9,319,394)	(10,344,014)
Changes in inventories of work-in-progress and finished goods		201,263	6,705,435
Purchase of work-in-progress and finished goods		(557,329)	(498,412)
Raw materials consumed		(74,002,422)	(69,121,257)
Employee benefits expense	22	(67,930,962)	(60,830,169)
Finance costs		(704,545)	(955,502)
Loss on derecognition of financial assets measured at amortised cost		(40,179)	0
Other expenses		(83,689,982)	(65,630,711)
Share of associate's profit/(loss)		1,052,015	(877,244)
Profit before tax	23	69,275,803	53,767,094
Tax expense	24	(17,705,190)	(9,662,471)
Profit for the financial year		51,570,613	44,104,623
Other comprehensive income:-			
Item that may be reclassified subsequently to profit or loss:-			
- Currency translation differences for foreign operations		2,008,923	(1,089,857)
Other comprehensive income for the financial year		2,008,923	(1,089,857)
Comprehensive income for the financial year		53,579,536	43,014,766

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

Consolidated Statement of COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

	Note	2020 RM	2019 RM (Restated)
Profit/(Loss) for the financial year attributable to:-			
- Owners of the Company		51,811,713	44,521,865
- Non-controlling interests	19	(241,100)	(417,242)
		51,570,613	44,104,623
Comprehensive income for the financial year attributable to:-			
- Owners of the Company		53,820,636	43,432,008
- Non-controlling interests		(241,100)	(417,242)
		53,579,536	43,014,766
Earnings per share:-	25		
- Basic (sen)		10.03	8.87
- Diluted (sen)		9.84	8.83

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

Consolidated Statement of CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

			Non-distributable				Distributable			
	Share capital RM	Treasury shares RM	Currency translation reserve RM	Share option reserve RM	Statutory reserve* RM	Reverse acquisition reserve RM	Retained profits RM	Equity attributable to owners of the Company RM	Non-controlling interests RM	Total equity RM
Balance at 1 January 2019	87,735,185	(9,562,523)	2,992,695	0	1,323,940	(24,110,002)	115,255,514	173,634,809	846,069	174,480,878
Share-based payments	0	0	0	2,426,824	0	0	0	2,426,824	0	2,426,824
Dividends (Note 26)	0	6,110,033	0	0	0	0	(11,236,216)	(5,126,183)	0	(5,126,183)
Total transactions with owners	0	6,110,033	0	2,426,824	0	0	(11,236,216)	(2,699,359)	0	(2,699,359)
Profit for the financial year	0	0	0	0	0	0	44,521,865	44,521,865	(417,242)	44,104,623
Currency translation differences for foreign operations (representing other comprehensive income for the financial year)	0	0	(1,089,857)	0	0	0	0	(1,089,857)	0	(1,089,857)
Comprehensive income for the financial year	0	0	(1,089,857)	0	0	0	44,521,865	43,432,008	(417,242)	43,014,766
Transfer to statutory reserve	0	0	0	0	581,361	0	(581,361)	0	0	0
Balance at 31 December 2019	87,735,185	(3,452,490)	1,902,838	2,426,824	1,905,301	(24,110,002)	147,959,802	214,367,458	428,827	214,796,285

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

Consolidated Statement of CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

			Non-distributable				Distributable			
	Share capital RM	Treasury shares RM	Currency translation reserve RM	Share option reserve RM	Statutory reserve* RM	Reverse acquisition reserve RM	Retained profits RM	Equity attributable to owners of the Company RM	Non-controlling interests RM	Total equity RM
Balance at 1 January 2020	87,735,185	(3,452,490)	1,902,838	2,426,824	1,905,301	(24,110,002)	147,959,802	214,367,458	428,827	214,796,285
Share-based payments	0	0	0	3,575,995	0	0	0	3,575,995	0	3,575,995
Issue of shares pursuant to Employees' Share Option Scheme	9,528,279	0	0	(3,442,859)	0	0	0	6,085,420	0	6,085,420
Dividends (Note 26)	0	0	0	0	0	0	(21,892,620)	(21,892,620)	0	(21,892,620)
Contributions by/ (Distributions to) owners	9,528,279	0	0	133,136	0	0	(21,892,620)	(12,231,205)	0	(12,231,205)
Change in ownership interest in subsidiary (Note 19)	0	0	0	0	0	0	(124,448)	(124,448)	(187,727)	(312,175)
Total transactions with owners	9,528,279	0	0	133,136	0	0	(22,017,068)	(12,355,653)	(187,727)	(12,543,380)
Profit for the financial year	0	0	0	0	0	0	51,811,713	51,811,713	(241,100)	51,570,613
Currency translation differences for foreign operations (representing other comprehensive income for the financial year)	0	0	2,008,923	0	0	0	0	2,008,923	0	2,008,923
Comprehensive income for the financial year	0	0	2,008,923	0	0	0	51,811,713	53,820,636	(241,100)	53,579,536
Transfer to statutory reserve	0	0	0	0	2,329,967	0	(2,329,967)	0	0	0
Balance at 31 December 2020	97,263,464	(3,452,490)	3,911,761	2,559,960	4,235,268	(24,110,002)	175,424,480	255,832,441	0	255,832,441

* *This represents the cumulative amount transferred from the retained profits of a subsidiary under the statutory requirements of the People's Republic of China.*

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

Consolidated Statement of CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	2020 RM	2019 RM (Restated)
Cash flows from operating activities			
Profit before tax		69,275,803	53,767,094
Adjustments for:-			
Amortisation and depreciation		9,319,394	10,344,014
(Gain)/Loss on disposal of property, plant and equipment		(58,802)	2,458
Impairment (gains)/losses on financial assets		(599,575)	26,408
Interest expense		704,545	955,502
Interest income		(487,608)	(732,152)
Inventories written down		467,643	48,182
Loss on derecognition of financial assets measured at amortised cost		40,179	0
Loss on dilution of investment in associate		118,514	0
Property, plant and equipment written off		2,567	18,927
Share of associate's (profit)/loss		(1,052,015)	877,244
Share-based payments		3,575,995	2,426,824
Unrealised loss on foreign exchange		2,944,430	709,788
Operating profit before working capital changes		84,251,070	68,444,289
Changes in:-			
Inventories		5,308,954	(6,036,283)
Receivables		(14,164,880)	(18,886,372)
Prepayments		3,505,836	(5,784,886)
Payables		(1,417,061)	3,029,179
Contract liabilities		354,750	(223,978)
Cash generated from operations		77,838,669	40,541,949
Tax paid		(14,915,246)	(11,918,602)
Net cash from operating activities		62,923,423	28,623,347
Cash flows from investing activities			
Acquisition of investment properties		(315,000)	0
Acquisition of property, plant and equipment		(10,329,014)	(21,782,229)
Acquisition of right-of-use assets	27	0	(3,991,908)
Interest received		487,608	732,152
Proceeds from disposal of property, plant and equipment		97,933	1,442,152
Net cash used in investing activities		(10,058,473)	(23,599,833)

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

Consolidated Statement of CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

	Note	2020 RM	2019 RM (Restated)
Cash flows from financing activities			
Change in ownership interest in subsidiary		(312,175)	0
Change in bank balance pledged as security		(154,388)	0
Dividends paid		(21,892,620)	(5,126,183)
Drawdown of term loan	27	0	6,000,000
Interest paid		(704,545)	(955,502)
Issue of shares		6,085,420	0
Net increase in short-term loans and borrowings	27	2,084,002	2,154,406
Payment of lease liabilities	27	(472,281)	(989,764)
Repayment of term loans	27	(1,486,885)	(1,843,769)
Net cash used in financing activities		(16,853,472)	(760,812)
Currency translation differences		236,245	(2,095,593)
Net increase in cash and cash equivalents		36,247,723	2,167,109
Cash and cash equivalents brought forward		43,680,611	41,513,502
Cash and cash equivalents carried forward	13	79,928,334	43,680,611

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

Statement of FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Note	2020 RM	2019 RM
Non-current assets			
Investments in subsidiaries	7	101,478,518	87,590,348
Investment in associate	8	3,599,534	3,599,534
		105,078,052	91,189,882
Current assets			
Receivables	12	14,826,050	19,226,050
Current tax assets		51,417	26,488
Cash and cash equivalents	13	4,276,744	3,582,029
		19,154,211	22,834,567
Current liabilities			
Payables	14	178,866	73,700
		178,866	73,700
Net current assets		18,975,345	22,760,867
Net assets		124,053,397	113,950,749
Equity			
Share capital	18	97,263,464	87,735,185
Treasury shares	18	(3,452,490)	(3,452,490)
Share option reserve		2,559,960	2,426,824
Retained profits		27,682,463	27,241,230
Total equity		124,053,397	113,950,749

