



**DUFU TECHNOLOGY CORP. BERHAD**  
(581612-A)



Engineering **Solutions of Tomorrow**  
Annual Report 2016

# CONTENTS



- 2 - 4** Notice of Annual General Meeting
- 5** Notice of Nomination ("Annexure A")
- 6** Notice of Dividend Entitlement and Payment
- 7** Corporate Information
- 8** Group Structure
- 9 - 11** Board of Directors' Profile
- 11** Chief Executive's Profile
- 12** Five Years Group Financial Review
- 13 - 15** Chairman's Statement
- 16 - 17** Management Discussion and Analysis
- 18** Awards and Achievements
- 19 - 34** Statement on Corporate Governance
- 35 - 38** Audit Committee Report
- 39 - 42** Statement on Risk Management and Internal Control
- 43** Other Disclosure Requirements pursuant to the Bursa Malaysia Securities Berhad Main Market Listing Requirements
- 44** Statement on Directors' Responsibilities
- 45 - 91** Financial Statements
- 92 - 93** List of Properties Held
- 94 - 98** Share Buy-Back Statement
- 99 - 100** Analysis of Shareholdings
- Enclosed** Proxy Form

## NOTICE OF ANNUAL GENERAL MEETING

---

NOTICE IS HEREBY GIVEN that the Fifteenth Annual General Meeting of the Company will be held at Meeting Room 1 at Level 1, Vistana Penang Bukit Jambul, 213 Jalan Bukit Gambir, 11950 Bukit Jambul, Penang, Malaysia on Wednesday, 24 May 2017 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 2016 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 3.5 sen per share for the year ended 31 December 2016. *(Resolution 1)*
3. To approve the additional payment of Directors' Fee of RM43,000/- for the financial year ended 31 December 2016. *(Resolution 2)*
4. To approve the payment of Directors' Fee of up to RM378,000/- for the period from 1 January 2017 until the next Annual General Meeting of the Company. *(Resolution 3)*
5. To approve the Directors' benefits (excluding Directors' Fee) payable of up to RM101,000/- for the period from 1 January 2017 until the next Annual General Meeting of the Company. *(Resolution 4)*
6. To re-elect the following Directors retiring under the respective provision of the Articles of Association of the Company and who, being eligible offer themselves for re-election:
  - a. Mr. Wu, Mao-Yuan Article 97(1) *(Resolution 5)*
  - b. Mr. Sung, Cheng-Hsi Article 97(1) *(Resolution 6)*
  - c. Ms. Joyce Wong Ai May Article 104 *(Resolution 7)*
  - d. Mr. Yin, Chih-Chu also known as Laurence Yin Article 104 *(Resolution 8)*
  - e. Mr. Lee Yoke Khay Article 104 *(Resolution 9)*
7. To appoint Auditors of the Company for the ensuing year and to authorize the Directors to fix their remuneration:-
 

Notice of Nomination pursuant to Section 271(1) of the Companies Act 2016, a copy of which is annexed hereto and marked "Annexure A" has been received by the Company for the nomination of Messrs Baker Tilly Monteiro Heng for appointment as Auditors of the Company in place of the retiring Auditors, Messrs. Crowe Horwath and of the intention to move the following motion to be passed as an Ordinary Resolution:-

"THAT Messrs Baker Tilly Monteiro Heng be and are hereby appointed Auditors of the Company in place of the retiring Auditors, Messrs. Crowe Horwath to hold office until the conclusion of the next Annual General Meeting AND THAT authority be and is hereby given for the Directors to determine their remuneration."

### SPECIAL BUSINESS

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

#### Ordinary Resolutions

- a) Authority to Issue Shares *(Resolution 11)*

"That pursuant to Companies Act 2016 and approvals from the Bursa Malaysia Securities Berhad ("Bursa Securities") and other relevant governmental/regulatory authorities where such authority shall be necessary, the Board of Directors be authorised to issue and allot shares in the Company from time to time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Board of Directors may, in its absolute discretion, deem fit provided that the aggregate number of shares to be issued shall not exceed ten per centum (10%) of the total number of issued shares (excluding treasury shares) of the Company for the time being, and that the Board of Directors be empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Securities."

## NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

---

b) Renewal of Authority to Purchase its own Shares (Resolution 12)

"That subject to the Companies Act 2016, provisions of the Company's Memorandum and Articles of Association ("M&A") and the requirements of the Bursa Securities and other relevant governmental and regulatory authorities where such authority shall be necessary, the Board of Directors be authorised to purchase its own shares through Bursa Securities, subject to the following:-

- i) The maximum aggregate number of shares which may be purchased by the Company shall not exceed ten per centum (10%) of the total number of issued shares 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 financial year ended 31 December 2016, the audited retained profits of the Company stood at RM16,797,964/-;
- iii) The authority conferred by this resolution will be effective immediately upon the passing of this resolution and shall continue to be in force until the conclusion of the next AGM of the Company, at which time it shall lapse unless by ordinary resolution passed at that meeting, the authority is renewed either unconditionally or subject to conditions or the expiration of the period within which the next AGM is required by law to be held or unless revoked or varied by ordinary resolution passed by the shareholders in a general meeting, whichever occurs first;
- iv) Upon completion of the purchase(s) of the shares by the Company, the shares shall be dealt with in the following manner:
  - to cancel the shares so purchased; or
  - to retain the shares so purchased in treasury for distribution as dividend to the shareholders and/or resell on the market of the Bursa Securities or subsequently cancelled; or
  - retain part of the shares so purchased as treasury shares and cancel the remainder.

The Directors of the Company be and are hereby authorised to take all such steps as are necessary and entering into all other agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments, if any, as may be imposed by the relevant authorities from time to time to implement or to effect the purchase of its own shares in accordance with the Companies Act 2016, provisions of the Company's M&A, the requirements of the Bursa Securities and any other regulatory authorities, and other relevant approvals."

9. To transact any other business of which due notice shall have been given in accordance with the Companies Act, 2016.

By Order of the Board  
 HOW WEE LING (MAICSA 7033850)  
 OOI EAN HOON (MAICSA 7057078)  
 Secretaries

Penang  
 Date: 28 April 2017

## NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

---

### **Notes:-**

- A. *This Agenda item is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 and the Company's Articles of Association do not require a formal approval of the shareholders and hence, is not put forward for voting.*
- B. *For the purpose of determining a member of the Company who shall be entitled to attend and vote at this 15th Annual General Meeting, the Company shall be requesting the Record of Depositors as at 16 May 2017. Only a depositor whose name appears on the Record of Depositors as at 16 May 2017 shall be entitled to attend, speak and vote at the said meeting or appoint proxy(ies) to attend, speak and vote on his/her behalf.*

### **Proxy:-**

- 1. *A member of the Company (except an Exempt Authorised Nominee) shall be entitled to appoint up to two (2) proxies to attend and vote at the same meeting. Where a member appoints two (2) or more proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
- 2. *Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.*
- 3. *The instrument appointing a proxy shall be in writing, executed by or on behalf of the appointor. In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.*
- 4. *The instrument appointing a proxy must be deposited at the Registered Office of the Company at 57-G Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang at least 24 hours before the time set for holding the Meeting or any adjournments thereof.*

### Explanatory Note On Special Business:

#### 1. Resolution pursuant to Authority to Issue Shares

The proposed Resolution No. 11 [Item 8(a)], if passed, will grant a renewed general mandate (Mandate 2017) 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 2017 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 Fourteenth 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. 12 [Item 8(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 2016.

---

"ANNEXURE A"

Lee, Hui-Ta also known as Li Hui Ta  
34 Pantai Jerjak 18, Sungai Nibong,  
11900 Bayan Lepas, Penang

Date: 22 MAR 2017

The Board of Directors  
Dufu Technology Corp. Berhad  
57-G Persiaran Bayan Indah,  
Bayan Bay, Sungai Nibong,  
11900 Penang

Dear Sirs,

**NOTICE OF NOMINATION OF MESSRS BAKER TILLY MONTEIRO HENG AS AUDITORS**

I, Lee, Hui-Ta also known as Li Hui Ta, being a shareholder of the Company, hereby give notice, pursuant to Section 271(1) of the Companies Act 2016 of my nomination of Messrs Baker Tilly Monteiro Heng of Level 10, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur, Malaysia as Auditors of the Company.

Thank you.

Yours faithfully



Lee, Hui-Ta also known as Li Hui Ta

## NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

---

NOTICE IS HEREBY GIVEN that the Single Tier Final Dividend of 3.5 sen per share for the financial year ended December 31, 2016, if approved, will be paid on 20 June 2017 to depositors registered in the Records of Depositors on 30 May 2017:-

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

- a) shares transferred into the Depositor's Securities Account before 4.00 p.m. on 30 May 2017 in respect of transfers;
- b) shares bought on the Bursa Malaysia Securities Berhad ("Bursa Securities") on a cum entitlement basis according to the rules of Bursa Securities.

By Order of the Board  
HOW WEE LING (MAICSA 7033850)  
OOI EAN HOON (MAICSA 7057078)  
Secretaries

Penang  
Date : 28 April 2017

## 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  
(Appointed w.e.f. 23 May 2016)

**Yin, Chih-Chu also known as Laurence Yin**  
Independent Non-Executive Director  
(Appointed w.e.f. 11 November 2016)

**Lee Yoke Khay**  
Independent Non-Executive Director  
(Appointed w.e.f. 3 April 2017)

**Khoo Lay Tatt**  
Executive Director  
(Resigned w.e.f. 9 March 2017)

**Ang Siak Keng**  
Independent Non-Executive Director  
(Resigned w.e.f. 16 March 2017)

### AUDIT COMMITTEE

Chairman

**Joyce Wong Ai May**  
(Redesignated w.e.f. 3 April 2017)

**Ang Siak Keng**  
(Resigned w.e.f. 16 March 2017)

Members

**Sung, Cheng- Hsi**

**Yin, Chih-Chu also known as Laurence Yin**  
(Appointed w.e.f. 15 November 2016)

**Lee Yoke Khay**  
(Appointed w.e.f. 3 April 2017)

### NOMINATING COMMITTEE

Chairman

**Lee Yoke Khay**  
(Appointed w.e.f. 3 April 2017)

**Ang Siak Keng**  
(Resigned w.e.f. 16 March 2017)

Members

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

**Joyce Wong Ai May**  
(Appointed w.e.f. 23 May 2016)

**Yin, Chih-Chu also known as Laurence Yin**  
(Appointed w.e.f. 15 November 2016)

### REMUNERATION COMMITTEE

Chairman

**Lee Yoke Khay**  
(Appointed w.e.f. 3 April 2017)

**Ang Siak Keng**  
(Resigned w.e.f. 16 March 2017)

Members

**Joyce Wong Ai May**  
(Appointed w.e.f. 23 May 2016)

**Sung, Cheng- Hsi**  
(Appointed w.e.f. 4 November 2016)

**Yin, Chih-Chu also known as Laurence Yin**  
(Appointed w.e.f. 15 November 2016)

**Lee, Hui-Ta also known as Li Hui Ta**  
(Resigned w.e.f. 4 November 2016)

### INVESTMENT COMMITTEE

Chairman

**Yin, Chih-Chu also known as Laurence Yin**  
(Redesignated w.e.f. 3 April 2017)

**Ang Siak Keng**  
(Resigned w.e.f. 16 March 2017)

Members

**Joyce Wong Ai May**  
(Appointed w.e.f. 23 May 2016)

**Wu, Mao-Yuan**  
(Appointed w.e.f. 4 November 2016)

**Lee Yoke Khay**  
(Appointed w.e.f. 3 April 2017)

**Lee, Hui-Ta also known as Li Hui Ta**  
(Resigned w.e.f. 4 November 2016)

### COMPANY SECRETARIES

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

### AUDITORS

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

### REGISTERED OFFICE

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

### HEAD OFFICE

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

### REGISTRAR

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

### PRINCIPAL BANKERS

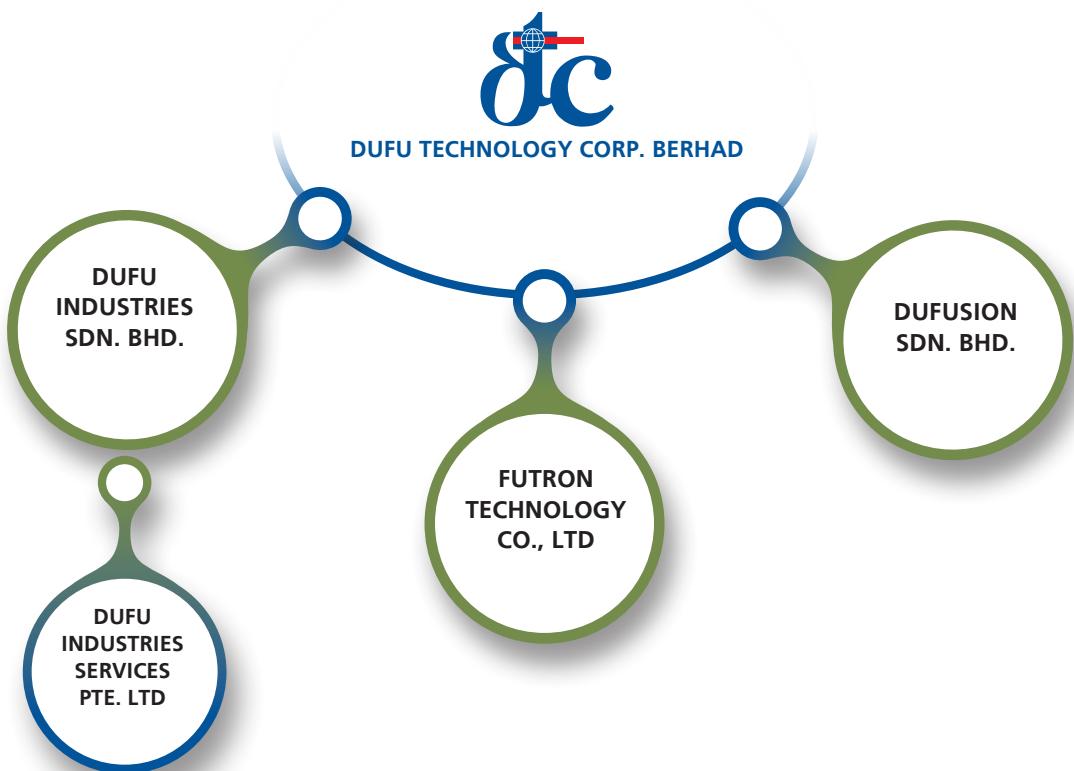
Public Bank Berhad  
United Overseas Bank (Malaysia) Bhd  
Citibank Berhad

### STOCK EXCHANGE LISTING

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

## GROUP STRUCTURE

AS AT 3 APRIL 2017



## PRINCIPAL ACTIVITIES

Dufu Technology Corp. Berhad (581612-A) ("DUFU") is principally involved in investment holding. The subsidiaries of DUFU as at 3 April 2017 are as follows: -

Subsidiary	Country of Incorporation	Ownership Interest	Principal Activity
Dufu Industries Sdn. Bhd. (165467-T)	Malaysia	100%	Design, development, manufacture, assembly and trade of die components and precision machining of vice, computer peripherals and parts for hard disk drive.
Futron Technology Co., Ltd (44012240000848)	People's Republic of China (PRC)	100%	Manufacturing and trading of optics and magnetism driver and parts.
Dufusion Sdn. Bhd. (948150-U)	Malaysia	100%	Design, research and development, manufacture, assembly and trading of medical components for orthopaedics.
*Dufu Industries Services Pte. Ltd (200204589D)	Singapore	100%	Processing and trading of high quality computer disk-drive related components.

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

## BOARD OF DIRECTORS' PROFILE

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

Executive Chairman  
Taiwanese, Male, Age 58 years

Mr. Lee, Hui-Ta as known as Li Hui Ta was appointed as the Executive Director and Chief Financial Officer of Dufu Technology Corp. Berhad ("DUFU" or "Company") on 1 September 2006. On 18 June 2015, he was appointed as Executive Chairman of the Group and subsequently, he relinquished his position as the Chief Financial Officer on 4 November 2016.

He graduated from Chong Sin University in Taiwan with a Diploma in Mechanical Engineering in 1979, a Degree in Business Administration in 1988 and Master of Business Administration in 2009. Mr. Lee commenced his career as an engineering supervisor with He Li Ying Precision Industry, Taiwan in 1981 dealing with precision components and was promoted to Managing Director in 1983 where he was responsible for the daily operations of the company's production. In 1984, he co-set up Lee Bai Corp. Ltd. in Taiwan to manufacture precision quick die change systems for stamping tooling.

In 1990, he co-set up Dufu Industries Sdn Bhd in Malaysia to manufacture precision tooling, precision machining parts for computer-related components. He has more than twenty-five (25) years of experience in the precision tooling industry and in the CNC precision machining industry. He also sits on the board of several other private limited companies. He is primarily responsible for the financial management of the Group.

He is the spouse of Mdm Wang, Kuei-Hua, a major shareholder of the Company. Mr. Lee has no conflict of interest with the Group and has never been convicted of any offence within the past five (5) years, other than traffic offences (if applicable) with the exception on 29 September 2016, he was reprimanded and fined RM150,000 by Securities Commission for abetting a former Executive Director cum Chief Executive Officer by approving payment vouchers for unauthorized remittances between January 2013 and October 2014 of which the amounts have been fully recovered subsequently.

### WU, MAO-YUAN

Executive Director  
Taiwanese, Male, Age 60 years

Mr. Wu, Mao-Yuan was appointed as the Non-Independent Non-Executive Director on 19 December 2012 of DUFU and was re-designated as an Executive Director on 27 August 2015. Mr. Wu currently serves as Managing Director of Futron Technology Co., Ltd, a subsidiary of the Group. He is also a Compliance Officer of Superior Plating Technology Co. Ltd., a company listed in Taipei Exchange. Mr. Wu is a member of Investment Committee of the Company.

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

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

He has no family relationship with other Directors and/or major shareholders of the Company, nor any conflict of interest with the Group and has never been convicted of any offence within the past five (5) years, other than traffic offences (if applicable).

## BOARD OF DIRECTORS' PROFILE (CONT'D)

### SUNG, CHENG-HSI

Independent Non-Executive Director  
Taiwanese, Male, Age 38 years

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

He graduated from University of Reading, United Kingdom with a Master of Science in 2005. He obtained his Bachelor of Art from National Donghua University, Taiwan in 2002. Upon graduation, he started his career in 2006 as Equity Research Analyst at China Trust Commercial Bank. He was responsible for the analytical research on some of the Taiwanese listed companies namely in sectors involving steel, petrochemical, and automotive part. His job also involved formulating financial models for interpretation and simulation to support the needs of internal departments. He joined Superior Plating Technology Co. Ltd which is listed in the Taipei Exchange in 2008 as Chief Financial Officer (CFO). 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 (CEO) and Board Chairman on all strategic and tactical matters.

He has no family relationship with other Directors and/or major shareholders of the Company, nor any conflict of interest with the Group and has never been convicted of any offence within the past five (5) years, other than traffic offences (if applicable).

### JOYCE WONG AI MAY

Independent Non-Executive Director  
Malaysian, Female, Age 41 years

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

She graduated from the University of Tasmania with a Bachelor of Commerce, majoring in Accounting and Finance. She is an accountant by profession and a member of the Malaysian Institute of Accountants and Certified Practicing Accountants, Australia. She started her career with Smith Zain Securities Sdn. Bhd as an Accounts Executive in 1999 and later became 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. She is presently in public practice as Chartered Accountant. She also sits on the Industry Advisory Panel of the School of Business for Disted College, Penang.

She has no family relationship with other Directors and/or major shareholders of the Company, nor any conflict of interest with the Group and has never been convicted of any offence within the past five (5) years, other than traffic offences (if applicable).

## BOARD OF DIRECTORS' PROFILE (CONT'D)

### YIN, CHIH-CHU ALSO KNOWN AS LAURENCE YIN

Independent Non-Executive Director  
Taiwanese, Male, Age 55 years

Mr. Yin, Chih-Chu as known as Laurence Yin was appointed as the 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.

