

Chairman's Message

Dear
Shareholders,
Customers, Partners
and Employees,

On behalf of the Board of Directors of TFP Solutions Berhad ("TFP" or "TFP Group"), I am pleased to present the Annual Report and Audited Financial Statements of the Group and the Company for the financial year ended 31 December 2010 ("FYE 2010").

2010 Economic Outlook

The world economic recovery which started in 2009, continued into 2010, accelerating in the first half of the year due to inventory restocking and the low base effect before tapering off towards the end of the year. The world economy expanded by 5% in 2010 led by the strong economic performance of the Asian Newly-Industrialised Economies. However the gradual depreciation of the US currency coupled with the rise in oil and commodity prices have led regional economies to experience rising inflationary pressures, resulting in the operational cost of most enterprises especially in Asia to escalate.

The Malaysian economy experienced similar growth trend with a strong GDP growth of 10.1% in the first quarter of 2010 and slowing down to 4.8% in the fourth quarter. Overall the Malaysian economy recorded a growth of 7.2%, driven by a robust domestic demand and

supported by a steady regional demand. Growth was recorded in all sectors of the economy with the ICT sector growing by an estimated 13.4%. However within the ICT sector, growth in the sub-sector that the company is engaged in, stagnated.

Financial Performance

Faced with the challenges posed by the ICT sub-sector stagnation and operational cost escalation, TFP Group managed to close the 2010 financial year with a revenue totaling RM38.4 million compared with RM 61.4 million in the previous year. Although the revenue was comparatively lower, the product gross margin was higher improving from 2.8% in 2009 to 13.8% in 2010. However, the escalation in the group's business operation cost structure due to high cost of operation severely affected the Group's operating margins resulting in the Group recording a net loss of RM2.3 million for financial year end 2010.

Business Growth Potential

Going forward, the business environment will continue to be competitive and challenging. The projected GDP growth of 5.2% in 2011 and rising to 5.5% in 2012, ICT spending growth of 9% as estimated by WITSA and PIKOM and the implementation of the government's Economic Transformation Programme initiatives, present ample business opportunities for TFP Group to pursue. What is required is for the Group to adopt innovative yet flexible business model to suit the changing needs and requirements of customers. Operational efficiency needs to be continuously monitored, appropriately addressed and enhanced to ensure that the operating margins are not severely affected by the rising inflationary pressures and escalation in cost of operation.

Undoubtedly, the year 2011 will continue to be challenging. Nevertheless, with the





right business strategy, right product mix, perseverance and commitment by all, 2011 can turn out to be a better and more rewarding year for TFP Group.

Corporate Social Responsibility (CSR)

TFP has been actively promoting the United Nations Global Compact corporate practices on human and labour rights, the environment and anti-corruption. TFP continues to be actively involved in making social contributions towards the local community especially in Puchong. Since 2009, the Company adopted an underprivileged home, "House of Joy", in Puchong under TFP's CSR community development project. Since then, we have conducted and organized computer and English language tuition classes to these underprivileged children. In addition to that, TFP has donated books and stationaries to the underprivileged

home. WE firmly believe that education is the root to success and these children deserved the best.

Our continuous efforts to promote environmental sustainability within the organization are within our set targets. Our energy saving and recycling campaign where we actively pursue and promote have resulted in cultivating an environment conscious culture amongst the employees.

Acknowledgement

I would like to thank my fellow colleagues who served with me on the Board, for their invaluable support, dedication and loyalty working together as a team charting the way forward in these turbulent times for the Group.

To the Management Team and all employees of TFP, my sincere appreciation

for your full commitment and tireless efforts working as a team in delivering exceptional services to our customers during these difficult times.

My heartfelt gratitude goes to all our Shareholders for the confidence and trust in us over the past years. Please accept our assurance that we will sustain and move forward in expanding this business and seize every potential opportunity to achieve greater success. We shall strive to go beyond our capabilities to shoulder this responsibility. Our sincere appreciation also to our valued business associates, suppliers and financiers for their support and continued faith in TFP.

To our valued customers, our sincere thanks for your faith and trust in our Group's capabilities and strength, We hope the strength of this relationship will be mutually benefiting in the year 2011.

Dato' Jamaludin Bin Hassan,
Chairman



Corporate Social Responsibility 2010

TFP Solutions Berhad's (TFP) Corporate Social Responsibility (CSR) core philosophy is based on the United Nations Global Compact principles. As such, our CSR objectives are as follows:

- To be a socially responsible organization which promotes charitable cause, community service and a better quality of life
- To protect and enhance our environment
- To enhance employee wellbeing and better working conditions
- To ensure our corporate strategy is ethical and operate honorably.