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

Statement of
COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	2020 RM	2019 RM
Revenue	20	23,794,346	24,400,000
Interest income		121,346	53,736
Impairment gains on financial assets	21	0	8,282,366
Impairment losses on investment in associate		0	(2,544,466)
Impairment losses on investments in subsidiaries		0	(8,282,366)
Employee benefits expense	22	(288,500)	(274,201)
Other expenses		(814,720)	(638,250)
Profit before tax	23	22,812,472	20,996,819
Tax expense	24	(478,619)	(16,511)
Profit for the financial year		22,333,853	20,980,308
Other comprehensive income for the financial year		0	0
Comprehensive income for the financial year		22,333,853	20,980,308

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

Statement of CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

			Non-distributable	Distributable	
	Share capital RM	Treasury shares RM	Share option reserve RM	Retained profits RM	Total equity RM
Balance at 1 January 2019	87,735,185	(9,562,523)	0	17,497,138	95,669,800
Share-based payments	0	0	2,426,824	0	2,426,824
Dividends (Note 26)	0	6,110,033	0	(11,236,216)	(5,126,183)
Total transactions with owners	0	6,110,033	2,426,824	(11,236,216)	(2,699,359)
Profit (representing comprehensive income) for the financial year	0	0	0	20,980,308	20,980,308
Balance at 31 December 2019	87,735,185	(3,452,490)	2,426,824	27,241,230	113,950,749
Share-based payments	0	0	3,575,995	0	3,575,995
Issue of shares pursuant to Employees' Share Option Scheme	9,528,279	0	(3,442,859)	0	6,085,420
Dividends (Note 26)	0	0	0	(21,892,620)	(21,892,620)
Total transactions with owners	9,528,279	0	133,136	(21,892,620)	(12,231,205)
Profit (representing comprehensive income) for the financial year	0	0	0	22,333,853	22,333,853
Balance at 31 December 2020	97,263,464	(3,452,490)	2,559,960	27,682,463	124,053,397

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

Statement of CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	2020 RM	2019 RM
Cash flows from operating activities			
Profit before tax		22,812,472	20,996,819
Adjustments for:-			
Dividend income		(23,794,346)	(24,400,000)
Impairment gains on financial assets		0	(8,282,366)
Impairment losses on investment in associate		0	2,544,466
Impairment losses on investments in subsidiaries		0	8,282,366
Interest income		(121,346)	(53,736)
Operating loss before working capital changes		(1,103,220)	(912,451)
Changes in:-			
Receivables		0	(17,392,903)
Payables		105,166	2,000
Cash absorbed by operations		(998,054)	(18,303,354)
Tax paid		(24,929)	(42,999)
Net cash used in operating activities		(1,022,983)	(18,346,353)
Cash flows from investing activities			
Change in ownership interest in subsidiary		(312,175)	0
Dividends received		27,715,727	7,000,000
Interest received		121,346	53,736
Net repayment from subsidiaries		0	46,678,408
Subscription for shares in subsidiary		(10,000,000)	(28,000,000)
Net cash from investing activities		17,524,898	25,732,144
Cash flows from financing activities			
Dividends paid		(21,892,620)	(5,126,183)
Issue of shares		6,085,420	0
Net cash used in financing activities		(15,807,200)	(5,126,183)
Net increase in cash and cash equivalents		694,715	2,259,608
Cash and cash equivalents brought forward		3,582,029	1,322,421
Cash and cash equivalents carried forward	13	4,276,744	3,582,029

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

1. General information

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

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

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

The consolidated financial statements set out on pages 112 to 118 together with the notes thereto cover the Company and its subsidiaries ("Group") and the Group's interest in an associate. The separate financial statements of the Company set out on pages 119 to 122 together with the notes thereto cover the Company solely.

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

The financial statements were authorised for issue in accordance with a resolution of the directors dated 23 March 2021.

2. Significant accounting policies

2.1 Basis of preparation of financial statements

The financial statements of the Group and the Company are prepared under the historical cost convention, modified to include other bases of measurement as disclosed in other sections of the significant accounting policies, and in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

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

MFRS	Effective for annual periods beginning on or after
Amendments to MFRS 3 Definition of a Business	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7 *Interest Rate Benchmark Reform*	1 January 2020
Amendments to MFRS 101 and MFRS 108 Definition of Material	1 January 2020
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020

The Group and the Company have also early applied the Amendment to MFRS 16 *Covid-19-Related Rent Concessions* which is effective for annual periods beginning on or after 1 June 2020.

The initial application of the above MFRSs did not have any significant impacts on the financial statements.

2. Significant accounting policies (cont'd)

2.1 Basis of preparation of financial statements (cont'd)

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

MFRS (issued as at the end of the reporting period)	Effective for annual periods beginning on or after
MFRS 17 *Insurance Contracts*	1 January 2023
Amendments to MFRS 3 *Reference to the Conceptual Framework*	1 January 2022
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 *Interest Rate Benchmark Reform - Phase 2*	1 January 2021
Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Deferred
Amendments to MFRS 17 *Insurance Contracts*	1 January 2023
Amendments to MFRS 101 *Classification of Liabilities as Current or Non-current*	1 January 2023
Amendments to MFRS 116 *Property, Plant and Equipment - Proceeds before Intended Use*	1 January 2022
Amendments to MFRS 137 *Onerous Contracts - Cost of Fulfilling a Contract*	1 January 2022
Annual Improvements to MFRS Standards 2018 - 2020	1 January 2022

Management foresees that the initial application of the above MFRSs will not have any significant impacts on the financial statements.

2.2 Basis of consolidation

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

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

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

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

(b) the net of the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed.

2. Significant accounting policies (cont'd)

2.2 Basis of consolidation (cont'd)

Goodwill is recognised as an asset at the aforementioned amount less accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.9. When the above (b) exceeds (a), the excess represents a bargain purchase gain and, after reassessment, is recognised in profit or loss.

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

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

2.3 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.9.

Capital work-in-progress is not depreciated. Other property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets using the following annual rates:-

Buildings	5% - 6.67%
Plant and machinery	10%
Furniture, fixtures and office equipment	8% - 33%
Renovation and electrical installation	10% - 33%
Motor vehicles	10% - 25%

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

2.4 Investment properties

Investment property is property held (by the owner or the lessee as a right-of-use asset) to earn rentals or for capital appreciation or both. Investment property is stated at cost less accumulated depreciation and accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.9.

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.

2.5 Leases

A lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration.

Lessor accounting

When the Group acts as a lessor, it classifies each lease as either an operating lease or a finance lease. A finance lease transfers substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, whereas an operating lease does not.

2. Significant accounting policies (cont'd)

2.5 Leases (cont'd)

Lessor accounting (cont'd)

Lease payments from operating leases are recognised as income on a straight-line basis over the lease term. The Group has not entered into any finance lease.

Lessee accounting

Initial recognition and measurement

When the Group acts as a lessee, it recognises a right-of-use asset (representing its right to use the underlying leased asset) and a lease liability (representing its obligation to make lease payments) at the commencement date. The Group has elected not to apply such recognition principle to short-term leases (which have a lease term of 12 months or less) and leases of low-value assets. The lease payments associated with those leases are recognised as an expense on a straight-line basis over the lease term.

A right-of-use asset is initially recognised at cost, which comprises the initial amount of lease liability, any lease payments made at or before the commencement date (less any lease incentives), any initial direct costs and any estimated dismantling, removing and restoring costs.

A lease liability is initially recognised at the present value of the unpaid lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. The unpaid lease payments included in the measurement of lease liability comprise fixed payments (less any lease incentives), variable lease payments linked to an index or a rate, expected amounts payable under residual value guarantees, the exercise price of a purchase option reasonably certain to be exercised and the penalties of a termination option reasonably certain to be exercised.

Subsequent measurement

A right-of-use asset that meets the definition of investment property is subsequently measured using the cost model as disclosed in Note 2.4. Other right-of-use assets are subsequently measured at cost less accumulated depreciation and accumulated impairment losses, if any, and adjusted for any remeasurement of lease liability. The impairment policy is disclosed in Note 2.9.

If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that a purchase option will be exercised, the right-of-use asset is depreciated on a straight-line basis from the commencement date to the end of its useful life. Otherwise, the right-of-use asset is depreciated from the commencement date to the earlier of the end of its useful life or the end of the lease term.

A lease liability is subsequently measured at amortised cost, and remeasured to reflect any reassessment (arising from changes to the lease payments) or lease modifications.

As a practical expedient, the Group has elected not to assess whether a rent concession occurring as a direct consequence of the Covid-19 pandemic is a lease modification. Accordingly, any change in lease payments resulting from such rent concession is accounted for as a variable lease payment in profit or loss.

2.6 Investments in subsidiaries

As required by the Companies Act 2016, the Company prepares separate financial statements in addition to the consolidated financial statements. In the separate financial statements of the Company, investments in subsidiaries are stated at cost less impairment losses, if any. The impairment policy is disclosed in Note 2.9.

2.7 Investment in associate

An associate is an entity over which an investor has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

2. Significant accounting policies (cont'd)

2.7 Investment in associate (cont'd)

In the consolidated financial statements, investment in associate is accounted for using the equity method. Under the equity method, the investment is initially recognised at cost and adjusted thereafter for the post-acquisition changes in the investor's share of the investee's net assets. After application of the equity method, the investment is assessed for any objective evidence of impairment. If any such evidence exists, the carrying amount of the investment is tested for impairment in accordance with Note 2.9.