He 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. Mr. Yin 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.

He has no family relationship with other Directors and/or major shareholders of the Company, nor any conflict of interest with the Group and has never been convicted of any offence within the past five (5) years, other than traffic offences (if applicable).

### LEE YOKE KHAY

Independent Non-Executive Director  
Malaysian, Male, Age 66 years

Mr. Lee Yoke Khay was appointed as the 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.

He graduated from Council of Legal Education, London, United Kingdom with a Bachelor 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").

He has no family relationship with other Directors and/or major shareholders of the Company, nor any conflict of interest with the Group and has never been convicted of any offence within the past five (5) years, other than traffic offences (if applicable).

## CHIEF EXECUTIVE'S PROFILE

### YEOH BENG HOOI

Chief Executive Officer  
Malaysian, Male, Age 53 years

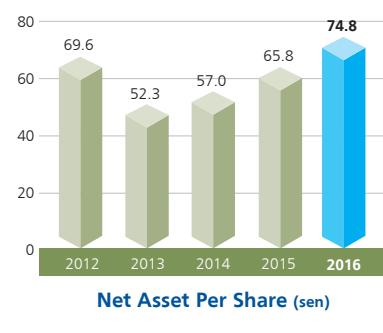
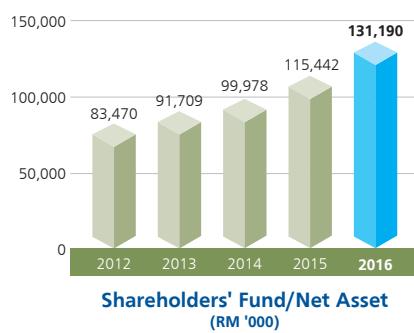
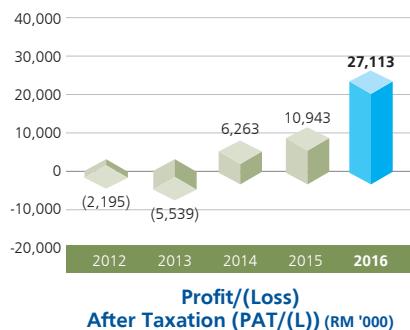
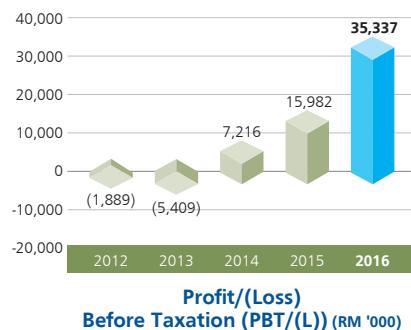
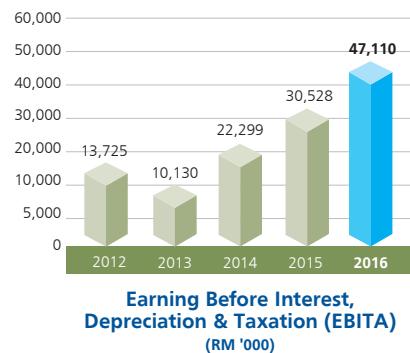
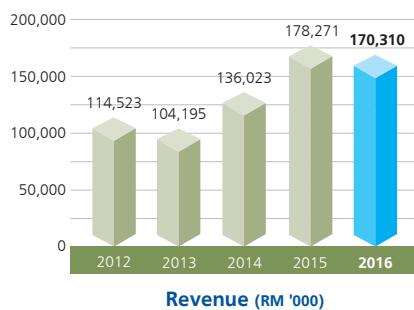
Mr. Yeoh Beng Hooi was appointed as acting Chief Executive Officer of the Group on 27 August 2015. Thereafter, he was re-designated as Chief Executive Officer of the Group effective 29 August 2016. Mr. Yeoh holds a Diploma in Electronic Engineering from Institute Technology. In 1989, he started his career in Advance Micro Devices Inc., a U.S. based semiconductor company as Assistant Engineering and became Senior Reliability Laboratory in 1990. Mr. Yeoh joined Read-Rite Malaysia as QA Engineer in 1992 and later he joined XOLOX Malaysia as Engineer Manager in 1995. He left the company as Director of Engineering in 2000 and joined Wong Engineering Corporation Bhd as Deputy General Manager. In 2001, he was appointed Executive Director of WE Advance Devices Sdn Bhd. He was the Chief Operating Officer in Dufu Industries Sdn Bhd since 2004 before he assumes his current position.

He has no family relationship with other Directors and/or major shareholders of the Company, nor any conflict of interest with the Group and has never been convicted of any offence within the past five (5) years, other than traffic offences (if applicable). As at 3 April 2017, he holds 584,500 Ordinary Shares in DUFU.

## FIVE YEARS GROUP FINANCIAL REVIEW

	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000
Revenue	114,523	104,195	136,023	178,271	170,310
Earnings Before Interest, Depreciation & Taxation ("EBITA")	13,725	10,130	22,299	30,528	47,110
Profit/ (Loss) Before Taxation ("PBT")	(1,889)	(5,409)	7,216	15,982	35,337
Profit/ (Loss) After Taxation	(2,195)	(5,539)	6,263	10,943	27,113
Shareholders' Fund / Net Assets	83,470	91,709	99,978	115,442	131,190
Weighted Average Number of Shares in issue	120,000	146,417	175,470	175,470	171,313
Number of Shares in issue	120,000	175,470	175,470	175,470	175,470
Net Assets Per Shares (sen)	69.6	52.3	57.0	65.8	74.8
Earnings Per Share (Sen) @	(1.8)	(3.8)	3.6	6.2	15.8

## FINANCIAL HIGHLIGHTS



## CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Dufu Technology Corp. Berhad ("DUFU" or "Company"), I am pleased to present herewith the Annual Report and Audited Financial Statements of the Company and the Group for the financial year ended 31 December 2016.

### Financial Performance

The Group managed to achieve RM170.31 million in revenue for the financial year ended 31 December 2016, a 4.5% per cent decrease over the previous financial year ended 31 December 2015 ("FY2015") as the Group continues to face headwinds operating in a challenging industry. Nevertheless, the Group's Profit Before Taxation has in turn improved by 121.11% to RM35.34 million from RM15.98 million in the previous year whilst Net Profit Attributable to Shareholders stood at RM27.11 million for FY2016, which constitutes an increase of 147.8% compared to RM10.94 million for FY2015. This favorable performance was mainly due to the continuing strengthening of United State Dollars ("USD") against the Malaysian Ringgit ("MYR") and the one-off gain arising from the dissolution of subsidiaries, as well as full recovery of RM2.75 million compensation as highlighted in Note 26 of the Group's financial report FY2016.

On the back of this financial year's robust growth in earnings, Shareholders' Equity have improved from RM115.44 million as at 31 December 2015 to RM131.19 million as at 31 December 2016. Net cash flows grew stronger of which RM46.48 million were generated from operating activities in FY2016, representing 171.4% of Net Profit Attributable to Shareholders. This had led to higher net cash position of RM33.57 million as at 31 December 2016 from RM1.25 million as at 31 December 2015.

### Dividend

For FY2016, the Board is pleased to recommend a final single-tier dividend of 3.5 sen per share for the approval of our shareholders at the forthcoming Annual General Meeting ("AGM"). If approved, coupled with the first interim single-tier dividend of 1 sen per share paid out on 10 October 2016, the total dividend for this financial year will be 4.5 sen per share which is higher than the total dividend of 3.1 sen per share paid in respect of FY2015.

The dividend payout for FY2016 is consistent with the Company's Dividend Policy whereby at least 50% of the Company's Operating Profit After Tax (PAT) will be paid as dividend to shareholders after taking into consideration of the Company's retained profits, cash flow as well as the funding requirement of the Group.

### Changes in the Board Composition

We welcomed Ms. Joyce Wong Ai May, who joined the Board on 23 May 2016 as an Independent Non-Executive Director. Ms. Joyce Wong brings a wealth of expertise in areas of audit and accounting. In November 2016 and April 2017, we also announced the appointment of Mr. Yin, Chih-Chu also known as Laurence Yin and Mr. Lee Yoke Khay as DUFU's Independent Non-Executive Directors. Mr. Laurence Yin brings entrepreneurial insight and has a successful background in the manufacturing of plastic coloring and label sticker within the region while Mr. Lee is a lawyer by profession.

During the financial year, Mr. Ong Choon Heng resigned from the Board after almost three years' service. Subsequent to year end, on 9 March 2017, Mr. Khoo Lay Tatt tendered his resignation as Executive Director of the Company. Mr. Khoo first joined the Company on 2 October 2006 as Non-Independent Director and was re-designated as Executive Director on 2 January 2016 after serving as Senior Independent Non-Executive Director of the Company from 19 December 2012 to 1 January 2016. On 16 March 2017, Mr Ang Siak Keng announced his resignation as Independent Non-Executive Director of DUFU. We are hugely indebted to Mr. Khoo, Mr. Ang and Mr. Ong for their support and contribution over their period of service.

### Corporate Developments

Subsequent to the approval obtained from Shareholders in the Extraordinary Meeting held on 24 February 2016 to approve the Share Buy-Back exercise, we have initiated an aggressive share buyback exercise in response to the subdued of the Company's share price throughout the financial year ended 31 December 2016. We have bought back a total of 8,651,900 shares amounting to RM5.01 million, at an average cost of 57.9 sen per share. The share price of the Company has since improved following the share buyback exercise where DUFU's share price has risen by more than 80% at the date of this report as compared to the average purchase cost since inception.

During the financial year ended 31 December 2016, the voluntary wound-up exercise has been completed on its 100% owned subsidiaries namely Futron Technology Limited and I.P.G Metal Industry (M) Sdn Bhd.

On 6 October 2016, the Company announced to undertake the following corporate exercises ("Proposals"):

- (i) proposed consolidation of every two (2) existing ordinary shares of RM0.50 each in DUFU into one (1) ordinary share of RM1.00 each in DUFU;
- (ii) proposed establishment of an executives' share option scheme of up to fifteen percent (15%) of the issued and paid-up share capital (excluding treasury shares) of DUFU;
- (iii) proposed increase in the authorised share capital of DUFU from RM100,000,000 comprising 200,000,000 Existing Shares to RM200,000,000 comprising 200,000,000 Consolidated Shares; and
- (iv) proposed amendment to the Memorandum of Association of DUFU.

However, on 20 March 2017, after taking into consideration the recommendation of our principal adviser, Affin Hwang Investment Bank Berhad, the Board has resolved not to proceed with the Proposals and will evaluate alternative options to achieve the Company's objectives previously envisaged under the Proposals.

## CHAIRMAN'S STATEMENT (CONT'D)

### Corporate Social Responsibility ("CSR")

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

### Education

We strongly believe it is essential to invest in future talents and the Group continued to provide internship training to students from both local colleges and universities. Through DUFU's internship program, we aim to provide students the opportunity to apply what they learned and expand their knowledge whilst equipping them with the invaluable on-the-job experience. We also take this opportunity to extend these students to experience first-hand the business environment of our operations and to undertake these students as our employees upon graduation.

### Employee Welfare and Well Being

In order to keep our employees motivated, committed and to enhance their knowledge, we continuously strive to offer and provide various training and development skills for our employees with the aim of providing opportunities for our employees to get on and turn their jobs into careers. Various training in leadership, management and technical skills were conducted during the year by bringing in external trainers to our plant. Some of the notable courses were as follows:

- ❖ Time and Stress Management;
- ❖ Problem Solving, Decision Making & Motivation for Peak Performance;
- ❖ ISO 9001:2015 Quality Management System Training;
- ❖ Statistical Process Control;
- ❖ Project Management;
- ❖ GDT (Geometric, Dimensioning & Tolerancing);
- ❖ Cost Reduction, Waste Reduction & Profit Improvement Strategies; and
- ❖ Microsoft Excel 2010 (Intermediate).

We have also organized a team building activity which was held at Penang Escape Theme Park at Teluk Bahang for our exempt staff. The purpose of the team building is to empower team members to common goals and also to enhance communication skills, concentration, decision making, stress minimization and self confidence. This pioneer event organized for the first time by DUFU was a great entertainment provider which turned out to be a memorable event shared by all the participants.



24<sup>TH</sup> SEPTEMBER 2016

TEAMBUILDING  
LEARNING IS ALWAYS FUN @ ESCAPE PENANG



16<sup>TH</sup> OCTOBER 2016

DISB SOCCER TOURNAMENT  
KICKIN THE BALL



JANUARY – DECEMBER 2016

BIRTHDAY BABIES  
MAY HAPPINESS AND SUCCESS BE WITH ALL OF YOU



24<sup>TH</sup> JULY 2016

BADMINTON TOURNAMENT  
SMASHING TIME @ TAPAK PESTA PULAU PINANG

## CHAIRMAN'S STATEMENT (CONT'D)

### Sports Excellence

We are supportive of sports promotion as active sport participation facilitates increased self-esteem and promote healthy life style. In this respect, DUFU has continued to be supportive in providing the necessary resources for its employees to participate in the Delta Eco Night Run which was held on 30<sup>th</sup> August 2016. The in-house sport activities we have organized in FY2016 were soccer, badminton and bowling.

### Acknowledgements

I would like to express my gratitude on behalf of the Board of Directors to all employees for another year of hard work and selfless contributions. I would also like to thank our business partners for their continuous support and in particular our customers for their confidence in our products.

Last but not least, I would like to express my heartfelt thanks to my fellow colleagues on the Board of Directors for their advice and contributions during the past year.

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

Executive Chairman

Date: 3 April 2017



30<sup>TH</sup> APRIL 2016

LET'S CELEBRATE THE LABOR THAT BUILD UP THIS  
GREAT COMPANY



12<sup>TH</sup> OCTOBER 2016

COURAGE IS WHAT IT TAKES TO STAND UP  
AND SPEAK



20<sup>TH</sup> MARCH 2016

BJ BOWLING ARENA  
LETS BOWL & PARTY IN THE FAST LANE!



14<sup>TH</sup> JANUARY 2016

FIRE DRILL IS BACK  
LISTEN CAREFULLY TO INSTRUCTIONS



20<sup>TH</sup> – 21<sup>ST</sup> FEBRUARY 2016

ERT TEAM BUILDING  
WHEN THE GOING GETS TOUGH, THE TOUGH GETS  
GOING

## MANAGEMENT DISCUSSION AND ANALYSIS

---

### Overview of Performance

#### a) Revenue

For the Financial Year Ended 31 December 2016 ("FY2016"), Dufu Group's revenue was down by 4.47% or RM7.96 million from RM178.27 million registered in the Financial Year Ended 31 December 2015 ("FY2015") to RM170.31 million for the current year.

Nevertheless, our revenue in 2016 was broadly in line with our early expectation, with our earlier anticipation of the slowing demand in the Hard Disk Drive ("HDD") market. The main reason behind this decline in the HDD demand is due to the sluggish PC market coupled with the substitution of Solid-State Storage ("SSD") device that uses integrated circuit assemblies as memory to store data.

#### b) Profit Before Taxation ("PBT")

FY2016 marked a major milestone for the Group as we record our highest PBT since being listed on Bursa Malaysia Securities Berhad. The Group's PBT improved from RM15.98 million in FY2015 to RM35.34 million in FY2016, an increase of RM19.36 million or 121.11%. The principal contributing factors that led to the increase in the PBT were as follows:

- The continued strengthening of the United States Dollar ("USD") against the Ringgit Malaysia ("MYR") has moved favorably for the Group as the bulk of the Group's income is dominated in USD whereas raw materials and other cost components are locally sourced.
- Years of efforts to continuously improve on our operational efficiency in our cost containment and cost savings initiative, forms part of the Internal Management's Key Performance Index ("KPI") which primarily focuses on quality and sustainability, have resulted in the Group's solid earnings growth and performance in FY2016.
- One-off gains were recorded in FY2016 such as RM3.71 million realized from the dissolution of subsidiaries, as well as full recovery of RM2.75 million compensation as highlighted in Note 26 of the Group's financial report FY2016.

#### c) Other income

Other income increased from RM5.56 million in FY 2015 to RM11.86 million in FY 2016 mainly due to the one-off gains in FY2016 as outlined above.

#### d) Financial Cost

The Group incurred finance cost of RM0.88 million for FY2016 which was RM0.79 million lower compared to RM1.68 million in FY2015. The finance charges primarily meant for term loans and hire purchase obligations declined as the Group continued to pay down these financial obligations and borrowings as the Group ends the year on a stronger net cash position.

#### e) Other operating expenses

The Group's other expenses have reduced from RM38.16 million in FY2015 to RM24.82 million in FY2016. The decrease was mainly due to impairment loss on loans and receivables of RM2.87 million, inventories written down of RM2.51 million and property, plant and equipment written off amounting to RM1.72 million which was recognized in FY2015.

#### f) Profit After Taxation ("PAT")

The Group's PAT for FY2016 was RM27.11 million, an increase of RM16.17 million against FY2015 of RM10.94 million. The increase in PAT was attributed to the reasons outlined above, the reduction of the Malaysian statutory income tax, as well as lower effective tax rates due to some non-tax deductible expenses incurred in FY2015.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### **Capital Expenditure, Capital Structure and Capital Resources**

We manage prudent capital spending to support our business growth plans and upgrading of existing machines. Capital expenditures to support capacity expansion, innovation and cost efficiencies, were RM3.18 million in FY2016 much lower than RM5.74 million incurred in FY2015. The addition of capital outlay in the FY2016 was mainly due to the purchase of CNC Auto Lathe Machines to cater for the growth in the volume of our anticipated sales.

In order to ensure Dufu Group does not fall into a mis-match of funding, the Group usually undertakes long term financing to purchase major assets such as buildings and equipment. For example, the main building of the Group is financed by a term loan up to 15 years whereas major plant and machineries are financed using a three to five years hire-purchase arrangements with various financial institutions.

We maintain debt levels we consider appropriate after evaluating a number of factors, including cash flow expectations, cash requirements for ongoing operations, investment and financing plans and the overall cost of capital. The excellent results achieved by the Group in the last two financial years have seen the transformation from the Group's net borrowing position of RM23.01 million in the beginning of FY2015 to a cash surplus position of RM33.57 million as at 31 December 2016. Nevertheless, the Group aims to maintain a prudent financial structure to ensure that it will be able to access adequate capital at favourable terms. We have banking facilities with local, regional and international banks and view each of them as our core business partner to ensure the Group has adequate liquidity to finance its operations and exposure to various financial instruments at competitive rates to finance the Group's operations and investments.

### **Trends, Outlook, Future Challenges & Strategy**

According to the latest projections by the World Bank, world economic growth is projected to pick up to 2.7 percent in 2017 from a sluggish rate of 2.3 percent last year. Advanced-economy growth is expected to recover moderately to 1.8 percent in 2017. In emerging and developing economies, growth is projected to accelerate to 4.2 percent in 2017 from 3.4 percent in 2016.

Dufu Group expects the personal storage products in HDD market continue to be challenging as the competition from Solid State Drive (SDD) intensifies. However, the global NAND flash memory is expected to continue facing supply constraint in the year 2017, which may potentially lift the HDD demand for Enterprise capacity storage. Coupled with recent gain in popularity for Helium-filled drives, Dufu Group expects the demand for its products to remain resilient, as the current HDD are generally packed with more disc media to increase its storage capacity especially for Enterprise capacity storage products.

Dufu Group will continue to improve its operation efficiency with effective resource planning, practicing lean concept for operation wastes control, as well as empower its employees to initiate and execute ideas for better operation cost control. In the HDD segment, the focus on product mix with better value creation has gained favorable response from our customers. Our emphasis on customer alignment strategy in quality, services as well as continuous advancement of process technology are also our key success factors to retain the status of the preferred and leading manufacturer to meet future product design needs.