In 2010, TFP has participated in a few CSR projects in accordance with our CSR objectives:

1. TFP is committed to leverage our core competency to bring a positive impact to the society. Since 2009, TFP has "adopted" an underprivileged home, "House of Joy", in Puchong. House of Joy is a non-profit charitable home that administers shelter, care and training to orphans, children and teens who are underprivileged, abused, abandoned, neglected, poor and/or delinquent. The activities that TFP participated in are:
 - Launch of PC Lab
 - i. In 2009, TFP set-up a PC Lab in House of Joy
 - ii. Official Launch of House of Joy's PC Lab by Guest of Honour, Selangor State Senior Executive Councillor - YB Teresa Kok on 24 June 2010
 - iii. TFP invited Dr. Mohd Nasir Bin Ismail from Pantai Hospital Klang as the speaker for The Health Talk during the launch
 - iv. TFP donated Polo T-shirts to all the children and staff of House of Joy



- Tuition Classes
 - i. Weekly English Classes – Lena Lee
 - ii. Bi-Monthly Computer Classes – Iskandar, Steve Lim, Helen Xu, Ho Wing Onn, Ng Chin Keong, Simon Chong
- Mid Autumn Festival Celebration
 - i. On 24 September 2010, TFP celebrated Mid Autumn Festival with the children of House of Joy at Bukit Jalil Golf & Country Resort
 - ii. Fun games and creative activities were organized and conducted by TFP Sports Club "VGO" – Davinder Singh, Rohayu Binti Mohamed Shahrim, Steve Lim, Helen Xu, Lena Lee, Theresa Lim, Joyce Tan, Khong Cheh Lu
 - iii. TFP donated books and stationery to all children of House of Joy



Corporate Social Responsibility 2010 (cont'd)

- Participation in House of Joy Charity Carnival, 19 December 2010
 - i. We assisted in the sale of tickets for the carnival amounting to RM3,000 – Lena Lee
 - ii. TFP staff also participated as stall helpers in the carnival – Lena Lee, Chua Soo Wai, Steve Lim, Helen Xu and Dr. Chew Seng Poh & Family



2. To protect and enhance our environment, TFP embarked on an energy saving campaign within its organization since its launch in 2009. The objective of the campaign is to cultivate an energy saving conscious culture in the organization. In 2010, TFP has achieved a 10% reduction in our energy costs within its organization. Our target in 2011 is to reduce our energy saving cost by another 5%.
3. TFP has also embarked on a recycling campaign within its organization. The recycling campaign involves the following activities:
 - Reusing of printed papers
 - Installation of recycle bins within the organization
 - Disposal of recycle waste and e-waste to recycling companies

For the year 2010, TFP has recorded an increase of 100% in our recycle waste collection compared to our recycle efforts in the year 2009. The recycling campaign has also resulted in 20% reduction of paper usage in TFP as compared to the previous year 2009. TFP will target to increase our waste recycle collection by another 20% and reduction of our paper usage by another 5%. In our effort to reduce our carbon footprint, TFP will promote IT waste recycling and IT energy saving campaign to our customers and suppliers.

4. To enhance employee wellbeing and better working conditions, TFP organized a 3 days 2 nights trip to Club Med Cherating for all staff on 29 – 31 October 2010.

The Global Compact sets out ten principles that address issues of human rights, the labor market, environmental protection, and the battle against corruption. Thus the initiative establishes a framework for economic, ecological and social sustainability. TFP stands by these principles and actively implements them within the scope of its commercial activities. Thereby, TFP will adhere to the principles as stated below:

- We will support and respect the internationally declared human rights within our spheres of influence
- We will ensure we are not complicit in human rights abuses
- We will maintain employees' right to freedom of association and recognise employees' right to collective bargaining
- We aim to actively fight all kinds of forced labour
- We aim to actively fight child labour
- We aim to eliminate discrimination in the workplace
- We will support a precautionary approach to environmental challenges
- We will undertake initiatives to promote greater environmental responsibility
- We will encourage the development and diffusion of environmentally-friendly technologies
- We will work against corruption, including extortion and bribery



TFP Solutions Berhad
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This CSR statement will serve as our COP (Communication On Progress) reporting to the United Nations Global Compact.