In the separate financial statements of the Company, investment in associate is stated at cost less impairment losses, if any. The impairment policy is disclosed in Note 2.9.

2.8 Investments in club memberships

Investments in club memberships are stated at cost less accumulated amortisation and accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.9.

The investments in club memberships with limited membership terms is amortised over the membership terms.

2.9 Impairment of non-financial assets

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

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

2.10 Inventories

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

2.11 Contract assets and contract liabilities

A contract is presented in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment. A contract asset is an entity's right to consideration in exchange for goods or services transferred to a customer when that right is conditioned on something other than the passage of time. The asset is subject to impairment assessment on the same basis as trade receivables as disclosed in Note 2.12. A contract liability is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration (or the amount is due) from the customer.

2. Significant accounting policies (cont'd)

2.12 Financial assets

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

Initial recognition and measurement

A financial asset is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument. Trade receivables that do not contain a significant financing component are initially recognised at their transaction price (as defined in Note 2.17). Other financial assets are initially recognised at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Subsequent measurement

Financial assets are subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss in accordance with their classification on the basis of both the business model within which they are held and their contractual cash flow characteristics.

A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold financial assets to collect contractual cash flows and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. All receivables and cash and cash equivalents are classified under this category. Any gain or loss is recognised in profit or loss when the financial asset is derecognised, reclassified, through the amortisation process or in order to recognise impairment gains or losses.

Impairment

At each reporting date, the Group and the Company recognise a loss allowance for expected credit losses on a financial asset measured at amortised cost. The loss allowance is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If the credit risk has not increased significantly since initial recognition, the loss allowance is measured at an amount equal to 12-month expected credit losses. Any adjustment to the loss allowance is recognised in profit or loss as an impairment gain or loss.

Irrespective of whether there is any significant increase in credit risk since initial recognition, the loss allowance for trade receivables is always measured at an amount equal to lifetime expected credit losses using the simplified approach in accordance with MFRS 9 *Financial Instruments*. Such lifetime expected credit losses are calculated using a provision matrix based on historical credit loss experience and adjusted for reasonable and supportable forward-looking information that is available without undue cost or effort.

The expected credit losses for a credit-impaired financial asset are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The gross carrying amount of a credit-impaired financial asset is directly written off when there is no reasonable expectation of recovery.

Derecognition

A financial asset is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or all the risks and rewards of ownership are substantially transferred. A direct write-off of gross carrying amount when there is no reasonable expectation of recovering a financial asset constitutes a derecognition event.

2. Significant accounting policies (cont'd)

2.13 Financial liabilities

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

Initial recognition and measurement

A financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is initially recognised at fair value minus, in the case of a financial liability not at fair value through profit or loss, transaction costs.

Subsequent measurement

All payables and loans and borrowings are subsequently measured at amortised cost. Any gain or loss is recognised in profit or loss when the financial liability is derecognised and through the amortisation process.

Financial guarantee contracts are subsequently measured at the higher of the amount of loss allowance and the amount initially recognised less any cumulative income recognised.

Derecognition

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

2.14 Foreign currency transactions and translation

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

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

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

Any goodwill and fair value adjustments arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation to be expressed in its functional currency and translated into the presentation currency using the closing rate.

2.15 Share capital

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

2. Significant accounting policies (cont'd)

2.15 Share capital (cont'd)

Own shares purchased are held as treasury shares in accordance with the requirements of Section 127 of the Companies Act 2016. The total amount of consideration paid, including directly attributable costs, is recognised directly in equity. When treasury shares are distributed as share dividends, the cost of the shares distributed is applied in the reduction of distributable reserves. When treasury shares are resold in the open market, the difference between the sale consideration and the cost of the shares resold is adjusted to share capital. When treasury shares are cancelled, the cost of the shares cancelled is applied in the reduction of distributable reserves and the issued share capital is diminished by the shares so cancelled.

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

2.16 Fair value measurement

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

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

(i) Market approach - which uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities.

(ii) Cost approach - which reflects the amount that would be required currently to replace the service capacity of an asset.

(iii) Income approach - which converts future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount.

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

(i) Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

(ii) Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

(iii) Level 3 - unobservable inputs for the asset or liability.

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

Non-financial assets

The fair values of land and buildings are measured using the market comparison approach. Under this approach, the fair values are derived from observable market data such as prices per square foot for comparable properties in similar locations (i.e. Level 2).

Financial assets and financial liabilities

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

2. Significant accounting policies (cont'd)

2.17 Revenue from contracts with customers

The Group recognises revenue (by applying the following steps) to depict the transfer of promised goods or services to customers at the transaction price.

(i) Step 1: Identify contract - A contract is an agreement between two or more parties that creates enforceable rights and obligations.

(ii) Step 2: Identify performance obligations - Each promise to transfer distinct goods or services is identified as a performance obligation and accounted for separately.

(iii) Step 3: Determine transaction price - The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. It is adjusted for the effects of variable consideration (e.g. discounts, rebates, incentives or penalties), significant financing component, non-cash consideration and consideration payable to customer.

(iv) Step 4: Allocate transaction price to performance obligations - The transaction price is allocated to each performance obligation on the basis of the relative (estimated) stand-alone selling prices of each distinct good or service promised in the contract.

(v) Step 5: Recognise revenue - Revenue is recognised when (or as) the entity satisfies a performance obligation by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service). Revenue is recognised either over time or at a point in time depending on the timing of transfer of control.

The Group determines that the transfer of control of promised goods generally coincides with the transfer of risks and rewards of ownership. Accordingly, revenue from the sale of goods is recognised at a point in time when the significant risks and rewards of ownership have been transferred to the customer upon delivery.

2.18 Other income

Dividend income is recognised in profit or loss only when the entity's right to receive payment of the dividend is established, it is probable that the economic benefits associated with the dividend will flow to the entity and the amount of the dividend can be measured reliably.

Interest income is recognised in profit or loss using the effective interest method.

Operating lease income is recognised in profit or loss on a straight-line basis over the lease term.

2.19 Government grants

Government grants are recognised when there is reasonable assurance that the Group will comply with the conditions attaching to the grants and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Grants related to assets are presented in the statement of financial position as deferred income which is amortised on a straight-line basis over the estimated useful lives of the assets. Grants related to income are presented under "other income" in the statement of comprehensive income.

2.20 Employee benefits

Short-term employee benefits

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

2. Significant accounting policies (cont'd)

2.20 Employee benefits (cont'd)

Defined contribution plans

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

Share-based payments

The Employees' Share Option Scheme ("ESOS") of the Company grants the Group's eligible employees options to subscribe for shares in the Company at pre-determined subscription prices. These equity compensation benefits are treated as equity-settled share-based payment transactions and recognised in profit or loss with a corresponding increase in equity over the vesting period as share option reserve. The total amount to be recognised is determined by reference to the fair value of the share options at grant date and the estimated number of share options expected to vest on vesting date.

2.21 Borrowing costs

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

2.22 Income taxes

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

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

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

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

2.23 Cash and cash equivalents

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

3. Judgements and estimation uncertainty

Judgements made in applying accounting policies

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

Sources of estimation uncertainty

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

<u>Valuation of inventories</u>

Reviews are made periodically by management on inventories for excess inventories, obsolescence and decline in net realisable value below cost. These reviews involve judgements and estimation uncertainty in forming expectations about future sales and demands. Any changes in these accounting estimates will result in revisions to the valuation of inventories (Note 11).

<u>Impairment of receivables</u>

The Group and the Company recognise loss allowance for expected credit losses on receivables based on an assessment of credit risk. Such assessment involves judgements and estimation uncertainty in analysing information about past events, current conditions and forecasts of future economic conditions. Any changes in these accounting estimates will affect the carrying amounts of receivables (Note 12).