With vigorous and energetic resources, Dufu Group seeks to strengthen its position and aggressively seeks new business ventures to capture a larger market share and broaden its revenue potential especially in the Non-HDD sectors. This includes plans to secure projects with new customers to diversify the Group's revenue streams. With all the activities and strategies that are in place will provide the foundation for Dufu Group to overcome any anticipated challenges in the coming financial year ending 31 December 2017 and beyond.



## AWARDS AND ACHIEVEMENTS



Year	Awarded By customer	Award
1994	G Shank Enterprise (M) Sdn Bhd	<b>Best Service Award</b>
1995	G Shank Enterprise (M) Sdn Bhd	<b>Thank your support award</b>
1997	G Shank Enterprise (M) Sdn Bhd Seagate Technology International	<b>Best Vendor Award</b> <b>Certified Supplier Achievement Award</b> <b>Awarded ISO 9002 Certification</b>
2000	Seagate Technology International	<b>Valuable Contribution Award</b>
2001	Inventec Electronics (M) Sdn Bhd	<b>Excellent Supplier Award</b>
2002	Seagate Technology International	<b>Valuable Contribution Award</b> <b>Upgrade of ISO 9000 certification to ISO 9001: 2000</b>
2003	National Council for Occupational Safety and Health	<b>National Council for Occupational Safety and Health (SME) – 1st Place</b>
2005	Seagate Technology International	<b>Valuable Contribution Award</b>
2006	G Shank Enterprise (M) Sdn Bhd Seagate Technology International	<b>Best Vendor Award</b> <b>Appreciation Award</b> <b>Awarded IS014001 : 2004</b>
2008	Western Digital (M) Sdn Bhd	<b>Performance Achievement Award</b>
2009	Motorola Technology Sdn Bhd	<b>Supplier Appreciation Award</b> <b>Upgrade of ISO 9001: 2008 in June</b>
2010		<b>Awarded OHSAS 18001:2007</b>
2012	Emerson Regulator Technologies Specsavers	<b>Excellent Supplier Award</b> <b>Global Supply Partner</b>
2015	Seagate Technology International	<b>Dock to Stock Recognition</b> <b>Awarded ISO 9001: 2008 &amp; ISO 13485: 2003</b>
2016	Flextronics Shah Alam Sdn Bhd Seagate Technology International	<b>Best Supplier Award 2016</b> <b>Spacer Dock to Stock Supplier</b>

## STATEMENT ON CORPORATE GOVERNANCE

---

The Board of Directors ("the Board") recognises the importance of good corporate governance and is committed to ensure that good corporate governance is being practised by the Group in order to safeguard stakeholders' interests as well as enhancing shareholders' value. In building a sustainable business, and discharging its regulatory role, the Board is mindful of its accountability to the shareholders and various stakeholders of Dufu.

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

### 1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

#### 1.1 Functions of the Board

The Board is primarily responsible for charting and reviewing the strategic direction of the Group. It monitors and delegates the implementation of the strategic direction to the Management.

The Board understands the importance of the roles and responsibilities between the Board and Management and there is a division of function between the Board and the Management, whereby the former focuses more on the Company's governance; the latter on management in accordance with the direction of and delegation by the Board. Thus, the Board leads the Group and plays a strategic role in overseeing the overall activities of the Management in carrying out the delegated duties in achieving the Group's corporate objectives and long term strategic plans of the business.

The Board has a formal schedule of matters reserved for its decision which include, amongst others, the following: -

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

The Board retains full and effective control of the Group and has developed corporate objectives and position descriptions including the limits to Management's responsibilities, which the Executive Chairman and Executive Directors are aware and are responsible for meeting. The Board has an understanding of matters reserved to itself for decision, which includes investment policy, approval for major capital expenditures, strategic planning, overseeing financial and operational performance, monitoring risk management processes, merger and acquisition activities and reviewing the adequacy of internal control systems.

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

As part of its efforts to ensure the effective discharge of its duties, the Board has delegated certain functions to the Executive Directors, representing the Management, as well as to certain Committees which each operating within its clearly defined terms of reference. The Investment Committee ("IVC") was set up by the Board to review, deliberate and approve the acquisition or disposal of investments or assets of the Group, subject to the terms and conditions as set out in the Group's Standard Operating Procedures, amongst others:-

- a) All Non-Operating Transactions;
- b) All Operating Transactions that exceed RM2 million or more;
- c) To review, deliberate all Transactions that exceed RM5 million or more or a minimum of 5% of the Group's Net Tangible Assets ("NTA") which is based on the latest Quarterly Results announced to Bursa Malaysia Securities Berhad ("Bursa Securities") whichever is lower. Thereafter, the Chairman of IVC shall propose to the Board to either approve or reject the said Transactions;
- d) To decide on the necessary steps (e.g. open tender procedures, appointing approved professionals, etc) to be taken before deliberation and making its proposal to the Board for approval. Upon deciding on the steps to be taken, the IVC shall instruct the Management namely the Finance Department to take the necessary actions as advised by the IVC.

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

---

### 1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (cont'd)

#### 1.1 Functions of the Board (cont'd)

The current composition of the IVC is as follows:

Chairman: Yin, Chih-Chu also known as Laurence Yin (Independent Non-Executive Director)  
 Members: Joyce Wong Ai May (Independent Non-Executive Director)  
 Wu, Mao-Yuan (Executive Director)  
 Lee Yoke Khay (Independent Non-Executive Director)

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

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

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

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

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

#### 1.2 Roles and responsibilities of the Board

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

- **Reviewing and adopting strategic plans**

The Board plays an active role in the development of the Company's strategy. It has in place a strategy planning process, whereby the Senior Management presents to the Executive Directors its recommended strategy and proposed business plan during the management meeting. The Executive Directors reviews and deliberates both the Management's and its own perspectives, and challenges the Management's views and assumptions, to deliver the best outcome. In conjunction with this, the Senior Management will prepare the annual budget for the ensuing year, and sets the Key Performance Indicators ("KPIs") accordingly. The annual budget for FY2017 has been tabled to the AC and Board for review and approval in December 2016.

- **Overseeing the conduct of the Group's business**

The Chief Executive Officer ("CEO") is responsible for the day-to day management of the business and operation of the Group with respect to both its regulatory and commercial functions. He is supported by the Department Heads and Section Heads.

The Board will continuously observe the external and internal business environment to ensure proper actions has been taken to address the environmental changes that might affect the Group's business. Besides, periodical management meetings and KPIs meetings were held on monthly basis for reporting by the Senior Management and respective Department Heads to monitor the business performance of the Group bench-marked against the KPIs set.

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

---

### 1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (cont'd)

#### 1.2 Roles and responsibilities of the Board (cont'd)

- **Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks**

The Board oversees the Enterprise Risk Management ("ERM") framework of the Group and monitors the Group's risk profile with the assistance from its Risk Management Committee ("RMC"). The RMC comprising the Senior Management and respective Department Heads vide its periodically meeting will continue to assess the Group's risk exposure and implementation of appropriate actions to manage the risks.

The RMC has worked out an enhanced Enterprise Risk Management Framework that is to be implemented in the second half of 2017, focusing on the identified risks and the status of the implementation of ongoing risk management process to facilitate the identification, assessment, evaluation, monitoring and management of risks and to ensure that all major risks are well managed.

- **Succession planning including appointing, training, fixing the compensation of and, where appropriate, replacing senior management**

In accordance with the Recommendation 2.1 of MCGC 2012, the Board has established a Nominating Committee which comprises exclusively of Non-Executive Directors, a majority of whom are independent, to oversee the selection and annual assessment on Directors' performance.

The Nominating Committee in line with its ToR assesses the performance of its Directors on an annual basis and also the succession planning for the Principal Officer. Across the Group, the Management had planned for succession planning for the key important positions.

- **Developing and implementing an investor relation programme or shareholder communication policy for the Company;**

As part of the implementation of investor relation programme, the Board has identified the relevant personnel to handle investor relation related matter for the Group and their contacts are published in the Group's website. Besides, shareholders or investors may conveyed any concern / grievances to the Independent Directors of the Company accordingly. During the financial year, the Company communicated material news on the Company's corporate affairs to its shareholders vide release of public announcement.

#### 1.3 Formalise ethical standards through a code of conduct and ensure its compliance

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

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

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

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

The WPP of DUFU is available at its corporate website.

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

---

### 1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (cont'd)

#### 1.4 Ensure the Company's strategy to promote sustainability

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

#### 1.5 Procedures to allow the Directors access to information and advice

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

The Board meetings are chaired by the Chairman who has the responsibility of ensuring that there is adequate and sufficient time for discussion of items on the agenda. To facilitate productive and meaningful deliberations, the proceedings of the Board meetings are conducted in accordance with a structured agenda. The Notice of Meetings were circulated to the Directors at least 7 days before convening the Board meeting.

The Meeting Papers will be prepared and distribute to the Board and respective Board Committees via e-mail. This is to ensure the Board and Committee members are able to access the information timely especially for the overseas members. This has proven to be more efficient, thus improving the performance and overall effectiveness of the Board's decision making.

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

#### 1.6 Qualified and competent Company Secretaries

Both Company Secretaries of the Company have legal credentials, and are qualified to act as company secretary under Section 235(2) of the Companies Act 2016. The Group Company Secretaries play an advisory role to the Board in relation to the Company's constitution, Board's policies and procedures and compliance with the relevant regulatory requirements, codes or guidance and legislations. The Company Secretaries support the Board by ensuring that all Board meetings are properly conducted and deliberations at the Board and Board Committee meetings are well captured and recorded. The Board ensures that all its Directors have access to the advice and services of the Group Company Secretaries.

The Company Secretaries provide support to the Chairman to ensure the effective functioning of the Board and also organises and attends all Board meetings and Board Committees meetings, ensuring that an accurate and proper record of deliberation of issues discussed, decisions and conclusions are taken.

The Company Secretaries also serve notices to the Directors and Principal Officers on the closed periods for trading in the Company's shares pursuant to Chapter 14 of the Bursa Securities Main Market Listing Requirements ("Main LR").

The Company Secretaries record, prepare and circulate the minutes of the meetings of the Board and Board Committees and ensures that the minutes are properly kept at the registered office of the Company and produced for inspection, if required. In addition, the Company Secretaries also update the Board regularly on amendments to the Listing Requirements, practice and guidance notes, circulars from Bursa Securities, legal and regulatory developments and impact, if any, to the Company and its business.

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

---

### 1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (cont'd)

#### 1.7 Board Charter

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

The Board last reviewed its charter on 24 February 2017. The Board will continue the practice to review its charter regularly at least once a year, to keep it up to date with changes in regulations and best practices and ensure its effectiveness and relevance to the Board's objectives.

### 2. STRENGTHEN COMPOSITION

#### 2.1 Nominating Committee ("NC")

Dufu establish its NC which comprise exclusively Non-Executive Directors, a majority of whom must be independent to assist the Board primarily in recommending the appointment of new Directors and assessing the Board's effectiveness. In compliance with the recommendations of MCGC 2012, the current composition of the NC is as follows:-

Chairman: Lee Yoke Khay (Independent Non-Executive Director)  
 Members: 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)

The NC of DUFU assumes the following core responsibilities:-

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

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

The activities carried out by the NC during the financial year ended 31 December 2016 ("FY2016") in discharging its functions are as follows:

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

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

---

### 2. STRENGTHEN COMPOSITION (cont'd)

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

The Board believes that a diverse range of skills and experience is fundamental to good governance and constructive Board. Hence, the Board is committed in ensuring that its composition reflects the diversity in line with Recommendation 2.2 of the MCGC 2012.

The Board comprises of highly qualified professionals with diverse backgrounds and specializations. Together, they bring in considerable knowledge, judgment and experience to the Board to provide the right guidance to the Management Team. Additionally, the Board has a good mix of technical and commercial experience relevant to the operation of the Company. These include, *inter alia*, commerce, finance, corporate strategy, accounting, taxation, internal audit, and legal with industry knowledge in which DUFU currently operates in. The current Board also creates positive and value-relevant impact on the Company. While the Board strives to promote diversity, appointments of Directors are still premised on merit and their knowledge and expertise, which must be relevant to the Company.

#### 2.2 Nominating Committee should develop, maintain and review criteria for recruitment process and annual assessment of directors

The primary responsibility of the appointment of new Directors to the Board has been delegated to the NC. The policies and procedures for recruitment and appointment of Directors are set out in ToR of the NC. The NC is guided by the ToR in carrying out its responsibilities in respect of the nomination, selection and appointment process for Directors of the Company. The NC promotes boardroom diversity by encouraging potential women candidates sought from various source from various bodies and industries as well as recommendation from Directors. Invitations were sent out to potential candidates to participate in an interview session.

During the FY2016, the NC has reviewed the composition of respective board committee of the Company to ensure its effectiveness. The NC is committed in ensuring that its Board composition reflects the diversity in line with Recommendation 2.2 of the MCGC 2012.

##### a) Boardroom diversity

Based on the review of the Board composition in 2016, NC had recommended for the appointment of additional Independent Director in line with the best corporate governance practice and to promote balance of power and authority on the Board (Recommendation 3.5 of the Code). In view of this, the NC has interviewed three (3) candidates of additional directors to the Company. In November 2016, after considering the diverse range of skills, competencies, experience, professionalism and other relevant qualities required to efficiently manage the business, Mr. Yin, Chih-Chu also known as Laurence Yin was appointed as an additional Independent Non-Executive Director of Dufu.

His appointment was made only after careful consideration of other potential candidates whose skills and experience were found to be overlapping with current Directors. The Board concurred with NC viewpoint that Mr. Yin, Chih-Chu also known as Laurence Yin possessed wide industrial knowledge that would further enhanced and diversify the mix of skills of the composition of existing Board members. The Board strongly view that Board diversity is important to facilitate optimal decision-making by harnessing different insights and perspectives.

The Board and NC are satisfied with the current optimum Board size and is of the view that the current composition continues to have a strong, committed and dynamic board with the right mix of skills and balance to contribute to the achievement of the Company's goals.

Notwithstanding the recommendation of the MCGC 2012, 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. In identifying suitable candidates for appointment to the Board, the NC will consider candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board.

**STATEMENT ON CORPORATE GOVERNANCE**  
(CONT'D)

**2. STRENGTHEN COMPOSITION (cont'd)**

**2.2. Nominating Committee should develop, maintain and review criteria for recruitment process and annual assessment of directors (cont'd)**

a) **Boardroom diversity (cont'd)**

Presently, the current Board composition comprises of five (5) male Directors and one (1) female Director following the resignation of Mr. Khoo Lay Tatt and Mr. Ang Siak Keng on 9 March 2017 and 16 March 2017 respectively. The Board shares the view and believes in promoting economic empowerment of women for business and sustainable development. During year 2016, NC invited potential woman candidates to participate in the pool for interview session to fill the position of Independent Non-Executive Director. The Board will continue to tap talent from human capital market from time to time with the aim of increasing the number of female directors in its Board.

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

Directors	Nationality	Designation	Industry / Background Experience			By Composition		
			Age	Ethic	Gender	Male	Female	Chinese
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	✓	✓	✓	✓	✓	✓

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

---

### 2. STRENGTHEN COMPOSITION (cont'd)

#### 2.2. Nominating Committee should develop, maintain and review criteria for recruitment process and annual assessment of directors (cont'd)

##### b) Determination of selection criteria for recruitment of Directors

The Company has in placed its criteria for appointment of new Directors. The selection process is based on the following criteria:

a) Qualification, working experience and professionalism - the person must have acceptable qualification, working experience and professionalism to efficiently manage the business, with the aim of meeting the current and future needs of the Board composition.

b) Competence and capability - the person must have the necessary mix of skills, ability and time commitment to carry out the required role.

c) Independence - the person must possess independence of mind and fairness. This is critical for the appointment of Independent Director in order to protect the interest of minority shareholders.

##### c) Annual assessment and its criteria in respect of the Board and Board committee

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

In February 2016, the NC has carried out evaluation on the performance of each member of the Board, each Board Committee and to review the performance of the Board as a whole.

The effectiveness of the Board is assessed in the areas of the Board's role and responsibilities and composition, attendance record, intensity of participation at meetings, quality of interventions and special contributions. Besides, the effectiveness of the Board Committees is assessed in terms of structure and processes, accountability and responsibility as well as the effectiveness of the Chairman of the respective Board Committees.

##### d) Review of Directors proposed for re-election/ re-appointment

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

### 2.3 Remuneration policies

The Remuneration Committee ("RC") is responsible for, inter-alia, recommending to the Board the remuneration policy for, including the establishment of a formal and transparent methodology in determining the remuneration of Executive Directors and Non-Executive Directors and to review changes to the policy and methodology as necessary; review the existing level of remuneration of Executive Directors and to recommend their remuneration to the Board based on the Company's and their individual performance to ensure their remuneration package commensurate with the scope of responsibilities held. The Committee also ensures the level of remuneration for Non-Executive Directors are linked to their level of responsibilities undertaken and contributions to the effective functioning of the Board.

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

### 2. STRENGTHEN COMPOSITION (cont'd)

#### 2.3 Remuneration policies (cont'd)

The current composition of the RC is as follows:

Chairman: Lee Yoke Khay (Independent Non-Executive Director)  
 Members: Joyce Wong Ai May (Independent Non-Executive Director)  
 Sung, Cheng-Hsi (Independent Non-Executive Director)  
 Yin, Chih-Chu also known as Laurence Yin (Independent Non-Executive Director)

The policy on Directors' remuneration practiced by the RC is to provide the remuneration packages necessary to attract, retain and motivate Directors of the quality required to manage the Group's business and to align the interest of the Directors with those of the shareholders. The Directors play no part in deciding their own remuneration and shall abstain from discussion or voting on their own remuneration.

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

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

Details of Directors' remuneration for the FY2016 are as follows:

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

Category	Fee (RM)	Salaries (RM)	Bonus (RM)	Allowances (RM)	Total (RM)
Executive Directors - Company* <sup>^</sup> - Subsidiaries*	108,000 -	- 995,333	- 443,167	24,000 137,667	132,000 1,576,167
Non-Executive Directors - Company*	133,000	-	-	31,500	164,500
<b>Total</b>	<b>241,000</b>	<b>995,333</b>	<b>443,167</b>	<b>193,167</b>	<b>1,872,667</b>

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

<sup>^</sup> Inclusive of Directors' Remuneration paid to Directors who resigned during the financial year.

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

Range of Remuneration	Number of Directors	
	Executive	Non-Executive
Up to RM50,000	-	3
RM50,000 to RM100,000	-	1
RM450,001 to RM 500,000	1	-
RM550,001 to RM 600,000	1	-
RM600,001 to RM 650,000	1	-

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

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

---

### 3. REINFORCE INDEPENDENCE

#### 3.1 Annual Assessment of Independence

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

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

#### 3.2 Tenure of Independent Director

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

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

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

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

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

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

Mr. Yeoh Beng Hooi has been appointed as the Acting CEO in August 2015. The Board had assessed the Group performance under the leadership of the Acting CEO. In August 2016, the Board was satisfied with the performance of Mr Yeoh and resolved that Mr. Yeoh be appointed as the CEO of the Group effective 29 August 2016.

The CEO is in charge of the day-to-day operations of the business, implements the Group's policies and decisions as adopted by the Board, overseeing the operations as well as developing, coordinating and implementing business and corporate strategies.

#### 3.5 Composition of the Board

The Board is mindful of the executive role of Chairman held by Mr. Lee, Hui-Ta also known as Li Hui Ta. In line with the continuous aim of Dufu to strive for best corporate governance practice, the NC on 13 October 2016 reviewed the position of Mr. Lee as the Executive Chairman of Dufu and to explore whether a suitable candidate can be identified from the existing directors. Taking into consideration the challenges of finding a qualified and suitable candidate in a short period of time; Mr. Lee's position as the single largest shareholder; the improved financial performance of Dufu Group coupled with the fact that the Group's employees' need for stability after the recent fiasco (as announced), it was agreed that the Committee make the recommendation to the Board for Mr. Lee to continue his position as the Executive Chairman of Dufu Group for the time being. This recommendation was approved by the Board on 4 November 2016. Nevertheless, the NC has taken measure to increase the number of Independent Directors in the Board to promote balance of power and authority on the Board. The NC also believed that such approach would help in providing guidance, unbiased, fully balanced and independent views, advice and judgement to many aspects of the Group's strategy so as to safeguard the interests of minority shareholders and to ensure that high standards of conduct and integrity are maintained by the Group.

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

### 3. REINFORCE INDEPENDENCE (cont'd)

#### 3.5 Composition of the Board (cont'd)

Currently, the Chairman of the Company is not an Independent Director. The Board is mindful to the recommendation that the Board must comprise a majority of Independent Directors where the Chairman is not an Independent Director. The NC and the Board is of the view that there are sufficient experienced and independent – minded Directors on the Board to provide sufficient check and balance. Given that there are four experienced Independent Directors representing more than 50% of the Board, the Board collectively would be able to function independently of management.

Mr. Lee has considerable experience in the Group's businesses and provides leadership for the Board in considering and setting the overall strategies and objectives of the Company. The Board is of the view that it is in the interest of the Company to maintain the above arrangement so that the Board could have the benefit of a chairman who is knowledgeable about the businesses of the Group, capable of guiding discussions at Board meetings and who is able to brief the Board in a timely manner on key issues and developments. Mr. Lee is also known to be well equipped to interact with global leaders of the industry and build relationships with stakeholders.

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

Any concern regarding the Group may be conveyed by shareholders, investors or any other stakeholders to the Chairman of Audit Committee at the following address and such concerns will be reviewed and addressed accordingly:-

Ms. Joyce Wong Ai May  
Dufu Technology Corp. Berhad  
57-G Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang  
[corporateaffairs@dufu.com.my]

### 4. FOSTER COMMITMENT

#### 4.1 Time Commitment

The Board meets at least quarterly to consider all matters relating to the overall control, business performance and strategy of the Company. Additional meeting will be called when and if necessary. The relevant reports and Board Papers are distributed to all Directors in advance of the Board Meeting to allow the Directors sufficient time to peruse for effective discussion and decision making during the meetings. All pertinent issues discussed at the meetings in arriving at decisions and conclusions are properly recorded in the discharge of the Board's duties and responsibilities.

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company. The attendance record of the Directors for the FY2016 was satisfactory. This is evidenced by the attendance record of the Directors at the Board meetings as set out in the below table:-

Director	No. of meetings attended
Lee, Hui-Ta also known as Li Hui Ta	6/6
Wu, Mao-Yuan	4/6
Sung, Cheng-Hsi	5/6
Joyce Wong Ai May (Appointed w.e.f. 23 May 2016)	4/4
Yin, Chih-Chu also known as Laurence Yin (Appointed w.e.f. 11 November 2016)	1/2
Ong Choon Heng (Resigned w.e.f. 3 March 2016)	1/1
Khoo Lay Tatt (Resigned w.e.f. 9 March 2017)	6/6
Ang Siak Keng (Resigned w.e.f. 16 March 2017)	6/6

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

---

### 4. FOSTER COMMITMENT (cont'd)

#### 4.1 Time Commitment (cont'd)

All the Directors have complied with the minimum 50% attendance requirement in respect of Board Meeting as stipulated in the Main LR. In the interval between Board Meetings, for any matters requiring Board's decisions, the Board's approvals are obtained through circular resolutions. The resolutions passed by way of such circular resolutions are then noted at the next Board Meeting.

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

The Directors are required to submit an update on their other directorships from time to time to monitor the number of directorships held and to notify the Companies Commission of Malaysia accordingly.

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

#### 4.2 Continuing Education Programme

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

During the FY2016, the training programmes and seminars attended by the Directors are as follows:-

Director	Date	Description
Lee, Hui-Ta also known as Li Hui Ta	23 August 2016	Fraud Risk Management Workshop - Conducted By Bursa Securities
	27 September 2016	Enhanced Understanding of Risk Management and Internal Control - Conducted By Bursa Securities
Sung, Cheng-Hsi	26 September 2016	Corporate Governance Series Forum - Conducted By Taiwan Academy of Banking and Finance
		UBS Corporate Governance and Sustainability Certification Program - Conducted By UBS
Joyce Wong Ai May	4 & 5 May 2016	Mandatory Accreditation Programed For Directors of Public Listed Companies (MAP) - Conducted By Bursatra Sdn Bhd
	23 August 2016	Fraud Risk Management Workshop - Conducted By Bursa Securities
Yin, Chih-Chu also known as Laurence Yin	9 & 10 November 2016	Mandatory Accreditation Programed (MAP) - Conducted By ICLIF Leadership and Governance Centre
Ang Siak Keng (Resigned w.e.f. 16 March 2017)	23 August 2016	Fraud Risk Management Workshop - Conducted By Bursa Securities
Khoo Lay Tatt (Resigned w.e.f. 9 March 2017)	15 January 2016	Citi Markets Economic Seminar and Luncheon 2016 - Conducted By Citibank
	3 March 2016	BDO Executive Briefing – Staying Ahead on Global Transfer Pricing Development - Conducted By BDO
	7 April 2016	Risk Management and Internal Control Workshop: Is Our Line of Defenses Adequate and Effective? - Conducted By Bursa Securities
	12 April 2016	Corporate Governance Statement Reporting Workshop - Conducted By Bursa Securities
	25 April 2016	UOB Global Market Outlook 2016 - Conducted By UOB Global Economics & Markets Research
	27 July 2016	Affin Hwang Capital Dinner and Market Insights 2016 - Conducted By Affin Hwang Investment Bank Berhad
	23 August 2016	Fraud Risk Management Workshop - Conducted By Bursa Securities
	27 September 2016	Enhance Understanding of Risk Management and Internal Control - Conducted By Bursa Securities
	3 November 2016	BDO Tax Forum Series: Managing Your Tax Affairs in the Current Economic Environment - Conducted By BDO

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

---

### 5. UPHOLD INTEGRITY IN FINANCIAL REPORTING

#### 5.1 Audit Committee should ensure financial statements comply with applicable financial reporting standards

In presenting the annual audited financial statements and quarterly announcements of results to shareholders, the Board is responsible to present a balanced and meaningful assessment of the Group's position and prospect and to ensure that the financial statements are drawn up in accordance with the provisions of the then Companies Act, 1965 and applicable accounting standards in Malaysia.

The Board, assisted by the AC, oversees the financial reporting process and the reliability of the financial reporting of the Company and the Group. The Responsibility Statement by the Directors pursuant to the Main LR in relation to the financial statements is set out in page 44 of this Annual Report.

The AC, amongst others, has been delegated with the responsibilities to review the quarterly reports and annual audited financial statements of the Group, focusing particularly on:-

- (a) changes in or implementation of major accounting policy changes;
- (b) significant and unusual events; and
- (c) compliance with accounting standards and other legal requirements.

At least twice a year, meetings are held without the presence of the Management of the Company to ensure that the External Auditors can freely discuss and express their opinions on any matter to the AC, and the AC can be sufficiently assured that the Management has fully provided all relevant information and responded to all queries from the External Auditors. In addition, the External Auditors are invited to attend the AGM of the Company and are available to answer shareholders' questions on the conduct of the statutory audit and the preparation and contents of their audit report.

In addition to the above, the Board has received assurance from the Executive Chairman (who is also the Chief Financial Officer of the Group for the period up to 4 November 2016) and Chief Executive Officer that the Group's internal control system is operating adequately and effectively, in all material aspects, based on internal control system of the Group. The Executive Chairman (who is also the Chief Financial Officer of the Group for the period up to 4 November 2016) and Chief Executive Officer provide the assurance to the AC that adequate processes and controls are in place, the appropriate accounting policies has been adopted and that the relevant financial statements give a true and fair view of the state of affairs of the Group in compliance with the relevant Malaysian Financial Reporting Standards and the provisions of the Companies Act, 1965.

#### 5.2 Assessment of suitability and independence of external auditors

The AC recommended the re-appointment of Messrs. Crowe Horwath as the External Auditors of the Group for the ensuing year ended 31 December 2016 after having satisfied with its audit independence and the performance of Messrs. Crowe Horwath throughout its course of audit for the financial year ended 31 December 2015, amongst others:-

- assigned experienced supervisory and professional staff to the audit;
- able to give adequate technical support when audit issue arise;
- adequate experience and resources of the Firm and audit engagements.

Messrs. Crowe Horwath had via the Audit Review Memorandum dated 23 February 2017 confirmed that:-

- they have complied with the ethical requirements regarding independence with respect to the audit of the Group for FY2016 in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*;
- they have reviewed the non-audit services provided to the Group during the financial year and related safeguards have been applied to reduce the threats to an acceptable level.

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

---

### 5. UPHOLD INTEGRITY IN FINANCIAL REPORTING (cont'd)

#### 5.2 Assessment of suitability and independence of external auditors (cont'd)

Subsequent to the FY2016, an invitation was send out to various audit firms inviting proposal from the interested firms for the engagement as Auditors of the Company for the ensuing year. On 15 March 2017, Messrs. Baker Tilly Monteiro Heng (BTMH) was invited to the Audit Committee Meeting to table its Client Service Proposal to Dufu Group. After considering the following factors, the Audit Committee recommended to the Board the proposed appointment of BTMH in place of the retiring Auditors of the Group:-

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

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

### 6. RECOGNISE AND MANAGE RISK

#### 6.1 Sound framework to manage risks

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

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 and project risk. The following outlines the Group's risk management objectives:-

- (a) to assess the principle risks faced, or potential risk exposure by DUFU in its business operation and to implement appropriate internal control systems that will mitigate those risks;
- (b) to review adequacy and integrity of internal control in compliance to guideline, laws and regulation, and to response to changes of business environment from time to time;
- (c) to weight 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 Group's compliance with regulatory requirements and the policies and procedures in place.

The Group's Risk Management Committee ("RMC") is responsible to perform a periodic review, assessment and update of the Risk Register during the KPIs meetings. The Group is in the midst of enhancing its Enterprise Risk Management ("ERM") system which is an ongoing and systematic process to identify, assess, respond and monitor risks. The RMC consist of the Chief Executive Officer, Department Heads and the Internal Auditor (Risk Management Co-ordinator). 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 and the External Environment, Product and Process Development and Facility and as well as the Quality System. The risks are identified and assessed by employing the following methodologies:

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

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

---

### **6. RECOGNISE AND MANAGE RISK (cont'd)**

#### **6.1 Sound framework to manage risks (cont'd)**

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

With the assistance of its Internal Audit Department ("IAD"), the AC oversees the Risk Management framework of the Group and reviews the risk management framework formulated by the Management.

#### **6.2 Internal audit function**

The Group has established its own in-house IAD in the first quarter 2016, whose internal audit function is independent of the Group's business activities, operating entities and divisions. As the Internal Audit team was newly established, an independent consulting firm was engaged on retainer basis effective from 1 August 2016 to complement and advise the Internal Audit team to improvise the effectiveness of the internal audit function.

The principal activities of the IAD is to undertake regular and systematic audit of the Group's operating entities and divisions, reviewing and testing the system of internal controls including Enterprise Risk Management and governance processes so as to provide independent and objective assurance that such systems are effective and are operating satisfactorily. The internal auditors adopt a risk-based approach towards the planning and conduct of audits, which are consistent with the Group's framework in designing, implementing and monitoring its internal control system.

The key duties and responsibilities undertaken by IAD include:-

- review and appraise the soundness and adequacy of internal control
- ascertain the extent of compliance with internal policies, procedures and standard
- identify opportunities for process and internal control improvement
- coordinate Enterprise Risk Management activities
- review compliance with applicable rules and regulation
- carry out special ad-hoc audit at AC and/or Management's request

The Internal Auditor attends the meetings and reports directly to the AC on the annual internal audit plan and internal audit reports on the audit conducted in accordance with the annual audit plan. The results of internal audits are reported on a quarterly basis to the AC. The Management team's response on each internal audit recommendation and action plans therein, are regularly reviewed and followed up by the Internal Auditor and reported to the AC. For the financial year under review, the Internal Auditor conducted three (3) internal audits on various business processes. In addition, two (2) ad hoc reviews were conducted. Observations arising from the internal audit are presented, together with Management team's response and proposed action plans, to the AC for its review and approval.

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

- Cash Management and Human Resources Management
- Disposal of scrap
- Credit Management
- Sub-Contractor assessment
- Purchasing cycle
- Operational review on maintenance, repair and disposal of motor vehicles.
- Performed various audits related to EMS (Environmental Management System) 14001, OHSAS 18000 Occupational Health & Safety Management System, ISO 9001 Quality Management System and ISO13485 Quality Management System for the design and manufacture of medical devices
- Reviewed and monitored the related party transactions
- Performed special reviews requested by management pertaining to the setting-up of new customer accounts and the assessment of sub-contractor
- Conducted an internal self-assessment of the internal audit activity for internal auditing work performed during the year, as part of a Quality Assurance and Improvement Program

Areas for improvement were highlighted and the implementation of recommendations was monitored. None of the internal control weaknesses have resulted in any material losses, contingencies or uncertainties that would require disclosure in the Annual Report.

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

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

---

### 7. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

#### 7.1 Corporate disclosure policy

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

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

#### 7.2 Leverage on information technology for effective dissemination of information

In line with the recommendation by the Main LR and the Code, material information is disseminated to shareholders and investors on a timely basis. These information, which could be accessed at DUFU website under Investor Relations, include:

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

The Group also maintains a website at [www.dufutechnology.com](http://www.dufutechnology.com) which provides information, qualitative and quantitative, on the Group's operations and corporate developments.

### 8. STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

#### 8.1 Encourage shareholder participation at general meetings

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

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

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

#### 8.2 Board should encourage poll voting

At the 14<sup>th</sup> AGM of the Company held on 19 May 2016, all resolutions had put for poll voting. An announcement of the detailed results of the poll voting had been made to the public accordingly.

In compliance with Para 8.29A of the Main LR, all resolutions set out in the notice of forthcoming 15th AGM of the Company will be voted by poll.

Poll voting could be conducted manually using voting slips, or electronically, for the purpose of more efficiently determining the outcome of resolutions. All shareholders were briefed on the voting procedures by the independent scrutineer prior to the poll voting at the general meetings and the polling process for the resolutions will normally be conducted upon completion of deliberation of all items to be transacted at the AGM.

#### 8.3 Effective communication and proactive engagements with shareholders

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

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

This statement was made in accordance with a resolution of the Board dated 3 April 2017.

## 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 2016 ("FY2016").

### Introduction

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

### Composition and Meeting

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

**Chairman** Joyce Wong Ai May

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

During the FY2016, the AC was led by Mr. Ang Siak Keng, a lawyer by profession, and currently a partner of Zaid Ibrahim & Co. Following the resignation of Mr. Ang on 16 March 2017, Ms. Joyce Wong Ai May is the appointed Chairman of the Audit Committee in place of Mr. Ang with effective from 3 April 2017. She graduated from the University of Tasmania with a Bachelor of Commerce, majoring in Accounting and Finance. She is an accountant by profession and a member of the Malaysian Institute of Accountants and the Certified Practicing Accountants, Australia. Thus, this meets the requirements of paragraph 15.09(1)(c) of the Main LR, which stipulates that at least one member of the AC must be a qualified accountant.

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

The Board had on 24 February 2016 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 FY2016, the AC had convened Five (5) meetings and the details of attendance of each member at the AC meetings are as follows:-

AC	No. of AC Meetings held	No. of AC Meetings attended	% of Attendance
<b>Ang Siak Keng</b> (Resigned w.e.f. 16 March 2017)	5	5	100
<b>Sung, Cheng-Hsi</b>	5	4	80
<b>Joyce Wong Ai May</b> (Appointed w.e.f. 23 May 2016)	4	4	100
<b>Yin, Chih-Chu also known as Laurence Yin</b> (Appointed w.e.f. 15 November 2016)	1	0	0
<b>Ong Choon Heng</b> (Resigned w.e.f. 3 March 2016)	1	1	100

## AUDIT COMMITTEE REPORT (CONT'D)

---

### **Composition and Meeting (cont'd)**

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

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

### **Summary of Activities**

In discharging its functions, the AC is guided by the terms of reference, which was approved by the Board and aligned to the provisions of the Main LR, Malaysian Code on Corporate Governance 2012 ("MCCG 2012") and other best practices.

The activities carried out by the Committee during the FY2016 in the discharge of its duties and responsibilities are as follows:-

#### **Financial Reporting**

The Committee reviewed the fourth quarterly financial statements of the Group for FY2016 on 24 February 2017.

The Committee also reviewed the first, second and third quarterly financial statements of the Group for the FY2016 and recommended the same to the Board for approval during its Audit Committee meeting held on 19 May 2016, 29 August 2016 and 15 November 2016 respectively.

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

#### **External Auditors**

In FY2016, the AC met twice with the External Auditors without the presence of the Executive Directors and Management on 24 February 2016 and 15 November 2016 respectively.

During the Meeting on 24 February 2016, the External Auditors updated the AC on the Status of the Audit of the Financial Statements for the financial year ended 31 December 2015 and the outstanding audit areas as summarized in the Audit Review Memorandum. The AC also deliberated on audit issues raised by the External Auditors and the action plans required to address those issues.

On 15 November 2016, the External Auditors tabled the Audit Planning Memorandum prior to the commencement of the audit of the financial statements for FY2016, more particularly outlined the nature and scope of audit, audit timetable, list of management communication term and audit engagement team to the Audit Committee.

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

On 24 February 2017, the External Auditors updated the AC on the Status of Audit of the Financial Statements FY2016 and the outstanding audit areas as summarized in the Audit Review Memorandum. In compliance with ISA 701 Communicating Key Audit Matters ("KAM") in the Independent Auditors' 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 the Committee's notation.

## AUDIT COMMITTEE REPORT (CONT'D)

---

### **External Auditors (cont'd)**

During the Meeting, the Committee 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 Committee's attention. The External Auditors informed that the Management had granted full co-operation to the External Auditors during their course of audit.

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

Subsequent to the financial year ended 31 December 2016, an invitation was send out to various audit firms inviting proposal from the interested firms for the engagement as Auditors of the Company for the ensuing year. On 15 March 2017, Messrs. Baker Tilly Monteiro Heng ("BTMH") was invited to the Audit Committee Meeting to table its Client Service Proposal to Dufu Group. After considering the following factors, the Committee recommended to the Board the proposed appointment of BTMH in place of the retiring Auditors of the Group:-

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

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

### **Internal Audit Function**

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

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

Prior to the setting up of its in-house Internal Audit Department ("IAD"), the Group outsourced its internal audit function to a professional Internal Audit Firm. The Group had set up its in-house IAD during the financial year 2016 and as such, the in-house IA function would enable to the Group to increase the IA cycle and to widen the scope of IA review as the outsourced IA only performed the review twice a year due to cost constrain. As the IAD is newly established, an independent consulting firm was engaged on retainer basis effective from 1 August 2016 to complement and advise the Internal Audit team to improvise the effectiveness of the internal audit function. The Internal Auditors' principal responsibility is to evaluate and improve the effectiveness of risk management, control and governance process. This is accomplished through a systematic and disciplined approach of regular reviews and appraisals of internal controls in the key activities of the Group's businesses implemented by the Management.

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

- Cash Management and Human Resources Management
- Disposal of scrap
- Credit Management
- Sub-Contractor assessment
- Purchasing cycle
- Operational review on maintenance, repair and disposal of motor vehicles
- Performed various audits related to EMS (Environmental Management System) 14001, OHSAS 18000 Occupational Health & Safety Management System, ISO 9001 Quality Management System and ISO13485 Quality Management System for the design and manufacture of medical devices
- Reviewed and monitored the related party transactions
- Performed special reviews requested by management pertaining to the setting-up of new customer accounts and the assessment of sub-contractor
- Conducted an internal self-assessment of the internal audit activity for internal auditing work performed during the year, as part of a Quality Assurance and Improvement Program

## AUDIT COMMITTEE REPORT (CONT'D)

---

### **Internal Audit Function (cont'd)**

The results 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 Internal Auditors' recommendations and suggestion for improvements.