4. Property, plant and equipment

	Buildings RM	Plant and machinery RM	Furniture, fixtures and office equipment RM	Renovation and electrical installation RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
Cost							
Balance at 1 January 2019	26,664,775	125,006,263	3,971,740	2,908,024	2,866,427	0	161,417,229
Additions	9,877,811	10,143,759	841,350	103,870	354,909	460,530	21,782,229
Disposals/Write-offs	0	(11,435,242)	(615,809)	0	(38,997)	0	(12,090,048)
Reclassification	500,793	0	0	(500,793)	0	0	0
Currency translation differences	(69,660)	(887,959)	(21,831)	(62,101)	(19,928)	0	(1,061,479)
Balance at 31 December 2019	36,973,719	122,826,821	4,175,450	2,449,000	3,162,411	460,530	170,047,931
Additions	0	9,282,833	352,518	324,684	299,396	69,583	10,329,014
Disposals/Write-offs	0	(800,420)	(32,336)	0	(467,185)	0	(1,299,941)
Reclassifications	0	523,717	6,396	0	0	(530,113)	0
Transfer from right-of-use assets	0	0	0	0	222,472	0	222,472
Currency translation differences	146,074	1,816,273	25,323	126,396	40,387	0	2,154,453
Balance at 31 December 2020	37,119,793	133,649,224	4,527,351	2,900,080	3,257,481	0	181,453,929
Depreciation and impairment losses							
Balance at 1 January 2019							
Accumulated depreciation	20,035,075	94,254,824	2,467,705	1,067,271	1,302,581	0	119,127,456
Accumulated impairment losses	0	682,184	0	0	0	0	682,184
	20,035,075	94,937,008	2,467,705	1,067,271	1,302,581	0	119,809,640
Depreciation	1,675,793	6,008,115	430,783	668,702	429,822	0	9,213,215
Disposals/Write-offs	0	(10,127,158)	(460,356)	0	(38,997)	0	(10,626,511)
Reclassification	54,541	0	0	(54,541)	0	0	0
Currency translation differences	(36,213)	(681,956)	(16,041)	(42,662)	(13,949)	0	(790,821)
Balance at 31 December 2019							
Accumulated depreciation	21,729,196	89,453,825	2,422,091	1,638,770	1,679,457	0	116,923,339
Accumulated impairment losses	0	682,184	0	0	0	0	682,184
	21,729,196	90,136,009	2,422,091	1,638,770	1,679,457	0	117,605,523

4. Property, plant and equipment (cont'd)

	Buildings RM	Plant and machinery RM	Furniture, fixtures and office equipment RM	Renovation and electrical installation RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
Depreciation and impairment losses (cont'd)							
Balance at 1 January 2020							
Accumulated depreciation	21,729,196	89,453,825	2,422,091	1,638,770	1,679,457	0	116,923,339
Accumulated impairment losses	0	682,184	0	0	0	0	682,184
	21,729,196	90,136,009	2,422,091	1,638,770	1,679,457	0	117,605,523
Depreciation	1,249,543	5,391,823	447,247	570,776	440,001	0	8,099,390
Disposals/Write-offs	0	(762,374)	(28,684)	0	(467,185)	0	(1,258,243)
Reclassification	0	(820)	820	0	0	0	0
Transfer from right-of-use assets	0	0	0	0	137,835	0	137,835
Currency translation differences	79,519	1,500,020	15,810	98,264	32,329	0	1,725,942
Balance at 31 December 2020							
Accumulated depreciation	23,058,258	95,582,474	2,857,284	2,307,810	1,822,437	0	125,628,263
Accumulated impairment losses	0	682,184	0	0	0	0	682,184
	23,058,258	96,264,658	2,857,284	2,307,810	1,822,437	0	126,310,447
Carrying amount							
Balance at 1 January 2019	6,629,700	30,069,255	1,504,035	1,840,753	1,563,846	0	41,607,589
Balance at 31 December 2019	15,244,523	32,690,812	1,753,359	810,230	1,482,954	460,530	52,442,408
Balance at 31 December 2020	14,061,535	37,384,566	1,670,067	592,270	1,435,044	0	55,143,482

Certain buildings with total carrying amount of RM2,264,761 (2019 : RM3,279,248) have been pledged as security for credit facilities granted to the Group.

5. Investment properties

Group

	Leasehold land RM	Buildings RM	Total RM
Cost			
Balance at 1 January 2019 / 31 December 2019	6,651,022	5,601,523	12,252,545
Additions	0	315,000	315,000
Balance at 31 December 2020	6,651,022	5,916,523	12,567,545
Accumulated depreciation			
Balance at 1 January 2019	1,098,865	2,063,257	3,162,122
Depreciation	173,505	375,901	549,406
Balance at 31 December 2019	1,272,370	2,439,158	3,711,528
Depreciation	173,506	381,149	554,655
Balance at 31 December 2020	1,445,876	2,820,307	4,266,183
Carrying amount			
Balance at 1 January 2019	5,552,157	3,538,266	9,090,423
Balance at 31 December 2019	5,378,652	3,162,365	8,541,017
Balance at 31 December 2020	5,205,146	3,096,216	8,301,362
Fair value			
Estimated fair value at 1 January 2019	12,918,000	6,754,000	19,672,000
Estimated fair value at 31 December 2019	15,423,000	8,063,000	23,486,000
Estimated fair value at 31 December 2020	13,900,000	7,268,000	21,168,000

The fair values of investment properties were measured based on directors' estimation using market comparison approach. The appraised values were derived from observable prices per square foot for comparable properties in similar locations (i.e. Level 2).

The Group leases the investment properties to a third party for 3 years. The undiscounted lease payments to be received are as follows:-

	2020 RM	2019 RM
Within 1 year	943,800	1,543,200
1 to 2 years	620,000	943,800
2 to 3 years	0	620,000
	1,563,800	3,107,000

6. Right-of-use assets

Group

	Leasehold land RM	Plant and machinery RM	Motor vehicles RM	Total RM
Cost				
Balance at 1 January 2019	12,169,801	0	1,019,270	13,189,071
Additions	3,833,412	1,594,788	82,000	5,510,200
Currency translation differences	(178,588)	0	(7,261)	(185,849)
Balance at 31 December 2019	15,824,625	1,594,788	1,094,009	18,513,422
Transfer to property, plant and equipment	0	0	(222,472)	(222,472)
Currency translation differences	362,680	0	(9,095)	353,585
Balance at 31 December 2020	16,187,305	1,594,788	862,442	18,644,535
Accumulated depreciation				
Balance at 1 January 2019	1,789,473	0	333,381	2,122,854
Depreciation	286,955	132,899	149,783	569,637
Currency translation differences	(2,908)	0	(2,877)	(5,785)
Balance at 31 December 2019	2,073,520	132,899	480,287	2,686,706
Depreciation	352,154	159,479	141,820	653,453
Transfer to property, plant and equipment	0	0	(137,835)	(137,835)
Currency translation differences	9,845	0	(5,977)	3,868
Balance at 31 December 2020	2,435,519	292,378	478,295	3,206,192
Carrying amount				
Balance at 1 January 2019	10,380,328	0	685,889	11,066,217
Balance at 31 December 2019	13,751,105	1,461,889	613,722	15,826,716
Balance at 31 December 2020	13,751,786	1,302,410	384,147	15,438,343

The Group acquired the rights to use the leasehold land as its principal places of business for 57 years. The rights to use the plant and machinery and motor vehicles were acquired under hire purchase financing whereby ownership will be transferred by the end of the lease terms of 5 years.

Certain leasehold land with total carrying amount of RM2,842,334 (2019 : RM2,926,334) have been pledged as security for credit facilities granted to the Group.

7. Investments in subsidiaries

Company

	2020 RM	2019 RM
Unquoted shares - at cost	105,758,065	95,445,890
Employees' share options granted to subsidiaries	6,002,819	2,426,824
Impairment losses	(10,282,366)	(10,282,366)
	101,478,518	87,590,348

7. Investments in subsidiaries (cont'd)

The details of the subsidiaries are as follows:-

Name of subsidiary	Principal place of business/ Country of incorporation	Effective ownership interest 2020	Effective ownership interest 2019	Principal activity
Dufu Industries Sdn. Bhd.	Malaysia	100%	100%	Design, development, manufacture, assembly and trading of die components and precision machining of vice, computer peripherals and parts for hard disk drive
Dufusion Sdn. Bhd.	Malaysia	100%	100%	Design, develop, manufacture, fabricate, assembly and trading of precision steel mould, metal products and steel parts, medical industry's chairs and instrument tables, etc.
Dufu Metal Sdn. Bhd.	Malaysia	100%	75%	Manufacturing of high precision engineering parts, module assembly and metal fabrication parts for semiconductor, electronics and industrial automation industries and the provision of related precision engineering services
Guangzhou Futron Technology Co., Ltd.*	People's Republic of China	100%	100%	Manufacture and trading of optics, magnetism driver and parts
Guangzhou Futron Precision Industries Co., Ltd.*	People's Republic of China	100%	100%	Engaging in metal precision manufacturing and processing parts such as metal components for special equipment for electronics industry, air conditioning compressor accessories, auto parts and etc
Subsidiary of Dufu Industries Sdn. Bhd.				
Dufu Industries Services Pte. Ltd.*	Singapore	100%	100%	Processing and trading of high quality computer disk-drive related components

** Not audited by Crowe Malaysia PLT*

8. Investment in associate

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Unquoted shares - at cost	6,144,000	6,144,000	6,144,000	6,144,000
Share of post-acquisition changes in net assets	(2,022,169)	(2,955,670)	0	0
	4,121,831	3,188,330	6,144,000	6,144,000
Impairment losses	0	0	(2,544,466)	(2,544,466)
Currency translation differences	330,522	411,204	0	0
	4,452,353	3,599,534	3,599,534	3,599,534

The details of the associate are as follows:-

Name of associate	Principal place of business/ Country of incorporation	Effective ownership interest 2020	2019	Principal activity
Superior Plating Technology (Thailand) Co., Ltd.	Thailand	17.22%	19.59%	Plating and polishing computer disk-drive related components.