On 15 November 2016, the AC approved the Group Internal Audit Plan 2016 as tabled by the IAD. This risk-based internal audit plan is developed based on the assessment of the principal risks associated with the core business processes of the Group as a whole through the discussions between the Management as well as consideration from the request and concerns raised by the AC.

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 the FY2016 was RM41,000.

### **Risk Management and Internal Control**

During the Meeting held on 15 December 2016, the AC reviewed the Group's Enhanced Enterprise Risk Management Framework that is to be implemented in second half of 2017, with a focus on the risks identified and the status of the risk management process implemented to facilitate the identification, assessment, evaluation, monitoring and management of risks and to ensure that all major risks are well managed.

On 3 April 2017, the AC reviewed the Statement on Risk Management and Internal Control for inclusion in this Annual Report.

### **Related Party Transactions**

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

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

This Statement is made in accordance with the resolution of the Board of Directors dated 3 April 2017.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

---

### Introduction

The Malaysian Code on Corporate Governance 2012 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 membership of the IVC is majority held by Independent Non-Executive Directors.

### KEY COMPONENTS OF INTERNAL CONTROL PROCESSES

#### Risk Management Framework

The Board has put in a risk management framework and ongoing process to assess the various types of risks, which might have an impact on the profitable operation of the Group's business. These include strategic risk, operational 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 operation 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 response 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.

The Group's Risk Management Committee ("RMC") is responsible to perform a periodic review, assessment and update of the Risk Register during the Key Performance Indicators ("KPIs") meetings. The Group is in the midst of enhancing its Enterprise Risk Management ("ERM") system which is an ongoing and systematic process to identify, assess, respond and monitor risks. The RMC consist of the Chief Executive Officer, Department Heads and the Internal Auditor (Risk Management Co-ordinator). 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 and the External Environment, Product and Process Development and Facility and as well as the Quality System. The risks are identified and assessed by employing the following methodologies:

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

---

### KEY COMPONENTS OF INTERNAL CONTROL PROCESSES (cont'd)

#### Risk Management Framework (cont'd)

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

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

#### Board Meetings

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

#### Organisational Structure

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

#### Internal Policies and Procedures

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

There are also documented Limits of Approving Authority for key aspects of the businesses. This provides a sound framework of authority and accountability within the organisation and facilitates proper corporate decision making at the appropriate level in the organisation's hierarchy. The delegation of limits is subject to periodic reviews 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 operating reviews on the various operating units. The reviews encompass areas such as financial and non-financial KPIs, variances between standard and operating results and compliance with laws and regulations. The KPIs meeting is chaired by the Chief Executive Officer and attended by all the Department Heads and supporting staff, and is held once a month to assess and measure the performance of various business units.

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

---

### **Internal Audit**

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

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

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

The results of the Internal Audit reviews are reported on a quarterly basis directly to the AC. The response from Management team on each Internal Audit recommendation and action plans therein, are regularly reviewed and followed up by the Internal Auditor and reported to the AC. For the financial year under review, the Internal Auditor conducted three (3) Internal Audit reviews on various business processes. In addition, two (2) ad-hoc reviews were conducted. Observations arising from the Internal Audit reviews are presented, together with Management team's response and proposed action plans, to the AC for its review and approval.

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

- Cash Management and Human Resources Management
- Disposal of scrap
- Credit Management
- Sub-Contractor assessment
- Purchasing cycle
- Operational review on maintenance, repair and disposal of motor vehicles.
- Performed various audits related to EMS (Environmental Management System) 14001, OHSAS 18000 Occupational Health & Safety Management System, ISO 9001 Quality Management System and ISO13485 Quality Management System for the design and manufacture of medical devices
- Reviewed and monitored the related party transactions
- Performed special reviews requested by management pertaining to the setting-up of new customer accounts and the assessment of sub-contractor
- Conducted an internal self-assessment of the internal audit activity for internal auditing work performed during the year, as part of a Quality Assurance and Improvement Program

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

The total cost incurred for the Internal Audit function for the financial year ended 31 December 2016 was RM41,000.

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

---

### 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 financial year ended 31 December 2016 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 Executive Chairman (who is also the Chief Financial Officer of the Group for the period up to 4 November 2016) 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.

The External Auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 (Revised), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the financial year ended 31 December 2016, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

- (a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issues, or
- (b) is factually inaccurate.

RPG 5 (Revised) does not require the External Auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and Management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

The Board is of the view that the ERM and system of internal controls in place for the financial year ended 31 December 2016 and up to the date of approval of this report is sound and sufficient to safeguard the shareholders' investment, the interests of customers, regulators, employees and other stakeholders of the Group.

This Statement has been approved by the Board of Directors on 3 April 2017.

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

---

### **UTILISATION OF PROCEEDS**

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

### **AUDIT AND NON-AUDIT FEES**

The amount of audit and non-audit fees incurred for services rendered to the Company and its subsidiaries for the financial year ended 31 December 2016 by the Company's Auditors, or a firm or company affiliated to the Auditors' firm are as follows: -

<b>Category</b>	<b><u>Audit Fees</u> (RM)</b>	<b><u>Non-Audit Fees</u> (RM)</b>
Company	40,000	9,500
Subsidiaries	128,000	9,000
<b>Total</b>	<b>168,000</b>	<b>18,500</b>

### **EMPLOYEE SHARE SCHEME**

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

### **MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST**

There were no material contracts entered into by the Company and its subsidiaries involving Directors, Chief Executive Officer's (who is not a director or major shareholders) and major shareholders' interests either still subsisting as at 31 December 2016 or entered into since the end of the previous financial year.

## STATEMENT ON DIRECTORS' RESPONSIBILITIES

IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS

---

The Board has the overall responsibility to prepare the financial statements for each financial year as required by the Companies Act, 1965. The financial statements should be prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards, and the Companies Act 1965 in Malaysia and the relevant provisions of the Bursa Malaysia Securities Berhad Main Market Listing Requirements so as to present a true and fair view of the state of affairs of the Group and of the Company as at end of the financial year and of their results and cash flows for the year ended.

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

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

The financial statements for the year ended 31 December 2016 of the Group had been approved by the Board on 28 February 2017.

This statement was made in accordance with a resolution of Board dated 3 April 2017.

# FINANCIAL STATEMENTS

<b>46 - 48</b>	Directors' Report
<b>49</b>	Statement by Directors
<b>49</b>	Statutory Declaration
<b>50 - 53</b>	Independent Auditors' Report
<b>54</b>	Consolidated Statement of Financial Position
<b>55</b>	Consolidated Statement of Comprehensive Income
<b>56</b>	Consolidated Statement of Changes in Equity
<b>57</b>	Consolidated Statement of Cash Flows
<b>58</b>	Statement of Financial Position
<b>59</b>	Statement of Comprehensive Income
<b>60</b>	Statement of Changes in Equity
<b>61</b>	Statement of Cash Flows
<b>62 - 90</b>	Notes to the Financial Statements
<b>91</b>	Supplementary Information - Realised and Unrealised Profits or Losses

## DIRECTORS' REPORT

---

The directors hereby submit their report and the audited financial statements of the Group and the Company for the financial year ended 31 December 2016.

### Principal Activities

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 6 to the financial statements. There have been no significant changes in the nature of the principal activities of the Group and the Company during the financial year.

### Results

	Group RM	Company RM
Profit for the financial year	27,112,593	5,781,604

### Dividends

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

	RM
Single tier special interim dividend of 2 sen per share in respect of the financial year ended 31 December 2015	3,509,407
Single tier final dividend of 1.1 sen per share in respect of the financial year ended 31 December 2015	1,917,704
Single tier first interim dividend of 1 sen per share in respect of the financial year ended 31 December 2016	1,682,224
	<u>7,109,335</u>

### Reserves And Provisions

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

### Issue Of Shares Or Debentures

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

### Options Granted Over Unissued Shares

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

### Purchase Of Own 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 directors are committed to enhancing the value of the Company to its shareholders and believe that the purchase plan can be applied in the best interests of the Company and its shareholders.

The details of the shares purchased during the financial year are disclosed in Note 13 to the financial statements.

The renewal mandate given by the shareholders at the Annual General Meeting held on 19 May 2016 will expire at the forthcoming Annual General Meeting at which a resolution will be tabled for shareholders to grant a fresh mandate for another year.

**DIRECTORS' REPORT  
(CONT'D)****Bad And Doubtful Debts**

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

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

**Current Assets**

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

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

**Valuation Methods**

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

**Contingent And Other Liabilities**

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

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

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

**Change Of Circumstances**

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

**Items Of An Unusual Nature**

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

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

## DIRECTORS' REPORT (CONT'D)

---

### Directors Of The Company

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

Lee, Hui-Ta also known as Li Hui Ta  
 Wu, Mao-Yuan  
 Khoo Lay Tatt  
 Ang Siak Keng  
 Sung, Cheng-Hsi  
 Joyce Wong Ai May (Resigned on 18.5.2016; reappointed on 23.5.2016)  
 Yin, Chih-Chu also known as Laurence Yin (Appointed on 11.11.2016)

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

Name of Director	Number of Ordinary Shares of RM0.50 Each					
	Direct Interest			Deemed Interest		
	Balance at 1.1.2016	Bought	(Sold)	Balance at 31.12.2016	Balance at 1.1.2016	Balance at 31.12.2016
Lee, Hui-Ta also known as Li Hui Ta	15,757,365	0	0	15,757,365	16,844,648	18,248,048
Wu, Mao-Yuan	4,612,500	0	0	4,612,500	0	0
Khoo Lay Tatt	200,000	1,000,000	0	1,200,000	0	0
Sung, Cheng-Hsi	1,751,900	0	(1,051,000)	700,900	0	0

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

### Directors' Benefits

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than the directors' remuneration disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to have arisen by virtue of those related party transactions as disclosed in Note 21 to the financial statements.

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

**Signed In Accordance With A Resolution Of The Directors  
Dated 28 February 2017**

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

**Wu, Mao-Yuan**

## STATEMENT BY DIRECTORS

---

We, Lee, Hui-Ta also known as Li Hui Ta and Wu, Mao-Yuan, being two of the directors of Dufu Technology Corp. Berhad, do hereby state that in the opinion of the directors, the financial statements set out on pages 54 to 90 give a true and fair view of the financial position of the Group and the Company as at 31 December 2016 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

In the opinion of the directors, the supplementary information set out on page 91 is prepared, in all material respects, in accordance with Guidance on Special Matter No. 1 *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

**Signed In Accordance With A Resolution Of The Directors**  
**Dated 28 February 2017**

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

**Wu, Mao-Yuan**

## STATUTORY DECLARATION

I, Lee, Hui-Ta also known as Li Hui Ta, being the director primarily responsible for the financial management of Dufu Technology Corp. Berhad, do solemnly and sincerely declare that the financial statements set out on pages 54 to 90 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by  
 Lee, Hui-Ta also known as Li Hui Ta at  
 Georgetown in the State of Penang  
 on this 28 February 2017

Before me

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

**Mok Cheng Yoon**  
**No. P140**  
 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 2016 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 54 to 90.

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 2016, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

#### *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' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

#### *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
<u>Allowance for inventories (Refer to Notes 3 and 8 to the financial statements)</u>  The Group carries significant inventories as disclosed in Note 8 to the financial statements. The assessment of inventory write-downs due to excess quantities, obsolescence and decline in net realisable value below cost involved judgements and estimation uncertainty in forming expectations about future sales and demands.	Our audit procedures included, among others:- <ul style="list-style-type: none"> <li>• Obtaining an understanding of:-<ul style="list-style-type: none"> <li>• the Group's inventory management process;</li> <li>• how the Group identifies and assesses inventory write-downs; and</li> <li>• how the Group makes the accounting estimates for inventory write-downs.</li> </ul></li> <li>• Examining the perpetual records for inventory movements and to identify slow moving aged items.</li> <li>• Making inquiries of management regarding the action plans to clear slow moving aged and obsolete inventories.</li> <li>• Reviewing the net realisable value of major inventories.</li> <li>• Evaluating the reasonableness and adequacy of the allowance for inventories recognised for identified exposures.</li> </ul>

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF DUFU TECHNOLOGY CORP. BERHAD (CONT'D)**

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<u>Impairment of loans and receivables</u> <u>(Refer to Notes 3 and 9 to the financial statements)</u>  The Group carries significant receivables as disclosed in Note 9 to the financial statements and is subject to major credit risk exposures. The assessment of recoverability of receivables involved judgements and estimation uncertainty in analysing historical bad debts, customer concentration, customer creditworthiness, current economic trends, customer payment terms, etc.	<p>Our audit procedures included, among others:-</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of:-<ul style="list-style-type: none"> <li>• the Group's control over the receivable collection process;</li> <li>• how the Group identifies and assesses the impairment of receivables; and</li> <li>• how the Group makes the accounting estimates for impairment.</li> </ul></li> <li>• Reviewing the ageing analysis of receivables and testing the reliability thereof.</li> <li>• Reviewing subsequent cash collections for major receivables and overdue amounts.</li> <li>• Making inquiries of management regarding the action plans to recover overdue amounts.</li> <li>• Comparing and challenging management's view on the recoverability of overdue amounts to historical patterns of collections.</li> <li>• Examining other evidence including customer correspondences, proposed or existing settlement plans, repayment schedules, etc.</li> <li>• Evaluating the reasonableness and adequacy of the allowance for impairment recognised for identified exposures.</li> </ul>

*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 directors' report (but does not include the financial statements of the Group and the Company and our auditors' report thereon), which we obtained prior to the date of this auditors' report, and the annual report, which is expected to be made available to us after that date.

Our opinion on the financial statements of the Group and the Company does not cover the other information and we do not and will 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 identified above 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 on the other information that we obtained prior to the date of this auditors' report, 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.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Company and request that a correction be made. If the directors refuse to make the correction, we shall take appropriate action considering our legal rights and obligations, to seek to have the uncorrected material misstatement appropriately brought to the attention of users for whom our auditors' report is prepared.

*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 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements 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.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DUFU TECHNOLOGY CORP. BERHAD (CONT'D)

---

### *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 skepticism 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, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and 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.

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF DUFU TECHNOLOGY CORP. BERHAD (CONT'D)**

---

**Report on Other Legal and Regulatory Requirements**

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

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

**Other Reporting Responsibilities**

The supplementary information set out on page 91 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

**Other Matters**

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

**Crowe Horwath**

Firm No: AF 1018  
Chartered Accountants

Date: 28 February 2017

Penang

**Chan Kheng Hoe**

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AS AT 31 DECEMBER 2016

	<b>Note</b>	<b>2016</b> <b>RM</b>	<b>2015</b> <b>RM</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	4	44,968,211	63,513,821
Investment properties	5	10,189,473	0
Investments in club memberships, at cost		61,000	61,000
Deferred tax assets	7	521,457	529,349
		55,740,141	64,104,170
<b>CURRENT ASSETS</b>			
Inventories	8	20,927,352	26,396,612
Trade and other receivables	9	54,145,997	52,135,188
Prepayments		360,451	577,155
Current tax assets		0	41,109
Cash and cash equivalents	10	46,561,727	25,255,077
		121,995,527	104,405,141
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	28,128,985	24,693,610
Loans and borrowings	12	6,954,524	13,813,015
Current tax liabilities		4,090,807	4,125,569
		39,174,316	42,632,194
<b>NET CURRENT ASSETS</b>		82,821,211	61,772,947
<b>NON-CURRENT LIABILITIES</b>			
Loans and borrowings	12	6,039,965	10,191,621
Deferred tax liabilities	7	1,331,000	243,000
		7,370,965	10,434,621
<b>NET ASSETS</b>		131,190,387	115,442,496
<b>EQUITY</b>			
Share capital	13	87,735,185	87,735,185
Treasury shares	13	(5,011,619)	0
Currency translation reserve		8,873,896	11,627,051
Reverse acquisition reserve		(24,110,002)	(24,110,002)
Retained profits		63,702,927	40,190,262
<b>TOTAL EQUITY</b>		131,190,387	115,442,496

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	<b>Note</b>	<b>2016</b>	<b>2015</b>
		<b>RM</b>	<b>RM</b>
Revenue	14	170,310,459	178,271,050
Other income		11,861,293	5,564,425
Changes in work-in-progress and finished goods		(6,649,999)	(4,481,812)
Raw materials consumed		(48,503,882)	(45,646,392)
Purchase of work-in-progress and finished goods		(13,604,036)	(27,081,778)
Depreciation		(10,888,796)	(12,867,261)
Employee benefits expense	15	(41,487,598)	(37,941,200)
Finance costs		(884,088)	(1,679,186)
Other expenses		(24,816,350)	(38,155,926)
Profit before tax	16	35,337,003	15,981,920
Tax expense	17	(8,224,410)	(5,039,340)
Profit for the financial year		<u>27,112,593</u>	<u>10,942,580</u>
Other comprehensive income:-			
<i>Items that may be reclassified subsequently to profit or loss:-</i>			
- Currency translation differences for foreign operations		955,296	8,031,363
- Reclassification adjustment on dissolution of foreign operation		(3,708,451)	0
Other comprehensive income for the financial year		<u>(2,753,155)</u>	<u>8,031,363</u>
Total comprehensive income for the financial year		<u>24,359,438</u>	<u>18,973,943</u>
Earnings per share:-	18		
- Basic (sen)		<u>15.83</u>	<u>6.24</u>
- Diluted (sen)		<u>15.83</u>	<u>6.24</u>

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Share capital RM	Treasury shares RM	Non-distributable		Distributable		Total equity RM
			Currency translation RM	Reverse acquisition reserve RM	Retained profits RM		
Balance at 1 January 2015	87,735,185	0	3,595,688	(24,110,002)	32,757,089	99,977,960	
Currency translation differences for foreign operations (representing other comprehensive income for the financial year)	0	0	8,031,363	0	0	8,031,363	
Profit for the financial year	0	0	0	0	10,942,580	10,942,580	
Total comprehensive income for the financial year	0	0	8,031,363	0	10,942,580	18,973,943	
Dividend (representing total transactions with owners) (Note 19)	0	0	0	0	(3,509,407)	(3,509,407)	
Balance at 31 December 2015	87,735,185	0	11,627,051	(24,110,002)	40,190,262	115,442,496	
Currency translation differences for foreign operations	0	0	955,296	0	0	955,296	
Reclassification adjustment on dissolution of foreign operation	0	0	(3,708,451)	0	0	(3,708,451)	
Other comprehensive income for the financial year	0	0	(2,753,155)	0	0	(2,753,155)	
Profit for the financial year	0	0	0	0	27,112,593	27,112,593	
Total comprehensive income for the financial year	0	0	(2,753,155)	0	27,112,593	24,359,438	
Purchase of own shares	0	(5,011,619)	0	0	0	(5,011,619)	
Dividends (Note 19)	0	0	0	0	(3,599,928)	(3,599,928)	
Total transactions with owners	0	(5,011,619)	0	0	(3,599,928)	(8,611,547)	
Balance at 31 December 2016	87,735,185	(5,011,619)	8,873,896	(24,110,002)	63,702,927	131,190,387	

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

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	<b>Note</b>	<b>2016</b>	<b>2015</b>
		<b>RM</b>	<b>RM</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		35,337,003	15,981,920
Adjustments for:-			
Depreciation		10,888,796	12,867,261
Gain on dissolution of subsidiary		(3,708,451)	0
Impairment loss on loans and receivables		86,246	2,868,478
Impairment loss on property, plant and equipment		338,881	0
Interest expense		884,088	1,679,186
Interest income		(616,167)	(108,984)
Inventories written down		576,502	2,512,397
Loss/(Gain) on disposal of property, plant and equipment		288,520	(71,270)
Property, plant and equipment written off		19,787	1,719,052
Reversal of impairment loss on loans and receivables		(1,164,603)	0
Reversal of inventories written down		(1,216,035)	(3,354,616)
Unrealised gain on foreign exchange		(447,406)	(31,517)
Operating profit before working capital changes		<u>41,267,161</u>	<u>34,061,907</u>
Changes in:-			
Inventories		6,108,793	4,473,534
Receivables and prepayments		(715,748)	(6,016,811)
Payables		<u>6,944,782</u>	<u>(5,144,202)</u>
Cash generated from operations		53,604,988	27,374,428
Tax paid		(7,124,004)	(1,656,387)
Tax refunded		0	94,661
Net cash from operating activities		<u>46,480,984</u>	<u>25,812,702</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		616,167	108,984
Proceeds from disposal of property, plant and equipment		66,314	74,500
Purchase of property, plant and equipment	20	(2,474,981)	(5,001,450)
Net cash used in investing activities		<u>(1,792,500)</u>	<u>(4,817,966)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid		(7,109,335)	0
Interest paid		(884,088)	(1,679,186)
Net decrease in short-term loans and borrowings		(7,315,983)	(7,309,925)
Purchase of own shares		(5,011,619)	0
Repayment of hire purchase obligations		(3,524,686)	(3,785,894)
Repayment of term loans		(3,060,663)	(3,217,098)
Net cash used in financing activities		<u>(26,906,374)</u>	<u>(15,992,103)</u>
Currency translation differences		1,337,161	5,689,128
Net increase in cash and cash equivalents		19,119,271	10,691,761
Cash and cash equivalents brought forward		24,826,442	14,134,681
Cash and cash equivalents carried forward	10	<u>43,945,713</u>	<u>24,826,442</u>

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

**STATEMENT OF FINANCIAL POSITION**

AS AT 31 DECEMBER 2016

	Note	2016 RM	2015 RM
<b>NON-CURRENT ASSETS</b>			
Investments in subsidiaries	6	55,560,890	51,644,719
<b>CURRENT ASSETS</b>			
Receivables	9	30,434,241	50,860,577
Cash and cash equivalents	10	13,604,910	5,555,664
		44,039,151	56,416,241
<b>CURRENT LIABILITIES</b>			
Payables	11	78,511	5,439,807
Current tax liabilities		0	269,680
		78,511	5,709,487
<b>NET CURRENT ASSETS</b>		43,960,640	50,706,754
<b>NET ASSETS</b>		<u>99,521,530</u>	<u>102,351,473</u>
<b>EQUITY</b>			
Share capital	13	87,735,185	87,735,185
Treasury shares	13	(5,011,619)	0
Retained profits		16,797,964	14,616,288
<b>TOTAL EQUITY</b>		<u>99,521,530</u>	<u>102,351,473</u>

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

**STATEMENT OF COMPREHENSIVE INCOME**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	<b>Note</b>	<b>2016</b>	<b>2015</b>
		<b>RM</b>	<b>RM</b>
Revenue	14	286,904	24,167,051
Other income	14	6,192,712	0
Employee benefits expense	15	(296,500)	(435,500)
Other expenses		(389,038)	(12,578,121)
Profit before tax	16	5,794,078	11,153,430
Tax expense	17	(12,474)	0
Profit for the financial year		<u>5,781,604</u>	<u>11,153,430</u>
Other comprehensive income for the financial year		0	0
Total comprehensive income for the financial year		<u>5,781,604</u>	<u>11,153,430</u>

**STATEMENT OF CHANGES IN EQUITY**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	<b>Share capital</b> <b>RM</b>	<b>Treasury shares</b> <b>RM</b>	<b>Retained profits</b> <b>RM</b>	<b>Total equity</b> <b>RM</b>
Balance at 1 January 2015	87,735,185	0	6,972,265	94,707,450
Profit (representing total comprehensive income) for the financial year	0	0	11,153,430	11,153,430
Dividend (representing total transactions with owners) (Note 19)	0	0	(3,509,407)	(3,509,407)
Balance at 31 December 2015	87,735,185	0	14,616,288	102,351,473
Profit (representing total comprehensive income) for the financial year	0	0	5,781,604	5,781,604
Purchase of own shares	0	(5,011,619)	0	(5,011,619)
Dividends (Note 19)	0	0	(3,599,928)	(3,599,928)
Total transactions with owners	0	(5,011,619)	(3,599,928)	(8,611,547)
Balance at 31 December 2016	87,735,185	(5,011,619)	16,797,964	99,521,530

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

**STATEMENT OF CASH FLOWS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	<b>Note</b>	<b>2016</b>	<b>2015</b>
		<b>RM</b>	<b>RM</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		5,794,078	11,153,430
Adjustments for:-			
Dividend income		0	(24,076,808)
Gain on dissolution of subsidiaries		(6,192,712)	0
Impairment loss on investments in subsidiaries		0	3,706,806
Impairment loss on loans and receivables		0	8,282,366
Interest income		(286,904)	(90,243)
Operating loss before working capital changes		(685,538)	(1,024,449)
Changes in:-			
Receivables		11,647	369,634
Payables		48,111	4,500
Cash absorbed by operations		(625,780)	(650,315)
Tax paid		(282,154)	0
Net cash used in operating activities		(907,934)	(650,315)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital distribution from subsidiaries		376,541	0
Dividends received		0	24,076,808
Interest received		286,904	90,243
Net repayment from/(advance to) subsidiaries		20,414,689	(21,676,808)
Net cash from investing activities		21,078,134	2,490,243
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid		(7,109,335)	0
Purchase of own shares		(5,011,619)	0
Net cash used in financing activities		(12,120,954)	0
Net increase in cash and cash equivalents		8,049,246	1,839,928
Cash and cash equivalents brought forward		5,555,664	3,715,736
Cash and cash equivalents carried forward	10	<u>13,604,910</u>	<u>5,555,664</u>

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

---

### 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 6 to the financial statements.

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

The consolidated financial statements set out on pages 54 to 57 together with the notes thereto cover the Company and its subsidiaries ("the Group"). The separate financial statements of the Company set out on pages 58 to 61 together with the notes thereto cover the Company solely.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 28 February 2017.

### 2. Significant Accounting Policies

#### 2.1 Basis of Preparation of Financial Statements

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

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

MFRS	Effective for annual periods beginning on or after
MFRS 14 <i>Regulatory Deferral Accounts</i>	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128 <i>Investment Entities: Applying the Consolidation Exception</i>	1 January 2016
Amendments to MFRS 11 <i>Accounting for Acquisitions of Interests in Joint Operations</i>	1 January 2016
Amendments to MFRS 101 <i>Disclosure Initiative</i>	1 January 2016
Amendments to MFRS 116 and MFRS 138 <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
Amendments to MFRS 116 and MFRS 141 <i>Agriculture: Bearer Plants</i>	1 January 2016
Amendments to MFRS 127 <i>Equity Method in Separate Financial Statements</i>	1 January 2016
Annual Improvements to MFRS Standards 2012 - 2014 Cycle	1 January 2016

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

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONT'D)

**2. Significant Accounting Policies (cont'd)**

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

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

<b>MFRS (Issued as at the end of the reporting period)</b>	<b>Effective for annual periods beginning on or after</b>
MFRS 9 <i>Financial Instruments</i> (IFRS 9 <i>Financial Instruments</i> as issued by IASB in July 2014)	1 January 2018
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
MFRS 16 <i>Leases</i>	1 January 2019
IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
Amendments to MFRS 2 <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to MFRS 4 <i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>	1 January 2018
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred
Amendments to MFRS 15 <i>Clarifications to MFRS 15 Revenue from Contracts with Customers</i>	1 January 2018
Amendments to MFRS 107 <i>Disclosure Initiative</i>	1 January 2017
Amendments to MFRS 112 <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
Amendments to MFRS 140 <i>Transfers of Investment Property</i>	1 January 2018
Annual Improvements to MFRS Standards 2014 - 2016 Cycle:-	
(i) Amendments to MFRS 1 <i>First-time Adoption of Malaysian Financial Reporting Standards</i>	1 January 2018
(ii) Amendments to MFRS 12 <i>Disclosure of Interests in Other Entities</i>	1 January 2017
(iii) Amendments to MFRS 128 <i>Investments in Associates and Joint Ventures</i>	1 January 2018

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

**MFRS 9 Financial Instruments**

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONT'D)

---

### 2. Significant Accounting Policies (cont'd)

#### 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.

Goodwill is recognised as an asset at the aforementioned amount less accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.7. 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 2.7.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONT'D)

---

**2. Significant Accounting Policies (cont'd)**

**2.3 Property, Plant and Equipment (cont'd)**

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

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

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

**2.4 Investment Properties**

Investment property, being a property held to earn rentals and/or for capital appreciation, is stated at cost less accumulated depreciation and accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.7.

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 using an annual rate of 6.67%.

**2.5 Investments in Subsidiaries**

As required by the Companies Act 1965, the Company prepares separate financial statements in addition to the consolidated financial statements. In the separate financial statements of the Company, investments in subsidiaries are stated at cost less impairment losses, if any. The impairment policy is disclosed in Note 2.7.

**2.6 Investments in Club Memberships**

Investments in club memberships are stated at cost less impairment losses, if any. The impairment policy is disclosed in Note 2.7.

**2.7 Impairment of Non-financial Assets**

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

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

**2.8 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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONT'D)

---

**2. Significant Accounting Policies (cont'd)**

**2.9 Financial Assets**

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

**Recognition and Measurement**

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

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

**Impairment**

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

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

**2.10 Financial Liabilities**

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

**Recognition and Measurement**

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

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

**2.11 Leases**

**Finance Lease**

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONT'D)**

---

**2. Significant Accounting Policies (cont'd)**

**2.11 Leases (cont'd)**

**Operating Lease**

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

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

**2.12 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.

**2.13 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.

Own shares purchased are held as treasury shares in accordance with the requirements of Section 67A of the Companies Act 1965. The total amount of consideration paid, including directly attributable costs, is recognised directly in equity.

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

**2.14 Fair Value Measurement**

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

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

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONT'D)

---

**2. Significant Accounting Policies (cont'd)**

**2.14 Fair Value Measurement (cont'd)**

- (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).

**2.15 Income Recognition**

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

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

Interest income is recognised using the effective interest method.

**2.16 Employee Benefits**

**Short-term Employee Benefits**

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

**Defined Contribution Plans**

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

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONT'D)

---

**2. Significant Accounting Policies (cont'd)**

**2.17 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.

**2.18 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.

**2.19 Cash and Cash Equivalents**

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

**3. Judgements And Estimation Uncertainty**

**Judgements Made in Applying Accounting Policies**

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

**Sources of Estimation Uncertainty**

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

Allowance for inventories

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

Impairment of loans and receivables

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONT'D)

4. **Property, Plant And Equipment**  
Group

	Short-term leasehold land		Buildings		Plant and machinery		Furniture, fittings and office equipment		Renovation and electrical installation		Motor vehicles		<b>Total RM</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	
<b>Cost</b>													
Balance at 1 January 2015	11,451,022	29,837,055	121,262,764		3,403,714	1,831,967		2,753,321		170,539,843			
Additions	0	1,801,379	3,341,253		321,695	0		279,971		5,744,298			
Disposals/Write-offs	0	0	(8,228,835)		(301,796)	(1,204,426)		(420,060)		(10,155,117)			
Currency translation differences	0	280,256	4,159,505		176,968	99,289		112,551		4,828,569			
Balance at 31 December 2015	11,451,022	31,918,690	120,534,687		3,600,581	726,830		2,725,783		170,957,593			
Additions	0	12,000	1,150,121		521,949	306,086		1,188,631		3,178,787			
Disposals/Write-offs	0	0	(5,726,199)		(55,041)	0		(464,930)		(6,246,170)			
Transfers to investment properties	(6,651,022)	(5,601,523)	0		0	0		0		(12,252,545)			
Currency translation differences	0	(40,687)	(491,558)		15,761	12,978		48,285		(455,221)			
Balance at 31 December 2016	4,800,000	26,288,480	115,467,051		4,083,250	1,045,894		3,497,769		155,182,444			

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONT'D)

**4. Property, Plant And Equipment (cont'd)**

	Short-term leasehold land	Buildings	Plant and machinery	Furniture, fittings and office equipment	Renovation and electrical installation	Motor vehicles	Total RM
	RM	RM	RM	RM	RM	RM	RM
<u>Depreciation and Impairment Losses</u>							
Balance at 1 January 2015	1,857,476	14,424,910	78,617,156	1,685,534	1,272,645	2,299,084	100,156,805
Accumulated depreciation	0	0	343,303	0	0	0	343,303
Accumulated impairment losses	1,857,476	14,424,910	78,960,459	1,685,534	1,272,645	2,299,084	100,500,108
Depreciation	257,716	1,776,436	10,165,522	352,379	133,136	182,072	12,867,261
Disposals/Write-offs	0	0	(6,564,012)	(270,831)	(1,177,932)	(420,060)	(8,432,835)
Currency translation differences	0	81,196	2,181,715	127,431	28,065	90,831	2,509,238
Balance at 31 December 2015	2,115,192	16,282,542	84,400,381	1,894,513	255,914	2,151,927	107,100,469
Accumulated depreciation	0	0	343,303	0	0	0	343,303
Accumulated impairment losses	2,115,192	16,282,542	84,743,684	1,894,513	255,914	2,151,927	107,443,772
Depreciation	257,715	1,878,319	7,976,570	340,977	164,145	271,070	10,888,796
Impairment losses	0	0	338,881	0	0	0	338,881
Disposals/Write-offs	0	0	(5,398,860)	(11,309)	0	(461,380)	(5,871,549)
Transfers to investment properties	(751,855)	(1,311,217)	0	0	0	0	(2,063,072)
Currency translation differences	0	(412)	(558,967)	22,274	8,742	5,768	(522,595)
Balance at 31 December 2016	1,621,052	16,849,232	86,419,124	2,246,455	428,801	1,967,385	109,532,049
Accumulated depreciation	0	0	682,184	0	0	0	682,184
Accumulated impairment losses	1,621,052	16,849,232	87,101,308	2,246,455	428,801	1,967,385	110,214,233
<u>Carrying Amount</u>							
Balance at 1 January 2015	9,593,546	15,412,145	42,302,305	1,718,180	559,322	454,237	70,039,735
Balance at 31 December 2015	9,335,830	15,636,148	35,791,003	1,706,068	470,916	573,856	63,513,821
Balance at 31 December 2016	3,178,948	9,439,248	28,365,743	1,836,795	617,093	1,530,384	44,968,211

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONT'D)

**4. Property, Plant And Equipment (cont'd)**

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

	2016 RM	2015 RM
Short-term leasehold land	3,178,948	9,335,830
Buildings	6,602,173	12,550,320
	<u>9,781,121</u>	<u>21,886,150</u>

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

	2016 RM	2015 RM
Plant and machinery	6,644,548	11,279,894
Motor vehicles	1,143,977	348,399
	<u>7,788,525</u>	<u>11,628,293</u>

**5. Investment Properties**

Group

	Short-term leasehold land RM	Buildings RM	Total RM
<u>Cost</u>			
Balance at 1 January 2016	0	0	0
Transfers from property, plant and equipment	6,651,022	5,601,523	12,252,545
Balance at 31 December 2016	<u>6,651,022</u>	<u>5,601,523</u>	<u>12,252,545</u>
<u>Accumulated Depreciation</u>			
Balance at 1 January 2016	0	0	0
Transfers from property, plant and equipment	751,855	1,311,217	2,063,072
Balance at 31 December 2016	<u>751,855</u>	<u>1,311,217</u>	<u>2,063,072</u>
<u>Carrying Amount</u>			
Balance at 1 January 2016	0	0	0
Balance at 31 December 2016	<u>5,899,167</u>	<u>4,290,306</u>	<u>10,189,473</u>
<u>Fair Value</u>			
Estimated fair value at 31 December 2016	<u>11,200,000</u>	<u>6,200,000</u>	<u>17,400,000</u>

The fair values of investment properties were measured based on appraisals performed by independent professional valuers using the 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 short-term leasehold land and buildings have been pledged as security for credit facilities granted to the Group.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONT'D)

**6. Investments In Subsidiaries**

Company

	2016 RM	2015 RM
Unquoted shares - at cost	57,560,890	55,351,525
Accumulated impairment losses	(2,000,000)	(3,706,806)
	<u>55,560,890</u>	<u>51,644,719</u>

The details of the subsidiaries are as follows:-

<b>Name of Subsidiary</b>	<b>Principal Place of Business/ Country of Incorporation</b>	<b>Effective Ownership Interest</b>		<b>Principal Activity</b>
		<b>2016</b>	<b>2015</b>	
Dufu Industries Sdn. Bhd. ("DISB")	Malaysia	100%	100%	Design, development, manufacture, assembly and trading of die components and precision machining of vice, computer peripherals and parts, for hard disk drive
Dufusion Sdn. Bhd.	Malaysia	100%	100%	Design, research and development, manufacture, assembly and trading of medical components for orthopaedics
Futron Technology Co., Ltd.	People's Republic of China	100%	100%	Manufacture and trading of optics, magnetism driver and parts
Futron Technology Limited	Hong Kong	0%	100%	Dissolved
I.P.G. Metal Industry (M) Sdn. Bhd.	Malaysia	0%	100%	Dissolved
<b><u>Subsidiary of DISB</u></b>				
Dufu Industries Services Pte. Ltd.	Singapore	100%	100%	Processing and trading of high quality computer disk-drive related components

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONT'D)

**7. Deferred Tax Assets/(Liabilities)**

Group

	<b>2016</b> <b>RM</b>	<b>2015</b> <b>RM</b>
Balance at 1 January	286,349	444,316
Deferred tax expense relating to origination and reversal of temporary differences	(579,059)	(191,759)
Deferred tax liabilities underprovided in prior year	(515,000)	0
Currency translation differences	(1,833)	33,792
Balance at 31 December	<u>(809,543)</u>	<u>286,349</u>
Disclosed as:-		
- Deferred tax assets	521,457	529,349
- Deferred tax liabilities	<u>(1,331,000)</u>	<u>(243,000)</u>
	<u>(809,543)</u>	<u>286,349</u>

In respect of deductible/(taxable) temporary differences of:-

	2016	2015
- Inventories	473,642	626,000
- Financial instruments	85,223	880,267
- Property, plant and equipment	(1,368,408)	(1,219,918)
	<u>(809,543)</u>	<u>286,349</u>

Save as disclosed above, as at 31 December 2016, deferred tax liabilities and deferred tax assets have also effectively been recognised and offset against each other by the Group to the extent of approximately RM143,000 (2015 : RM467,000). No further deferred tax assets have been recognised for the excess of the unused capital allowances, unused tax losses and deductible temporary differences over the taxable temporary differences as follows:-

	<b>Group</b>		<b>Company</b>	
	<b>2016</b> <b>RM</b>	<b>2015</b> <b>RM</b>	<b>2016</b> <b>RM</b>	<b>2015</b> <b>RM</b>
Unused capital allowances	1,471,000	1,186,000	0	0
Unused tax losses	6,200,000	5,337,000	1,164,000	1,164,000
Deductible/(Taxable) temporary differences of:-				
- Investment properties	688,000	0	0	0
- Property, plant and equipment	(595,000)	(1,735,000)	0	0
- Financial instruments	0	(209,000)	0	0
	<u>7,764,000</u>	<u>4,579,000</u>	<u>1,164,000</u>	<u>1,164,000</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONT'D)

**8. Inventories**

Group

	2016	2015
	RM	RM
Raw materials	7,024,513	6,004,044
Work-in-progress	1,834,603	2,514,564
Finished goods	<u>12,068,236</u>	<u>17,878,004</u>
	<u>20,927,352</u>	<u>26,396,612</u>

**9. Trade And Other Receivables**

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
<b>Trade receivables:-</b>				
- Related party <sup>(a)</sup>	884,879	974,749	0	0
- Allowance for impairment	(884,879)	(974,749)	0	0
	0	0	0	0
- Unrelated parties	51,734,817	51,655,333	0	0
- Allowance for impairment	(304,745)	(1,316,245)	0	0
	51,430,072	50,339,088	0	0
	<u>51,430,072</u>	<u>50,339,088</u>	0	0
<b>Other receivables:-</b>				
- Subsidiaries	0	0	38,716,607	59,131,296
- Allowance for impairment	0	0	(8,282,366)	(8,282,366)
	0	0	30,434,241	50,848,930
- Other related party <sup>(a)</sup>	0	31,800	0	0
- Unrelated parties	3,234,069	2,341,784	0	11,647
- Allowance for impairment	(518,144)	(577,484)	0	0
	2,715,925	1,764,300	0	11,647
	<u>2,715,925</u>	<u>1,796,100</u>	<u>30,434,241</u>	<u>50,860,577</u>
	<u>54,145,997</u>	<u>52,135,188</u>	<u>30,434,241</u>	<u>50,860,577</u>

<sup>(a)</sup> Being companies connected with certain former directors

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONT'D)

**9. Trade And Other Receivables (cont'd)**

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

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Ringgit Malaysia	2,473,078	2,079,761	30,434,241	50,860,577
Renminbi	7,629,219	3,571,636	0	0
Singapore Dollar	700,283	662,148	0	0
US Dollar	43,087,175	45,155,685	0	0
Others	256,242	665,958	0	0
	54,145,997	52,135,188	30,434,241	50,860,577

**Trade Receivables**

Trade receivables are unsecured, non-interest bearing and generally on 30 to 90 day terms.