The summarised financial information of the associate is as follows:-

	2020	2019
	RM	RM
Non-current assets	29,446,768	31,849,954
Current assets	14,885,204	10,271,715
Current liabilities	(10,489,153)	(11,431,910)
Non-current liabilities	(7,987,110)	(12,315,415)
Net assets	25,855,709	18,374,344
Revenue	32,397,536	10,834,188
Profit/(Loss) from continuing operations	5,921,973	(4,478,019)

The reconciliation of the above summarised financial information to the carrying amount of the investment in associate is as follows:-

	Group	
	2020	2019
	RM	RM
Net assets	25,855,709	18,374,344
Effective ownership interest	17.22%	19.59%
Carrying amount	4,452,353	3,599,534

9. Investments in club memberships

Group

	RM
Cost	
Balance at 1 January 2019	120,045
Currency translation differences	(1,431)
Balance at 31 December 2019	118,614
Currency translation differences	2,906
Balance at 31 December 2020	121,520
Amortisation and impairment losses	
Balance at 1 January 2019	
Accumulated amortisation	21,650
Accumulated impairment losses	19,000
	40,650
Amortisation	11,756
Currency translation differences	(758)
Balance at 31 December 2019	
Accumulated amortisation	32,648
Accumulated impairment losses	19,000
	51,648
Amortisation	11,896
Currency translation differences	1,854
Balance at 31 December 2020	
Accumulated amortisation	46,398
Accumulated impairment losses	19,000
	65,398
Carrying amount	
Balance at 1 January 2019	79,395
Balance at 31 December 2019	66,966
Balance at 31 December 2020	56,122

10. Deferred tax assets and deferred tax liabilities

Group

	2020 RM	2019 RM
Balance at 1 January	1,175,779	54,029
Deferred tax income relating to origination and reversal of temporary differences	1,298,316	856,484
Deferred tax liabilities (under)/over provided in prior year	(1,822,826)	271,266
Currency translation differences	(93,282)	(6,000)
Balance at 31 December	557,987	1,175,779
Disclosed as:-		
- Deferred tax assets	558,990	1,176,798
- Deferred tax liabilities	(1,003)	(1,019)
	557,987	1,175,779
In respect of (taxable)/deductible temporary differences of:-		
- Property, plant and equipment	(2,111,003)	(1,090,528)
- Right-of-use assets	(6,000)	(13,000)
- Inventories	1,710,539	1,702,027
- Financial instruments	964,451	572,280
- Lease liabilities	0	5,000
	557,987	1,175,779

Save as disclosed above, as at 31 December 2020, deferred tax liabilities and deferred tax assets have also effectively been recognised and offset against each other by the Group to the extent of RM549,000 (2019 : RM572,000). No further deferred tax assets have been recognised for the following excess of deductible temporary differences, unused capital allowances and tax losses over taxable temporary differences:-

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Deductible temporary differences of:-				
- Financial instruments	525,000	574,000	0	0
- Inventories	324,000	0	0	0
- Investment properties	1,439,000	1,237,000	0	0
- Lease liabilities	956,000	1,284,000	0	0
Unused capital allowances	2,261,000	1,885,000	0	0
Unused tax losses with:-				
- Expiry date in 2025	6,207,000	6,343,000	1,164,000	1,164,000
- Expiry date in 2026	529,000	529,000	0	0
- Expiry date in 2027	1,115,000	0	0	0
Taxable temporary differences of:-				
- Property, plant and equipment	(1,354,000)	(1,110,000)	0	0
- Right-of-use assets	(933,000)	(1,275,000)	0	0
	11,069,000	9,467,000	1,164,000	1,164,000

The deductible temporary differences and unused capital allowances have no expiry date.

11. Inventories

Group

	2020 RM	2019 RM
Raw materials	9,728,793	15,725,409
Work-in-progress	3,729,603	4,259,952
Finished goods	40,531,441	39,799,829
	53,989,837	59,785,190

12. Receivables

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Trade receivables	88,100,482	75,239,269	0	0
Loss allowance	(300,000)	(713,903)	0	0
	87,800,482	74,525,366	0	0
Other receivables	1,892,214	2,689,121	0	0
Loss allowance	0	(183,953)	0	0
	1,892,214	2,505,168	0	0
Dividend receivables	0	0	14,826,050	19,226,050
	89,692,696	77,030,534	14,826,050	19,226,050

Trade receivables

The Group determines credit risk concentrations in terms of counterparties and geographical areas. As at 31 December 2020, there was 1 (2019 : 3) major customer that accounted for 10% or more of the Group's trade receivables and the total outstanding balance due from this major customer amounted to RM46,869,434 (2019 : RM53,528,995). The credit risk concentration profile by geographical areas of trade receivables is as follows:-

	Group	
	2020 RM	2019 RM
Malaysia	3,235,434	3,189,645
China	11,523,637	12,726,791
Singapore	5,004,179	6,202,984
Thailand	60,797,953	45,883,066
Others	7,539,279	7,236,783
	88,100,482	75,239,269

12. Receivables (cont'd)

Trade receivables (cont'd)

The credit terms of trade receivables range from 30 to 120 days. The Group uses past due information to assess the credit risk of trade receivables. The analysis by past due status is as follows:-

	Group 2020 RM	Group 2019 RM
Not past due	79,912,628	69,596,310
1 to 30 days past due	6,920,113	2,923,360
31 to 60 days past due	550,044	321,868
61 to 90 days past due	422,527	676,728
More than 90 days past due	295,170	1,721,003
	88,100,482	75,239,269

The Group determines that a trade receivable is credit-impaired when the customer is experiencing significant financial difficulty and has defaulted in payments. Unless otherwise demonstrated, the Group generally considers a default to have occurred when the trade receivable is more than 90 days past due. The gross carrying amount of a credit-impaired trade receivable is directly written off when there is no reasonable expectation of recovery. This normally occurs when there is reasonable proof of customer insolvency.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses using the simplified approach in accordance with MFRS 9. Such lifetime expected credit losses are calculated using a provision matrix based on historical observed default rates (adjusted for forward-looking estimates). The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished among the diversity of customer base.

Group

	Not past due RM	1 to 30 days past due RM	31 to 60 days past due RM	61 to 90 days past due RM	More than 90 days past due RM	Total RM
2020						
Gross carrying amount	79,912,628	6,920,113	550,044	422,527	295,170	88,100,482
Average credit loss rate	0.28%	0.61%	1.84%	2.22%	3.99%	0.34%
Loss allowance	226,703	42,048	10,097	9,374	11,778	300,000
2019						
Gross carrying amount	69,596,310	2,923,360	321,868	676,728	1,721,003	75,239,269
Average credit loss rate	0.11%	9.13%	0.05%	1.27%	21.14%	0.95%
Loss allowance	74,359	266,965	161	8,586	363,832	713,903

The average credit loss rates were based on the payment profile of revenue over a period of 24 (2019 : 12) months and the corresponding historical credit losses experienced during the period. The rates were adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

12. Receivables (cont'd)

Trade receivables (cont'd)

The changes in the loss allowance are as follows:-

	Group	
	2020	2019
	RM	RM
Balance at 1 January	713,903	665,925
Impairment (gains)/losses	(415,622)	48,825
Currency translation differences	1,719	(847)
Balance at 31 December	300,000	713,903

Other receivables

The Group measures the loss allowance at an amount equal to lifetime expected credit losses. The changes in the loss allowance are as follows:-

	Group	
	2020	2019
	RM	RM
Balance at 1 January	183,953	206,370
Impairment gains	(183,953)	(22,417)
Balance at 31 December	0	183,953

13. Cash and cash equivalents

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Highly liquid investments in money market funds	183,420	180,146	183,420	180,146
Term deposits	28,371,200	7,054,800	0	0
Cash and bank balances	51,528,102	36,445,665	4,093,324	3,401,883
	80,082,722	43,680,611	4,276,744	3,582,029

Cash and cash equivalents are placed with reputable financial institutions with low credit risk. Accordingly, their expected credit losses are not considered to be material and hence, have not been recognised.

Certain bank balance of the Group amounting to RM154,388 (2019 : nil) has been pledged as security for credit facilities granted to the Group. Accordingly, this bank balance is not freely available for use.

The effective interest rates of term deposits as at 31 December 2020 ranged from 1.60% to 2.43% (2019 : 2.90%) per annum.

13. Cash and cash equivalents (cont'd)

For the purpose of statements of cash flows, cash and cash equivalents are presented net of pledged bank balance as follows:-

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Cash and cash equivalents	80,082,722	43,680,611	4,276,744	3,582,029
Bank balance pledged as security	(154,388)	0	0	0
	79,928,334	43,680,611	4,276,744	3,582,029

14. Payables

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Trade payables	15,014,479	15,805,726	0	0
Other payables	15,966,945	17,324,216	178,866	73,700
	30,981,424	33,129,942	178,866	73,700

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

The credit terms of trade and other payables range from 30 to 90 days.

15. Loans and borrowings

Group

	2020	2019
	RM	RM
Secured		
Term loans	10,662,400	12,149,285
Unsecured		
Banker acceptances	3,453,353	2,632,851
Revolving credits	2,418,600	1,255,500
	16,534,353	16,037,636
Disclosed as:-		
- Current liabilities	7,254,561	5,184,037
- Non-current liabilities	9,279,792	10,853,599
	16,534,353	16,037,636

Term loans are secured against certain property, plant and equipment (Note 4) and right-of-use assets (Note 6).

The effective interest rates of loans and borrowings as at 31 December 2020 ranged from 1.25% to 4.22% (2019 : 3.05% to 5.40%) per annum.

15. Loans and borrowings (cont'd)

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

Term loans are repayable over 10 to 15 years. The repayment analysis is as follows:-

	2020	2019
	RM	RM
Gross loan instalments:-		
- Within 1 year	1,738,968	1,874,276
- 1 to 5 years	6,836,350	6,955,872
- After 5 years	3,492,366	6,115,216
Total contractual undiscounted cash flows	12,067,684	14,945,364
Future finance charges	(1,405,284)	(2,796,079)
Present value of term loans	10,662,400	12,149,285

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

16. Lease liabilities

Group

	2020	2019
	RM	RM
Gross lease liabilities:-		
- Within 1 year	388,098	507,643
- 1 to 5 years	716,680	1,140,576
Total contractual undiscounted cash flows	1,104,778	1,648,219
Future finance charges	(92,440)	(165,155)
Present value of lease liabilities	1,012,338	1,483,064
Disclosed as:-		
- Current liabilities	339,614	435,375
- Non-current liabilities	672,724	1,047,689
	1,012,338	1,483,064

The incremental borrowing rates applied to lease liabilities as at 31 December 2020 ranged from 4.81% to 5.70% (2019 : 3.60% to 5.70%) per annum.

17. Contract liabilities

Group

	2020 RM	2019 RM
Balance at 1 January	0	0
Excess of consideration over revenue recognised	901,451	0
Balance at 31 December	901,451	0

As disclosed in Note 2.17, the Group generally satisfies its performance obligations at a point in time upon delivery of goods. Any consideration received or due in advance before a performance obligation is satisfied is presented as contract liability.

18. Share capital

	No. of ordinary shares with no par value	RM
Issued and fully paid		
Balance at 1 January 2019 / 31 December 2019	263,205,367	87,735,185
Issue of shares pursuant to ESOS	5,638,000	9,528,279
Bonus issue	266,323,367	0
Balance at 31 December 2020	535,166,734	97,263,464

During the financial year, the Company issued 266,323,367 new ordinary shares by way of bonus issue on the basis of 1 new ordinary share for every 1 existing ordinary share held in the Company.

Treasury shares

The shareholders of the Company, by a resolution passed at the extraordinary general meeting held on 24 February 2016, approved the Company's plan to purchase its own shares. The details of the shares purchased from the open market using internally generated funds and held as treasury shares during the financial year are as follows:-

	2020		2019	
	No. of ordinary shares	Cost RM	No. of ordinary shares	Cost RM
Balance at 1 January	6,896,244	3,452,490	19,100,850	9,562,523
Shares distributed	0	0	(12,204,606)	(6,110,033)
Bonus issue	6,896,244	0	0	0
Balance at 31 December	13,792,488	3,452,490	6,896,244	3,452,490

18. Share capital (cont'd)

Treasury shares (cont'd)

The number of outstanding shares in issue after excluding the treasury shares is as follows:-

	2020 No. of ordinary shares	2019 No. of ordinary shares
Balance at 1 January	256,309,123	244,104,517
Shares issued	5,638,000	0
Shares distributed	0	12,204,606
Bonus issue	259,427,123	0
Balance at 31 December	521,374,246	256,309,123

Employees' Share Option Scheme ("ESOS")

The shareholders of the Company, by a resolution passed at the extraordinary general meeting held on 12 June 2019, approved the Company's ESOS. The ESOS became effective on 17 June 2019.

The principal features of the ESOS are as follows:-

(i) At any point of time when the offer is made, the maximum number of shares to be issued under the ESOS shall not exceed 10% of the total issued share in the capital of the Company (excluding treasury shares, if any) during the duration of the ESOS.

(ii) Eligible employee (including executive directors) of the Group shall participate in the ESOS if, as at the date of offer, the employee is at least 18 years of age and has been confirmed and completed at least 24 months of service within the Group on a full time basis.

(iii) The ESOS shall be in force for a period of 5 years from the effective date. The Company may, if the Board deems fit and upon the recommendation of the ESOS Committee, extend the Scheme for another period of up to a maximum of 5 years in aggregate, commencing from the day after the date of expiration of the original 5 years period.

(iv) The exercise price shall be determined based on the volume weighted average price of shares for the 5 market days immediately preceding the date of offer with a discount of not more than 10%.

(v) The options granted are exercisable on a time proportion basis over the duration of the ESOS. The employee's entitlement to the options is vested as soon as they become exercisable.

(vi) The new shares to be issued and/or transferred upon exercise of any options granted under the scheme will rank pari passu in all respects with the existing shares in the Company, save and except that the new shares will not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid, where the entitlement date precedes the date of issuance and/or transfer of the options.

18. Share capital (cont'd)

Employees' Share Option Scheme ("ESOS") (cont'd)

The movements in the number of share options during the financial year are as follows:-

	No. of options over ordinary shares	Weighted average exercise price RM	Weighted average share price RM	Range of exercise prices RM	Weighted average remaining contractual life
Outstanding at 1 January 2019	0	0.000			
Granted	9,032,000	1.390			
Forfeited	(9,000)	1.390			
Outstanding at 31 December 2019	9,023,000	1.390		1.390	4.5 years
Exercisable at 31 December 2019	0	0.000			
Outstanding at 1 January 2020	9,023,000	1.390			
Bonus issue	5,880,000				
Exercised	(5,638,000)	1.079	3.808		
Forfeited	(157,000)	0.806			
Outstanding at 31 December 2020	9,108,000	0.695		0.695	3.5 years
Exercisable at 31 December 2020	52,000	0.695			

The fair value of share options granted since the effective date of the ESOS was measured using the Trinomial Option Pricing Model with the following inputs:-

Grant date	1.7.2019
Fair value at grant date	RM0.7864
Weighted average share price	RM1.5374
Exercise price	RM1.3900
Expected volatility	57.348%
Option life	5 years
Expected dividends	1.02%
Risk-free interest rate	3.43%

The expected volatility reflects the assumption that historical volatility is indicative of future trends but may not necessarily be the actual outcome. No other features of the share options granted were incorporated into the measurement of fair value.

19. Non-controlling interests ("NCI")

Group

	Accumulated NCI		Loss allocated to NCI	
	2020	2019	2020	2019
	RM	RM	RM	RM
Dufu Metal Sdn. Bhd.	0	428,827	(241,100)	(417,242)

The details of the subsidiary that had NCI are as follows:-

Name of subsidiary	Principal place of business/ Country of incorporation	Effective ownership interest held by NCI 2020	2019	Principal activity
Dufu Metal Sdn. Bhd.	Malaysia	0%	25%	Manufacturing of high precision engineering parts, module assembly and metal fabrication parts for semiconductor, electronics and industrial automation industries and the provision of related precision engineering services

Change in ownership interest in subsidiary

In September 2020, the Company acquired the remaining 25% equity interest in Dufu Metal Sdn. Bhd. from NCI for cash consideration of RM312,175. The effects of the change in ownership interest on the equity attributable to owners of the Company are as follows:-

	RM
Amount by which NCI are adjusted	187,727
Cash consideration paid	(312,175)
Decrease in equity attributable to owners of the Company	(124,448)

20. Revenue

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Revenue from contracts with customers:-				
- Sale of goods	297,999,855	249,068,843	0	0
Other source of revenue:-				
- Dividend income	0	0	23,794,346	24,400,000
	297,999,855	249,068,843	23,794,346	24,400,000

20. Revenue (cont'd)

Disaggregation of revenue from contracts with customers

	Group	
	2020	2019
	RM	RM
Major products:-		
- Precision components for:-		
- Hard disk drive	253,101,613	193,198,161
- Control and sensor	26,029,307	31,746,639
- Others	18,868,935	24,124,043
	297,999,855	249,068,843
Geographical areas:-		
- Malaysia	15,172,563	18,133,741
- China	37,147,022	41,050,764
- Singapore	19,063,427	19,022,641
- Thailand	203,968,703	142,599,974
- Others	22,648,140	28,261,723
	297,999,855	249,068,843

21. Impairment gains/(losses) on financial assets

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Trade receivables from contracts with customers	415,622	(48,825)	0	0
Other receivables	183,953	22,417	0	0
Amounts due from subsidiaries	0	0	0	8,282,366
	599,575	(26,408)	0	8,282,366