The movements in allowance for impairment are as follows:-

	Group	
	2016 RM	2015 RM
Balance at 1 January	2,290,994	0
Impairment loss recognised	86,246	2,290,994
Impairment loss reversed	(1,105,263)	0
Impairment loss written off	(82,353)	0
Balance at 31 December	1,189,624	2,290,994

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

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

	Group	
	2016 RM	2015 RM
Not past due	45,372,160	37,844,752
Past due 1 to 30 days	2,586,468	10,003,679
Past due 31 to 120 days	1,842,399	2,260,484
Past due more than 120 days	1,629,045	230,173
	51,430,072	50,339,088

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

Management determines credit risk concentrations in terms of counterparties and geographical areas. As at 31 December 2016, there were 3 (2015 : 3) major customers that accounted for 10% or more of the Group's trade receivables and the total outstanding balances due from these major customers amounted to RM37,006,057 (2015 : RM36,187,112).

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONT'D)

**9. Trade And Other Receivables (cont'd)**

**Trade Receivables (cont'd)**

The credit risk concentration profile by geographical areas of trade receivables is as follows:-

	<b>Group</b>	
	<b>2016</b> <b>RM</b>	<b>2015</b> <b>RM</b>
Malaysia	15,466,978	12,423,907
China	10,499,782	11,454,926
Singapore	4,621,898	6,515,874
Thailand	12,707,183	15,135,566
Others	8,134,231	4,808,815
	<u>51,430,072</u>	<u>50,339,088</u>

**Other Receivables**

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

The movements in allowance for impairment are as follows:-

	<b>Group</b>		<b>Company</b>	
	<b>2016</b> <b>RM</b>	<b>2015</b> <b>RM</b>	<b>2016</b> <b>RM</b>	<b>2015</b> <b>RM</b>
Balance at 1 January	577,484	0	8,282,366	0
Impairment loss recognised	0	577,484	0	8,282,366
Impairment loss reversed	(59,340)	0	0	0
Balance at 31 December	<u>518,144</u>	<u>577,484</u>	<u>8,282,366</u>	<u>8,282,366</u>

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

**10. Cash And Cash Equivalents**

	<b>Group</b>		<b>Company</b>	
	<b>2016</b> <b>RM</b>	<b>2015</b> <b>RM</b>	<b>2016</b> <b>RM</b>	<b>2015</b> <b>RM</b>
Term deposits with licensed banks (fixed rate)	14,984,828	3,266,104	8,076,000	0
Cash and bank balances	<u>31,576,899</u>	<u>21,988,973</u>	<u>5,528,910</u>	<u>5,555,664</u>
	<u>46,561,727</u>	<u>25,255,077</u>	<u>13,604,910</u>	<u>5,555,664</u>

The effective interest rates of term deposits as at 31 December 2016 ranged from 1.35% to 3.40% (2015 : 1.60% to 1.70%) per annum.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONT'D)

**10. CASH AND CASH EQUIVALENTS (cont'd)**

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

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Ringgit Malaysia	23,405,391	10,648,956	13,604,910	5,555,664
Renminbi	5,094,747	5,895,832	0	0
Singapore Dollar	525,912	1,615,691	0	0
US Dollar	17,535,677	7,060,410	0	0
Others	0	34,188	0	0
	46,561,727	25,255,077	13,604,910	5,555,664

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

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Cash and cash equivalents	46,561,727	25,255,077	13,604,910	5,555,664
Bank overdraft	(2,616,014)	(428,635)	0	0
	43,945,713	24,826,442	13,604,910	5,555,664

**11. Trade And Other Payables**

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Trade payables:-				
- Related party <sup>(a)</sup>	49,205	44,732	0	0
- Unrelated parties	16,967,202	14,756,799	0	0
	17,016,407	14,801,531	0	0
Other payables:-				
- Director	136,888	0	0	0
- Subsidiary	0	0	0	1,900,000
- Other related party <sup>(a)</sup>	27,312	24,380	0	0
- Unrelated parties	10,948,378	6,358,292	78,511	30,400
	11,112,578	6,382,672	78,511	1,930,400
Dividend payable	0	3,509,407	0	3,509,407
	28,128,985	24,693,610	78,511	5,439,807

<sup>(a)</sup> Being companies connected with a director

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONT'D)

**11. TRADE AND OTHER PAYABLES (cont'd)**

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

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Ringgit Malaysia	14,385,565	11,984,064	78,511	5,439,807
Renminbi	4,859,244	4,243,004	0	0
Singapore Dollar	6,137,286	6,228,555	0	0
US Dollar	2,191,391	1,664,268	0	0
Others	555,499	573,719	0	0
	28,128,985	24,693,610	78,511	5,439,807

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

**Trade Payables**

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

**Other Payables**

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

**12. Loans And Borrowings**

Group

	2016 RM	2015 RM
<b><u>Secured</u></b>		
Hire purchase payables (fixed rate)	4,374,136	7,195,016
Bank overdraft (floating rate)	2,616,014	428,635
Revolving credit (floating rate)	0	2,000,000
Term loans (floating rate)	6,004,339	9,065,002
<b><u>Unsecured</u></b>		
Banker acceptances (fixed rate)	0	5,315,983
	12,994,489	24,004,636
Disclosed as:-		
- Current liabilities	6,954,524	13,813,015
- Non-current liabilities	6,039,965	10,191,621
	12,994,489	24,004,636

Hire purchase payables are secured against the assets acquired thereunder (Note 4). Other secured loans and borrowings are secured against certain property, plant and equipment (Note 4) and investment properties (Note 5).

The effective interest rates of loans and borrowings as at 31 December 2016 ranged from 4.81% to 7.84% (2015 : 4.26% to 7.84%) per annum.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONT'D)

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

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

	2016 RM	2015 RM
Ringgit Malaysia	12,705,627	17,759,948
Renminbi	0	657,986
US Dollar	288,862	5,586,702
	<u>12,994,489</u>	<u>24,004,636</u>

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

**Hire Purchase Payables**

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

	2016 RM	2015 RM
Minimum hire purchase payments:-		
- Within 1 year	2,218,864	3,681,816
- Later than 1 year and not later than 2 years	2,316,485	2,130,153
- Later than 2 years and not later than 5 years	137,260	1,986,198
Total contractual undiscounted cash flows	4,672,609	7,798,167
Future finance charges	(298,473)	(603,151)
Present value of hire purchase payables:-		
- Within 1 year	2,035,634	3,345,716
- Later than 1 year and not later than 2 years	2,207,140	1,957,874
- Later than 2 years and not later than 5 years	131,362	1,891,426
	<u>4,374,136</u>	<u>7,195,016</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONT'D)

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

**Term Loans**

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

	2016	2015
	RM	RM
Gross loan instalments:-		
- Within 1 year	2,562,509	3,150,168
- Later than 1 year and not later than 2 years	1,259,880	2,811,510
- Later than 2 years and not later than 5 years	1,883,677	2,999,340
- Later than 5 years	1,090,090	1,397,981
Total contractual undiscounted cash flows	6,796,156	10,358,999
Future finance charges	(791,817)	(1,293,997)
Present value of term loans:-		
- Within 1 year	2,302,876	2,722,681
- Later than 1 year and not later than 2 years	1,084,327	2,497,410
- Later than 2 years and not later than 5 years	1,633,886	2,622,303
- Later than 5 years	983,250	1,222,608
	6,004,339	9,065,002

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

**13. Share Capital**

	2016	2015
	RM	RM
Authorised:-		
200,000,000 ordinary shares of RM0.50 each	<u>100,000,000</u>	<u>100,000,000</u>
Issued and fully paid-up:-		
175,470,370 ordinary shares of RM0.50 each	<u>87,735,185</u>	<u>87,735,185</u>

**Purchase of Own 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 directors are committed to enhancing the value of the Company to its shareholders and believe that the purchase plan can be applied in the best interests of the Company and its shareholders.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONT'D)

**13. Share Capital (cont'd)**

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:-

	No. of Shares	Cost RM
Balance at 1 January 2016	0	0
Shares purchased	8,651,900	5,011,619
Balance at 31 December 2016	<u>8,651,900</u>	<u>5,011,619</u>
Average unit cost for the year (RM)		0.579

The number of outstanding shares in issue after excluding the treasury shares as at 31 December 2016 was 166,818,470 (2015 : 175,470,370).

**14. Revenue**

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Sale of goods	170,023,555	178,180,807	0	0
Dividend income	0	0	0	24,076,808
Interest income	<u>286,904</u>	<u>90,243</u>	<u>286,904</u>	<u>90,243</u>
	<u>170,310,459</u>	<u>178,271,050</u>	<u>286,904</u>	<u>24,167,051</u>

**15. Employee Benefits Expense**

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Short-term employee benefits	39,516,782	36,096,383	296,500	435,500
Defined contribution plans	<u>1,970,816</u>	<u>1,844,817</u>	<u>0</u>	<u>0</u>
	<u>41,487,598</u>	<u>37,941,200</u>	<u>296,500</u>	<u>435,500</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONT'D)

**16. Profit Before Tax**

	<b>Group</b>		<b>Company</b>	
	<b>2016</b> <b>RM</b>	<b>2015</b> <b>RM</b>	<b>2016</b> <b>RM</b>	<b>2015</b> <b>RM</b>
Profit before tax is arrived at after charging:-				
Auditors' remuneration:-				
- Current year	168,336	197,670	39,980	28,000
- Prior year	30,152	39,039	5,000	9,000
Directors' remuneration:-				
- Fee	241,000	339,000	241,000	339,000
- Other emoluments	1,631,667	1,333,059	55,500	96,500
Fee expense for financial instruments not at fair value through profit or loss	214,868	175,004	1,394	178
Impairment loss on investments in subsidiaries	0	0	0	3,706,806
Impairment loss on loans and receivables:-				
- Subsidiary	0	0	0	8,282,366
- Other related party	0	974,749	0	0
- Unrelated parties	86,246	1,893,729	0	0
Impairment loss on property, plant and equipment	338,881	0	0	0
Interest expense for financial liabilities not at fair value through profit or loss	884,088	1,679,186	0	0
Inventories written down	576,502	2,512,397	0	0
Loss on disposal of property, plant and equipment	288,520	0	0	0
Property, plant and equipment written off	19,787	1,719,052	0	0
Rental of motor vehicles	6,408	14,225	0	0
Rental of premises	144,030	139,792	0	0
and crediting:-				
Compensation from Key Member (Note 26)	2,749,071	0	0	0
Dividend income from subsidiaries	0	0	0	24,076,808
Gain on disposal of property, plant and equipment	0	71,270	0	0
Gain on dissolution of subsidiaries	3,708,451	0	6,192,712	0
Gain on foreign exchange:-				
- Realised	1,234,752	5,319,216	0	0
- Unrealised	447,406	31,517	0	0
Interest income for financial assets not at fair value through profit or loss	616,167	108,984	286,904	90,243
Rental of investment properties	388,400	0	0	0
Reversal of impairment loss on loans and receivables:-				
- Related party	7,517	0	0	0
- Unrelated parties	1,157,086	0	0	0
Reversal of inventories written down	1,216,035	3,354,616	0	0

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONT'D)

**17. Tax Expense**

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Tax based on results for the year:-				
- Malaysian income tax	5,605,000	3,429,000	0	0
- Overseas income tax	1,801,866	1,347,729	0	0
- Deferred tax	579,059	191,759	0	0
	7,985,925	4,968,488	0	0
Tax (over)/under provided in prior year:-				
- Malaysian income tax	(338,464)	72,436	568	0
- Overseas income tax	50,043	(1,584)	0	0
- Real property gains tax	11,906	0	11,906	0
- Deferred tax	515,000	0	0	0
	8,224,410	5,039,340	12,474	0

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	
	2016 %	2015 %	2016 %	2015 %
Applicable tax rate	24.00	25.00	24.00	25.00
Non-deductible expenses	0.90	23.41	1.65	27.95
Non-taxable income	(3.05)	(14.47)	(25.65)	(54.17)
Increase in unrecognised deferred tax assets	2.16	0.81	0.00	1.22
Effect of differential tax rates	(1.41)	(2.90)	0.00	0.00
Tax rebate	0.00	(0.76)	0.00	0.00
Average effective tax rate	22.60	31.09	0.00	0.00

Pursuant to the Finance (No. 2) Act 2014 (Act 764) gazetted on 30 December 2014, the statutory income tax rate has been reduced from 25% to 24% for the financial year under review.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONT'D)

**18. Earnings Per Share**

Group

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

	<b>2016</b>	<b>2015</b>
Profit for the financial year (RM)	27,112,593	10,942,580
Number of shares in issue at 1 January	175,470,370	175,470,370
Effect of shares purchased	(4,156,892)	0
Weighted average number of shares in issue	<u>171,313,478</u>	<u>175,470,370</u>
Basic earnings per share (sen)	<u>15.83</u>	<u>6.24</u>

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

**19. Dividends**

Group and Company

	<b>2016</b>	<b>2015</b>
	<b>RM</b>	<b>RM</b>
Single tier special interim dividend of 2 sen per share in respect of the financial year ended 31 December 2015	0	3,509,407
Single tier final dividend of 1.1 sen per share in respect of the financial year ended 31 December 2015	1,917,704	0
Single tier first interim dividend of 1 sen per share in respect of the financial year ended 31 December 2016	<u>1,682,224</u>	<u>0</u>
	<u>3,599,928</u>	<u>3,509,407</u>

**20. Note To Consolidated Statement Of Cash Flows**

Group

**Purchase of Property, Plant and Equipment**

	<b>2016</b>	<b>2015</b>
	<b>RM</b>	<b>RM</b>
Cost of property, plant and equipment purchased	3,178,787	5,744,298
Amount financed through hire purchase	(703,806)	(742,848)
Net cash disbursed	<u>2,474,981</u>	<u>5,001,450</u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONT'D)

**21. Related Party Disclosures**

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

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Key management personnel compensation:-				
- Short-term employee benefits	2,395,100	1,711,977	296,500	435,500
- Defined contribution plan	165,960	68,225	0	0
	2,561,060	1,780,202	296,500	435,500
Capital distribution from subsidiaries	0	0	376,541	0
Compensation from Key Member (Note 26)	2,749,071	0	0	0
Dividends declared from subsidiaries	0	0	0	24,076,808
Purchase of goods from other related parties <sup>(a)</sup>	365,829	533,547	0	0
Purchase of goods from other related party <sup>(b)</sup>	0	9,374	0	0
Purchase of property, plant and equipment from other related party <sup>(a)</sup>	66,038	0	0	0
Receiving of services from other related parties <sup>(a)</sup>	44,677	0	44,677	0
Receiving of services from other related parties <sup>(b)</sup>	350,000	312,000	0	0
Rental of premises to other related party <sup>(a)</sup>	58,200	0	0	0
Sale of goods to other related party <sup>(b)</sup>	0	607,478	0	0

<sup>(a)</sup> Being companies connected with certain directors

<sup>(b)</sup> Being companies connected with certain former directors

**22. Segment Reporting**

Group

**Operating Segments**

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

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONT'D)

**22. Segment Reporting (cont'd)**

**Geographical Information**

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

	External Revenue		Non-current Assets	
	2016	2015	2016	2015
	RM	RM	RM	RM
Malaysia	24,213,735	38,282,473	40,290,576	47,064,286
China	60,024,728	48,974,220	14,254,203	16,421,728
Singapore	14,487,176	16,095,581	673,905	88,807
Thailand	47,038,604	54,514,007	0	0
Other countries	24,546,216	20,404,769	0	0
	<u>170,310,459</u>	<u>178,271,050</u>	<u>55,218,684</u>	<u>63,574,821</u>

**Major Customers**

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

	External Revenue	
	2016	2015
	RM	RM
Customer I <sup>(a)</sup>	70,882,243	52,545,336
Customer II <sup>(a)</sup>	26,435,284	35,701,555
Customer III <sup>(a)</sup>	<u>24,735,199</u>	<u>19,120,032</u>

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

**23. Contingent Liabilities - Unsecured**

Company

The Company has entered into financial guarantee contracts to provide financial guarantees to financial institutions for credit facilities granted to certain subsidiaries up to a total limit of approximately RM81,412,000 (2015 : RM92,446,000). The total utilisation of these credit facilities as at 31 December 2016 amounted to approximately RM41,978,000 (2015 : RM51,241,000).

The aforementioned financial guarantee contracts should have been recognised in the statement of financial position in accordance with the recognition and measurement policies as stated in Note 2.10. 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.

**24. Financial Risk Management**

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONT'D)

---

**24. Financial Risk Management (cont'd)**

**Credit Risk**

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

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

**Liquidity Risk**

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

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

**Currency Risk**

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

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

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

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

	<b>Group</b>	
	<b>Increase/ (Decrease) in Profit</b>	<b>Increase/ (Decrease) in Profit</b>
	<b>2016</b>	<b>2015</b>
	<b>RM</b>	<b>RM</b>
Appreciation of USD against RM by 10%	2,701,939	2,395,962
Depreciation of USD against RM by 10%	(2,701,939)	(2,395,962)
Appreciation of USD against RMB by 10%	654,459	512,226
Depreciation of USD against RMB by 10%	(654,459)	(512,226)
Appreciation of SGD against USD by 5%	(188,583)	(149,057)
Depreciation of SGD against USD by 5%	188,583	149,057

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONT'D)

**24. Financial Risk Management (cont'd)**

**Interest Rate Risk**

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

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

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

	<b>Group</b>	
	Increase/ (Decrease) in Profit	Increase/ (Decrease) in Profit
	2016	2015
	RM	RM
Increase in interest rates by 100 basis points	(68,253)	(97,629)
Decrease in interest rates by 100 basis points	68,253	97,629

**25. Capital Management**

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

The Group considers its total equity and total loans and borrowings to be the key components of its capital structure and may, from time to time, adjust the dividend payouts, purchase own shares, issue new shares, sell assets, raise or redeem debts, where necessary, to maintain an optimal capital structure.

The Group monitors capital using a debt-to-equity ratio, which is calculated as total loans and borrowings divided by total equity as follows:-

	<b>Group</b>	
	2016	2015
	RM	RM
Total loans and borrowings	12,994,489	24,004,636
Total equity	131,190,387	115,442,496
Total capital	<u>144,184,876</u>	<u>139,447,132</u>
Debt-to-equity ratio	<u>10%</u>	<u>21%</u>

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONT'D)

---

### 26. Significant Events During Previous And Current Financial Years

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

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

- (i) A legal counsel to advise the IC on matters in relation to the investigation; and
- (ii) An investigation auditor to investigate on, among others, the remittances of funds to foreign companies in the United States of America in 2013 and 2014.