22. Employee benefits expense (including directors' remuneration)

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Directors of the Company:-				
- Fees	240,000	230,000	240,000	230,000
- Other short-term employee benefits	2,856,230	3,178,339	48,500	44,000
- Defined contribution plans	143,568	69,888	0	0
- Share-based payments	359,082	234,650	0	0
	3,598,880	3,712,877	288,500	274,000
Directors of subsidiaries:-				
- Short-term employee benefits	2,581,254	2,665,980	0	0
- Defined contribution plans	235,322	113,183	0	0
- Share-based payments	448,852	327,609	0	0
	3,265,428	3,106,772	0	0
Other employees:-				
- Short-term employee benefits	54,762,629	49,980,119	0	201
- Defined contribution plans	3,535,964	2,165,836	0	0
- Share-based payments	2,768,061	1,864,565	0	0
	61,066,654	54,010,520	0	201
	67,930,962	60,830,169	288,500	274,201

23. Profit before tax

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Profit before tax is arrived at after charging:-				
Amortisation of investments in club memberships	11,896	11,756	0	0
Auditors' remuneration:-				
- Current year	332,703	309,649	122,000	113,500
- Prior year	12,500	41,136	6,500	0
Depreciation of investment properties	554,655	549,406	0	0
Depreciation of property, plant and equipment	8,099,390	9,213,215	0	0
Depreciation of right-of-use assets	653,453	569,637	0	0
Direct operating expenditure on investment properties generating rental income	71,525	84,072	0	0
Fee expense for financial instruments not measured at fair value through profit or loss	119,840	90,545	444	155

23. Profit before tax (cont'd)

	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Interest expense for financial liabilities not measured at fair value through profit or loss	625,808	842,655	0	0
Interest expense for lease liabilities	78,737	112,847	0	0
Inventories written down	467,643	48,182	0	0
Lease expense relating to:-				
- Short-term leases	643,466	590,426	0	0
- Leases of low value assets (other than short-term leases)	28,560	0	0	0
Loss on dilution of investment in associate	118,514	0	0	0
Loss on disposal of property, plant and equipment	0	2,458	0	0
Loss on foreign exchange:-				
- Realised	1,232,128	0	0	0
- Unrealised	2,944,430	709,788	0	0
Property, plant and equipment written off	2,567	18,927	0	0
and crediting:-				
Gain on disposal of property, plant and equipment	58,802	0	0	0
Government grants under Wage Subsidy Programme	395,280	0	0	0
Grant related to income	407,583	282,618	0	0
Interest income for financial assets measured at amortised cost	487,608	732,152	0	0
Operating lease income from investment properties	1,543,200	1,403,200	0	0
Realised gain on foreign exchange	0	1,053,627	0	0

24. Tax expense

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Tax based on results for the year:-				
- Current tax	15,008,259	11,978,281	478,619	0
- Deferred tax	(1,298,316)	(856,484)	0	0
	13,709,943	11,121,797	478,619	0
Tax under/(over) provided in prior year:-				
- Current tax	1,693,802	(1,188,060)	0	16,511
- Deferred tax	1,822,826	(271,266)	0	0
Withholding tax on dividend from foreign subsidiary	478,619	0	0	0
	17,705,190	9,662,471	478,619	16,511

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

	Group		Company	
	2020	2019	2020	2019
	%	%	%	%
Applicable tax rate	24.00	24.00	24.00	24.00
Non-deductible expenses	0.34	3.02	1.16	13.41
Non-taxable income	(0.25)	(4.12)	(19.59)	(37.41)
Tax incentives claimed	(1.76)	0.00	(3.47)	0.00
Effect of differential tax rates	(3.10)	(2.78)	0.00	0.00
Increase in unrecognised deferred tax assets	0.56	0.57	0.00	0.00
Average effective tax rate	19.79	20.69	2.10	0.00

25. Earnings per share

Group

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

	2020	2019 (restated)
Profit for the financial year (RM)	51,811,713	44,521,865
Number of shares in issue as at 1 January	256,309,123	244,104,517
Effect of shares issued pursuant to ESOS	2,581,760	0
Effect of treasury shares distributed as dividend	0	6,787,767
Effect of bonus issue*	257,876,642	250,892,284
Weighted average number of shares for computing basic earnings per share	516,767,525	501,784,568
Number of shares under ESOS deemed to have been issued for no consideration	9,739,046	2,159,602
Weighted average number of shares for computing diluted earnings per share	526,506,571	503,944,170
Basic earnings per share (sen)	10.03	8.87
Diluted earnings per share (sen)	9.84	8.83

** The calculation of basic and diluted earnings per share for the previous financial year has been adjusted retrospectively to reflect the changes in the number of shares as a result of the bonus issue.*

26. Dividends

Group and Company

	2020 RM	2019 RM
In respect of the financial year ended 31 December 2018:-		
- Final single tier dividend of 2.5 sen per share by way of share dividend on the basis of one treasury share for every twenty existing ordinary shares	0	6,110,033
In respect of the financial year ended 31 December 2019:-		
- Interim single tier dividend of 2.0 sen per share	0	5,126,183
- Final single tier dividend of 6.0 sen per share	15,378,547	0
In respect of the financial year ended 31 December 2020:-		
- Interim single tier dividend of 1.25 sen per share	6,514,073	0
	21,892,620	11,236,216

A final single tier dividend of 3.75 sen per share in respect of the financial year ended 31 December 2020 will be proposed for shareholders' approval at the forthcoming annual general meeting.

27. Notes to consolidated statement of cash flows

Group

Acquisition of right-of-use assets

	2020 RM	2019 RM
Cost of right-of-use assets acquired	0	5,510,200
Acquisition by means of leases	0	(1,518,292)
Net cash disbursed	0	3,991,908

Term loans

	2020 RM	2019 RM
Balance at 1 January	12,149,285	7,993,054
Drawdowns	0	6,000,000
Repayments	(1,486,885)	(1,843,769)
Balance at 31 December (Note 15)	10,662,400	12,149,285

Short-term loans and borrowings

	2020 RM	2019 RM
Balance at 1 January	3,888,351	1,733,945
Net cash flow changes	2,084,002	2,154,406
Currency translation differences	(100,400)	0
Balance at 31 December	5,871,953	3,888,351
Represented by:-		
- Banker acceptances (Note 15)	3,453,353	2,632,851
- Revolving credits (Note 15)	2,418,600	1,255,500
	5,871,953	3,888,351

Lease liabilities

	2020 RM	2019 RM
Balance at 1 January	1,483,064	954,536
Additions	0	1,518,292
Payments	(472,281)	(989,764)
Currency translation differences	1,555	0
Balance at 31 December (Note 16)	1,012,338	1,483,064

27. Notes to consolidated statement of cash flows (cont'd)

Lease liabilities (cont'd)

The total cash outflow for leases is as follows:-

	2020 RM	2019 RM
Operating activities		
Lease expense recognised in profit or loss (Note 23)	672,026	590,426
Investing activities		
Acquisition of right-of-use assets	0	3,991,908
Financing activities		
Interest portion of lease liabilities (Note 23)	78,737	112,847
Principal portion of lease liabilities	472,281	989,764
	1,223,044	5,684,945

28. Related party disclosures

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

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Key management personnel compensation:-				
- Short-term employee benefits	7,871,611	7,761,562	288,500	274,000
- Defined contribution plans	623,366	375,196	0	0
- Share-based payments	1,529,690	993,083	0	0
	10,024,667	9,129,841	288,500	274,000
Dividends declared from subsidiaries	0	0	23,794,346	24,400,000
Granting of employees' share options to subsidiaries	0	0	3,575,995	2,426,824
Subscription for shares in subsidiary	0	0	10,000,000	28,000,000

29. Segment reporting

Group

Operating segments

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

29. Segment reporting (cont'd)

Geographical information

In presenting the 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	
	2020	2019	2020	2019
	RM	RM	RM	RM
Malaysia	15,172,563	18,133,741	61,186,364	57,317,015
China	37,147,022	41,050,764	17,363,671	19,083,155
Singapore	19,063,427	19,022,641	333,152	409,971
Thailand	203,968,703	142,599,974	0	0
Other countries	22,648,140	28,261,723	0	0
	297,999,855	249,068,843	78,883,187	76,810,141

Major customers

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

	External revenue	
	2020	2019
	RM	RM
Customer I*	176,562,858	122,621,649
Customer II*	53,519,042	45,393,505

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

30. Contractual commitments

Group

	2020	2019
	RM	RM
Acquisition of property, plant and equipment	231,000	2,452,000

31. Financial guarantee contracts

Company

The Company has entered into financial guarantee contracts to provide financial guarantees to financial institutions and trade suppliers for credit facilities granted to certain subsidiaries up to a total limit of RM87,850,000 (2019 : RM75,686,000). The total utilisation of these credit facilities as at 31 December 2020 amounted to RM17,652,000 (2019 : RM17,521,000). No maturity analysis is presented for the financial guarantee contracts as the entire amount could be called at any time in the event of default by the subsidiaries.

31. Financial guarantee contracts (cont'd)

The aforementioned financial guarantee contracts should have been recognised in the statement of financial position in accordance with the recognition and measurement policies as stated in Note 2.13. After considering that the probability of the subsidiaries defaulting on the credit lines is remote, the financial guarantee contracts have not been recognised as the fair values on initial recognition are not expected to be material.