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

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

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

The Key Member had on 27 August 2015 tendered his resignation as an executive director and chief executive officer of the Group and had relinquished all his positions in the Group with no claim against the Group. All the assets purchased from the USA Company arising from the remittances had been fully written down/impaired as at 31 December 2015. Pursuant to the settlement agreement dated 27 August 2015 with the Key Member, the Group had fully recovered the loss after receiving a compensation of RM2,749,071 (equivalent to USD0.66 million) from the Key Member on 29 January 2016. The said compensation was recognised as other income during the current financial year (Note 16).

**SUPPLEMENTARY INFORMATION**  
- REALISED AND UNREALISED PROFITS OR LOSSES

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Total retained profits of the Company and its subsidiaries:-				
- Realised	56,829,827	34,565,968	16,797,964	14,616,288
- Unrealised	1,183,480	2,014,795	0	0
	<u>58,013,307</u>	<u>36,580,763</u>	<u>16,797,964</u>	<u>14,616,288</u>
Consolidation adjustments and eliminations	5,689,620	3,609,499	0	0
Total retained profits as per statement of financial position	<u>63,702,927</u>	<u>40,190,262</u>	<u>16,797,964</u>	<u>14,616,288</u>

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

## LIST OF PROPERTIES HELD

Title/ Location	Tenure/ Date of expiry of lease	Description/ Existing use (approximate age of building)	Land area/ Built-up area	Net book value as at 31.12.2016 (RM)	Date of last revaluation	Date of acquisition
<b>Registered Owner:</b> <b>Dufu Industries Sdn. Bhd.</b>  <b>Land</b>  P.T. No. 1886 (Resurveyed Lot 12354) held under Title No. H.S. (D) 11985, Mukim 12, Daerah Barat Daya, Penang	60 years leasehold expiring 26.12.2051	Industrial land  Industrial complex - 1 Single-Storey office-cum-production building (19 years) - 1 double-storey office-cum-production building (12 years) - 1 three-storey production building (10 years) - 1 three-storey office cum production building (9 years) - 16 units of hostel (freehold)	177,691 sq. feet  18,209 sq. feet  33,793 sq. feet  65,811 sq. feet  32,816 sq. feet  11,200 sq. feet	3,178,948  6,602,173     1,501,735	1997      Yr 2015	-  Yr 1997 – 2007
<b>Registered Owner:</b> <b>Futron Ltd</b>  No. 1, Gao Tin Industrial Zone, Tai Ping Town, Cong Hua City.		- 1 three-storey production building (13 years) - 1 steel production workshop (3 years) - 1 five-storey hostel (13 years)	41,383 sq. feet  8,092 sq. feet  21,348 sq. feet	1,073,899   261,441		Yr 2003 – 2014  Yr 2003

**LIST OF PROPERTIES HELD  
(CONT'D)**

<b>Title/ Location</b>	<b>Tenure/ Date of expiry of lease</b>	<b>Description/ Existing use (approximate age of building)</b>	<b>Land area/ Built-up area</b>	<b>Net book value as at 31.12.2016 (RM)</b>	<b>Date of last revaluation</b>	<b>Date of acquisition</b>
<b>Registered Owner: Dufusion Sdn Bhd</b>						
<b>Land</b>						
Lot No. 8478 Mukim 12, District of Barat Daya, Penang	60 years leasehold expiring 22.5.2050	Industrial land	51,451 sq. feet	5,899,167	Year 2012	
Lot No. 9232 Mukim 12, District of Barat Daya, Penang	60 years leasehold expiring 10.12.2050	Industrial land	66,349 sq. feet			
<b>Building</b>						
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. (5 years)	61,587sq. feet	4,290,306	Year 2012	
			<b>TOTAL</b>	22,807,669		

## SHARE BUY-BACK STATEMENT

---

### 1. Disclaimer Statement

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 Earnings per Share ("EPS") which may have a positive impact on the market price of DUFU Shares. Other potential benefits of the Proposed Renewal of Share Buy-Back Mandate to the Company and its shareholder are as follows:-

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

### 3. Retained Profits

Based on the Audited Financial Statements of the Company as at 31 December 2016 the retained profits of the Company stood at RM16,797,964.

### 4. Source of Funding

The Proposed Renewal of Share Buy-Back Mandate will be financed from both internally generated funds and/or external borrowings as long as the amount of fund for the Share Buy-Back has not exceeded the amount of retained profits. The Company has sufficient resource to undertake the Proposed Renewal of Share Buy-Back Mandate in view that the Company has net cash and cash equivalent balance of approximately RM13,604,910 based on the Audited Financial Statements of DUFU as at 31 December 2016.

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

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

## SHARE BUY-BACK STATEMENT (CONT'D)

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

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

Based on the Register of Directors' Shareholdings and the Register of Substantial Shareholders of DUFU as at 31 March 2017 and assuming that DUFU implements the Proposed Renewal of Share Buy-back Mandate in full, the effects of the Proposed Renewal of Share Buy-back Mandate on the shareholdings of the Directors and Substantial Shareholders of DUFU are as follows:-

	Existing <sup>(a)</sup>				After the Proposed Share Buy-Back <sup>(b)</sup>			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
<b>Directors</b>								
Lee, Hui-Ta also known as Li Hui Ta <sup>(1)</sup>	15,757,365	9.45	18,248,048*	10.94	15,757,365	9.98	18,248,048*	11.56
Wu, Mao-Yuan	5,030,000	3.02	-	-	5,030,000	3.19	-	-
Sung, Cheng-Hsi	-	-	-	-	-	-	-	-
Joyce Wong Ai May	-	-	-	-	-	-	-	-
Yin, Chih-Chu also known as Laurence Yin	-	-	-	-	-	-	-	-
Lee Yoke Khay	-	-	-	-	-	-	-	-
<b>Substantial Shareholders</b>								
Perfect Commerce Sdn. Bhd. ("PCSB")	16,910,000	10.14	-	-	16,910,000	10.71	-	-
Perfect Full Yen Sdn. Bhd. ("PFYSB")	17,743,048	10.64	-	-	17,743,048	11.24	-	-
Wong Ser Yian	14,275,869	8.56	-	-	14,275,869	9.04	-	-
Lee, Wen-Jung	-	16,910,000^	10.14	-	-	16,910,000^	10.71	-
Lee, Su Hui-Fen	229,000	0.14	16,910,000^	10.14	229,000	0.15	16,910,000^	10.71
Wang, Kuei-Hua <sup>(2)</sup>	3,210,200	1.92	18,248,048*	10.94	3,210,200	2.03	18,248,048*	11.56
Evli Emerging Frontier Fund	9,658,200	5.79	-	-	9,658,200	6.12	-	-
<b>Person Connected to Director / Substantial Shareholder</b>								
Perfect Hua Ta Sdn. Bhd. ("PHTSB")	505,000	0.30	-	-	505,000	0.32	-	-

*Note:*

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

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

- (a) Based on the total number of issued shares of 166,818,470 Shares, exclusive of 8,651,900 shares held as Treasury Shares
- (b) Based on the total number of issued shares of 157,923,333 Shares assuming that the Proposed Share Buy-Back is carried out in full and all that shares so purchased are held as treasury shares.
- (1) Also Substantial Shareholder of the Company.
- (2) Spouse of Mr. Lee, Hui-Ta also known as Li Hui Ta

## SHARE BUY-BACK STATEMENT (CONT'D)

---

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

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

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

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

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

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

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

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

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

#### 7.1 Share Capital

As at 31 March 2017, the total number of issued shares of DUFU was 175,470,370 Shares, inclusive of 8,651,900 shares held as Treasury Shares. In the event that the 17,547,037 Share representing 10% of the total number of issued shares of the Company are purchased and cancelled, the effect on the share capital of the Company are illustrated as follows:-

	No. of Shares
Total number of issued shares as at 31 March 2017, inclusive of 8,651,900 shares held as Treasury Shares	175,470,370
Less:	
Maximum number of DUFU Shares to be purchased and Cancelled	(17,547,037)
Resultant total number of issued shares	<u>157,923,333</u>

The Proposed Renewal of Share Buy-Back Mandate will not have any effect on the issued and paid-up share capital of the Company as 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.

## SHARE BUY-BACK STATEMENT (CONT'D)

---

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

#### 7.2 NTA

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

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

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

#### 7.3 Working Capital

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

#### 7.4 Earnings

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

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

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

#### 7.5 Dividends

Assuming the Proposed Renewal of Share Buy-Back Mandate is implemented in full, dividends would be paid on the remaining total number of issued Shares of DUFU (excluding the Shares already purchased). The Proposed Renewal of Share Buy-Back Mandate may have an impact on the Company's dividend policy for the financial year ending 31 December 2017 as it would reduce the cash available which may otherwise be used for dividend payments. Nevertheless, the treasury shares purchased may be distributed as dividends to shareholders of the Company, if the Company so decides.

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

#### 7.6 Substantial Shareholders

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

## SHARE BUY-BACK STATEMENT (CONT'D)

### 8. IMPLICATIONS OF THE PROPOSED SHARE BUY-BACK RELATING TO THE MALAYSIAN CODE ON TAKE-OVERS AND MERGERS, 2016 (THE "CODE")

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 31 March 2017, 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.

DUFU has no intention for the Proposed Share Buy-Back to trigger the obligation to undertake a mandatory general offer under the Code by any of its substantial shareholders and/or parties acting in concert with them, the Board will ensure that only such number of DUFU Shares are purchased, retained as Treasury Shares or cancelled in the manner that the Code will not be triggered.

The Board is aware of the requirements of the Code and will be mindful of the requirements when making any purchase of DUFU Shares pursuant to the Proposed Share Buy-Back.

### 9. Purchases made by the Company of its own shares in financial year ended 31 December 2016

During the financial year ended 31 December 2016, the details of the shares purchased by the Company were as follows:-

Transaction date	Number of Shares (Units)	Unit Price			Consideration paid* RM
		Lowest RM	Highest RM	Average RM	
March 2016	50,000	0.480	0.480	0.480	24,184.27
April 2016	344,200	0.480	0.480	0.480	166,485.32
May 2016	739,000	0.485	0.520	0.513	382,953.43
June 2016	4,041,800	0.555	0.605	0.589	2,400,299.49
August 2016	980,500	0.585	0.595	0.590	578,696.64
September 2016	1,092,500	0.575	0.585	0.581	637,562.18
November 2016	1,403,900	0.565	0.595	0.582	821,437.83
	8,651,900				5,011,619.16

\* Including brokerage, clearing house fee and stamp duty.

All the shares so purchased during the financial year were retained as treasury shares

### 10. Public Shareholding Spread

As at 31 March 2017, the public shareholding spread of the Company was approximately 49.7%. 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.

### 11. Director's Statement

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

### 12. Director's Recommendation

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

### 13. Further Information

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

## ANALYSIS OF SHAREHOLDINGS

---

### SHARE CAPITAL AS AT 31 MARCH 2017

Total Number of Issued Shares : 166,818,470+  
 Class of Share : Ordinary Shares with equal voting rights  
 Number of Shareholders : 3,220  
 + Excluding a total of 8,651,900 shares purchased and retained as treasury shares.

### DISTRIBUTION OF SHAREHOLDERS AS AT 31 MARCH 2017

Holdings	No. of Holders	Total Holdings	%
1 – 99	340	15,130	0.01
100 – 1,000	221	130,202	0.08
1,001 – 10,000	1,556	8,679,501	5.20
10,001 – 100,000	960	28,331,183	16.98
100,001 – 8,340,922	138	55,317,972	33.16
8,340,923 and above	5	74,344,482	44.57
<b>Total</b>	<b>3,220</b>	<b>166,818,470</b>	<b>100.00</b>

### THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT 31 MARCH 2017

Name	Shareholdings	%
1. Perfect Full Yen Sdn Bhd	17,743,048	10.64
2. Perfect Commerce Sdn Bhd	16,910,000	10.14
3. Lee, Hui-Ta @ Li Hui Ta	15,757,365	9.45
4. Wong Ser Yian	14,275,869	8.56
5. HSBC Nominees (Asing) Sdn Bhd Qualifier: Exempt An for JPMorgan Chase Bank, National Association (Finland)	9,658,200	5.79
6. Wu, Mao-Yuan	5,030,000	3.02
7. Wang, Kuei-Hua	3,210,200	1.92
8. Yu, Tsung-Te	2,260,000	1.35
9. HSBC Nominees (Asing) Sdn Bhd Qualifier: TNTC for Ajo Emerging Markets Small-Cap Fund, Ltd.	2,016,500	1.21
10. Wu, Te-Kuei	1,800,000	1.08
11. Khor Bee Kiow	1,600,000	0.96
12. DB (Malaysia) Nominee (Asing) Sdn Bhd Qualifier: SSBT Fund I8AB for Tiff Multi-Asset Fund	1,233,800	0.74
13. Public Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Chee Sai Mun (E-KLC)	1,060,000	0.64
14. HSBC Nominees (Asing) Sdn Bhd Qualifier: TNTC for Missouri Local Government Employees Retirement System	936,900	0.56
15. Public Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Kwek Peng Liak (E-PPG)	932,366	0.56
16. Inter-Pacific Equity Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Yap Kon Hing (AY0036)	890,000	0.53
17. Public Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Teh Kian Lang (E-KLC)	856,000	0.51
18. Maybank Nominees (Tempatan) Sdn Bhd Qualifier: Low Teck Hin	828,800	0.50
19. Tay Tong Eh	812,800	0.49
20. Tan Chui Hoon	765,000	0.46

ANALYSIS OF SHAREHOLDINGS  
 (CONT'D)

## THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT 31 MARCH 2017 (cont'd)

Name	Shareholdings	%
21. Public Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Chang Seng Kooi (KLC/KAF)	764,000	0.46
22. Alliancegroup Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account For Ronie Tan Choo Seng (8058147)	750,000	0.45
23. Universal Trustee (Malaysia) Berhad Qualifier: KAF Dana ADIB	750,000	0.45
24. Public Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account For Wong Ai Ming (E-KLC)	741,300	0.44
25. Chua Ah Tang	710,000	0.43
26. Tay Tong Eh	661,100	0.40
27. O.U.G Print Sdn. Bhd.	660,000	0.40
28. Yeoh Beng Hooi	584,500	0.35
29. Maybank Nominees (Tempatan) Sdn Bhd Qualifier: Choo Min Chyau	580,000	0.35
30. Public Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for K Global Ventures Sdn Bhd (E-KLC)	570,000	0.34

## SUBSTANTIAL SHAREHOLDERS AS AT 31 MARCH 2017

Name	Direct		Indirect	
	No. of shares held	%	No. of shares held	%
1. Perfect Full Yen Sdn Bhd (PFYSB)	17,743,048	10.64	-	-
2. Perfect Commerce Sdn Bhd (PCSB)	16,910,000	10.14		
3. Lee, Hui-Ta also known as Li Hui Ta	15,757,365	9.45	18,248,048#	10.94#
4. Wang, Kuei-Hua	3,210,200	1.92	18,248,048#	10.94#
5. Wong Ser Yian	14,275,869	8.14	-	-
6. Lee, Su Hui-Fen	229,000	0.14	16,910,000^	10.14^
7. Lee, Wen-Jung	-		16,910,000^	10.14^
8. Evli Emerging Frontier Fund	9,658,200	5.79		

# Indirect Interest by virtue of his/her substantial interest in PFYSB and Perfect Hua Ta Sdn Bhd.

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

## DIRECTORS' SHAREHOLDINGS AS AT 31 MARCH 2017

Name	Direct		Indirect	
	No. of shares held	%	No. of shares held	%
1. Lee, Hui-Ta also known as Li Hui Ta	15,757,365	9.45	18,248,048#	10.94#
2. Wu, Mao-Yuan	5,030,000	3.02	-	-
3. Sung, Cheng-Hsi	-	-	-	-
4. Joyce Wong Ai May	-	-	-	-
5. Yin, Chih-Chu also known as Laurence Yin	-	-	-	-

# Indirect Interest by virtue of his substantial interest in PFYSB and Perfect Hua Ta Sdn Bhd.

**DUFU TECHNOLOGY CORP. BERHAD**

(Company No. 581612-A)

(Incorporated in Malaysia)

ANNUAL REPORT 2016

**PROXY FORM**

No of ordinary shares held

I/We \_\_\_\_\_ (\*NRIC No./Company No. \_\_\_\_\_)  
of \_\_\_\_\_

\_\_\_\_\_ being a \*Member/Members of DUFU TECHNOLOGY CORP. BERHAD hereby  
appoint (Proxy 1) \_\_\_\_\_ (\*NRIC No./Passport No. \_\_\_\_\_)

of \_\_\_\_\_

and\*/ or failing him\* (Proxy 2) \_\_\_\_\_ (\*NRIC No./Passport No. \_\_\_\_\_)

of \_\_\_\_\_ and\*/or failing him\*, the  
Chairman of the Meeting as my/our proxy to vote for me/us and on my/our behalf at the Fifteenth Annual General Meeting of  
the Company to be held at Meeting Room 1 at Level 1, Vistana Penang Bukit Jambul, 213 Jalan Bukit Gambir, 11950 Bukit Jambul,  
Penang, Malaysia on Wednesday, 24 May 2017 at 9.00 a.m. and/or, at every adjournment thereof to vote as indicated below:-

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

Proxy 1 - \_\_\_\_\_ %

Proxy 2 - \_\_\_\_\_ %

100%

\* Strike out whichever is inapplicable

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

<b>RESOLUTIONS</b>	<b>FOR</b>	<b>AGAINST</b>
1. To declare a Single Tier Final Dividend of 3.5 sen per share for the year ended 31 December 2016.		
2. To approve the additional payment of Directors' Fee of RM43,000/- for the financial year ended 31 December 2016.		
3. To approve the payment of Directors' Fee of up to RM378,000/- for the period from 1 January 2017 until the next Annual General Meeting of the Company.		
4. To approve the Directors' benefits (excluding Directors' Fee) payable of up to RM101,000/- for the period from 1 January 2017 until the next Annual General Meeting of the Company.		
To re-elect the following Directors retiring under the respective provision of the Articles of Association of the Company and who, being eligible offer themselves for re-election:-		
5. Mr. Wu, Mao-Yuan	(Article 97(1))	
6. Mr. Sung, Cheng-Hsi	(Article 97(1))	
7. Ms. Joyce Wong Ai May	(Article 104)	
8. Mr. Yin, Chih-Chu also known as Laurence Yin	(Article 104)	
9. Mr. Lee Yoke Khay	(Article 104)	
10. To appoint Messrs. Baker Tilly Monteiro Heng as Auditors of the Company for the ensuing year and to authorize the Directors to fix their remuneration.		
To pass the following resolutions as Special Business :-		
<b>Ordinary Resolutions</b>		
11. Authority to Issue Shares pursuant to the Companies Act 2016		
12. To approve the proposed renewal of authority to purchase up to ten percent (10%) of its own shares in the total number of issued shares of the Company		

Signature of Shareholder(s) \_\_\_\_\_

Signed this \_\_\_\_\_ day of \_\_\_\_\_, 2017.

Notes:-

For the purpose of determining a member of the Company who shall be entitled to attend and vote at this 15th Annual General Meeting, the Company shall be requesting the Record of Depositors as at 16 May 2017 Only a depositor whose name appears on the Record of Depositors as at 16 May 2017 shall be entitled to attend, speak and vote at the said meeting or appoint proxy(ies) to attend, speak and vote on his/her behalf.

Proxy:-

1. A member of the Company (Except an Exempt Authorised Nominee) shall be entitled to appoint up to two (2) proxies to attend and vote at the same meeting. Where a member appoints two (2) or more proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
2. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
3. The instrument appointing a proxy shall be in writing, executed by or on behalf of the appointor. In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.
4. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 57-G Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang at least 24 hours before the time set for holding the Meeting or any adjournments thereof.

*fold this flap for sealing*

*then fold here*

Affix  
stamp

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

*1st fold here*

Dufu Technology Corp. Berhad (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](http://www.dufutechnology.com)**