32. Financial risk management

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

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

Credit risk

The Group's exposure to credit risk arises mainly from receivables and deposits placed with financial institutions. The maximum credit risk exposure of these financial assets is best represented by their respective carrying amounts in the statement of financial position. The Company is also exposed to credit risk in respect of its financial guarantees provided for credit facilities granted to certain subsidiaries. The maximum credit risk exposure of these financial guarantees is the total utilisation of the credit facilities granted as disclosed in Note 31.

The Group manages its credit risk exposure of receivables by assessing counterparties' financial standings on an ongoing basis, setting and monitoring counterparties' limits and credit terms. The quantitative information about such credit risk exposure is disclosed in Note 12. As the Group only deals with reputable financial institutions, the credit risk associated with deposits placed with them is low.

Liquidity risk

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

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

Currency risk

The Group's exposure to currency risk arises mainly from transactions entered into by individual entities within the Group in currencies other than their functional currencies. The major functional currencies within the Group are Ringgit Malaysia ("RM"), Renminbi ("RMB") and US Dollar ("USD"), whereas the major foreign currencies transacted are USD and Singapore Dollar ("SGD"). The gross carrying amounts of foreign currency denominated monetary items at the end of the reporting period are as follows:-

	Group	
	Denominated in USD	Denominated in SGD
	RM	RM
2020		
Receivables	9,995,954	416,811
Cash and cash equivalents	38,410,473	756,645
Payables	(715,001)	(6,774,359)
Loans and borrowings	(5,871,953)	0
Lease liabilities	0	(2,913)
	41,819,473	(5,603,816)

32. Financial risk management (cont'd)

Currency risk (cont'd)

	Group	
	Denominated in USD	Denominated in SGD
	RM	RM
2019		
Receivables	9,108,271	559,571
Cash and cash equivalents	21,760,809	316,090
Payables	(347,475)	(6,998,711)
Loans and borrowings	(3,888,352)	0
Lease liabilities	0	(67,490)
	26,633,253	(6,190,540)

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

(i) The Group's foreign currency sales and purchases provide a natural hedge against fluctuations in foreign currencies.

(ii) The Group maintains part of its cash and cash equivalents in foreign currency accounts to meet future obligations in foreign currencies.

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

	Group	
	Increase/ (Decrease) in profit	Increase/ (Decrease) in profit
	2020	2019
	RM	RM
Appreciation of USD against RM by 3% (2019 : 1%)	1,851,759	410,554
Depreciation of USD against RM by 3% (2019 : 1%)	(1,851,759)	(410,554)
Appreciation of SGD against RM by 1% (2019 : 1%)	(6,065)	(816)
Depreciation of SGD against RM by 1% (2019 : 1%)	6,065	816
Appreciation of USD against RMB by 3% (2019 : 2%)	716,692	500,106
Depreciation of USD against RMB by 3% (2019 : 2%)	(716,692)	(500,106)
Appreciation of SGD against USD by 3% (2019 : 2%)	(124,597)	(107,714)
Depreciation of SGD against USD by 3% (2019 : 2%)	124,597	107,714

32. Financial risk management (cont'd)

Interest rate risk

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

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

	Group	
	2020	2019
	RM	RM
Fixed rate instruments		
Financial assets	28,371,200	7,054,800
Financial liabilities	(6,884,291)	(5,371,415)
Floating rate instruments		
Financial liabilities	(10,662,400)	(12,149,285)

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

	Group	
	Increase/ (Decrease) in profit	Increase/ (Decrease) in profit
	2020	2019
	RM	RM
Increase in interest rates by 40 (2019 : 10) basis points	(42,088)	(10,489)
Decrease in interest rates by 40 (2019 : 10) basis points	42,088	10,489

33. Capital management

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

33. Capital management (cont'd)

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

	Group	
	2020	2019
	RM	RM
Loans and borrowings	16,534,353	16,037,636
Lease liabilities	1,012,338	1,483,064
Total interest-bearing debts	17,546,691	17,520,700
Total equity	255,832,441	214,796,285
Total capital	273,379,132	232,316,985
Debt-to-equity ratio	7%	8%

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

34. Comparative figures

Group

The following comparative figures have been reclassified to conform with the presentation of the current financial year:-

	As previously reported	Reclassification	As restated
	RM	RM	RM
Consolidated statement of financial position as at 1 January 2019 (extract)			
Property, plant and equipment	36,265,222	5,342,367	41,607,589
Right-of-use assets	16,408,584	(5,342,367)	11,066,217
Receivables	58,778,225	(616,019)	58,162,206
Prepayments	102,484	616,019	718,503
Other investment	175,574	(175,574)	0
Cash and cash equivalents	41,337,928	175,574	41,513,502
Payables	(29,553,246)	(770,679)	(30,323,925)
Loans and borrowings	(3,974,750)	756,565	(3,218,185)
Lease liabilities	0	(756,565)	(756,565)
Contract liabilities	(770,679)	770,679	0
	118,769,342	0	118,769,342

34. Comparative figures (cont'd)

	As previously reported RM	Reclassification RM	As restated RM
Consolidated statement of financial position as at 31 December 2019 (extract)			
Property, plant and equipment	38,378,098	14,064,310	52,442,408
Right-of-use assets	29,891,026	(14,064,310)	15,826,716
Receivables	83,385,139	(6,354,605)	77,030,534
Prepayments	148,784	6,354,605	6,503,389
Other investment	180,146	(180,146)	0
Cash and cash equivalents	43,500,465	180,146	43,680,611
Payables	(32,583,241)	(546,701)	(33,129,942)
Loans and borrowings	(5,619,412)	435,375	(5,184,037)
Lease liabilities	0	(435,375)	(435,375)
Contract liabilities	(546,701)	546,701	0
	156,734,304	0	156,734,304

This page intentionally left blank

Proxy FORM

DUFU TECHNOLOGY CORP. BERHAD
Registration No. 200201013949 (581612-A)
(Incorporated in Malaysia)

No. of ordinary shares held		CDS Account No.	
Contact No.		Email Address	

*I/We, ______________________________ (NRIC No. / Company No. ______________________) of

____

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

☐ Chairman of the Meeting

AND * / OR FAILING HIM*,

☐ The following proxy(ies):-

Name		NRIC / Passport No.	Address	Proportions of my/our holdings to be represented (%)
(1)				
AND * / OR FAILING HIM*,				
(2)				
			Total	100.0%

as *my/our proxy to vote for *me/us and on *my/our behalf at the 19th Annual General Meeting of the Company to be held at Function Room 5 and 6 at Spice Convention Centre, SPICE, No. 108, Jalan Tun Dr. Awang, 11900, Penang, Malaysia on Wednesday, 5 May 2021 at 9.00 a.m. and at any adjournment thereof as indicated below:-

☐ Tick (✓) whichever is applicable

* 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/her discretion)

Ordinary Resolutions		**For**	**Against**
1.	To declare a Single Tier Final Dividend of 3.75 sen per share for the year ended 31 December 2020.		
2.	To approve the Directors' Fee of up to RM299,000/- for the period from 1 June 2021 until the next Annual General Meeting of the Company and payment of such fee to the Directors.		
3.	To approve the payment of other benefits (excluding Directors' Fee) of up to RM50,000/- for the period from 1 June 2021 until the next Annual General Meeting of the Company.		
	To re-elect the following Directors retiring under Paragraph 102(1) of the Company's Constitution and who, being eligible offer themselves for re-election:-		
4.	Lee, Hui-Ta also known as Li Hui Ta		
5.	Joyce Wong Ai May		
6.	To re-appoint Messrs. Crowe Malaysia PLT 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.		

Signed this ______ day of____________________ 2021   Signature of Member: ______________________________

Notes:-

A. For the purpose of determining a member who shall be entitled to attend and vote at this 19th Annual General Meeting, the Company shall be requesting the Record of Depositors as at 26 April 2021. Only a depositor whose name appears on the Record of Depositors as at 26 April 2021 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 may appoint up to two (2) proxies in relation to the general meeting provided that he specifies the proportion of his shareholdings 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 under the hand of the member or of his attorney duly authorised in writing or, if the member is a corporation, shall either be executed under the corporation's seal or under the hand of two (2) authorised officers, one of whom shall be a director, or of its attorney duly authorised in writing.*
4. *The instrument appointing a proxy must be deposited at the Registered Office, 57-G Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang, Malaysia at least 48 hours before the time for holding the Meeting or any adjournments thereof, i.e. by Monday, 3 May 2021 at 9.00 a.m. Proxy Form transmitted by facsimile or electronic mail will not be accepted unless the original copy is received at the Registered Office.*

Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Company Secretaries
DUFU TECHNOLOGY CORP. BERHAD
Registration No. 200201013949 (581612-A)
57-G Persiaran Bayan Indah
Bayan Bay, Sungai Nibong
11900 Penang

1st fold here

This page intentionally left blank

Dufu Technology Corp. Berhad
200201013949 (581612-A)

19, Hilir Sungai Keluang 2,
Taman Perindustrian Bayan Lepas,
Fasa IV, 11900 Penang, Malaysia.

T +604 616 1300

F +604 616 1372

www.dufutechnology.com