



DUFU TECHNOLOGY CORP. BERHAD

(Company No. 581612 A)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017

CONDENSED CONSOLIDATED INCOME STATEMENTS

(The figures have not been audited)

	Individual Quarter (4th Q)		Cumulative Quarter (12 months)	
	Current Period Quarter	Preceding Period Corresponding Quarter	Current Period To Date	Preceding Period Corresponding Period
	31 Dec 2017	31 Dec 2016 (restated)	31 Dec 2017	31 Dec 2016 (restated)
	RM'000	RM'000	RM'000	RM'000
Revenue	50,317	47,718	181,212	170,310
Cost of sales	(36,517)	(32,990)	(124,963)	(124,550)
Gross profit	13,800	14,728	56,249	45,760
Other operating income	3,130	8,391	4,393	11,861
General and administrative expenses	(9,709)	(3,490)	(27,332)	(21,636)
Profit from operations	7,221	19,629	33,310	35,985
Finance costs	(111)	7	(523)	(884)
Profit before tax	7,110	19,636	32,787	35,101
Income tax expense	(678)	(4,669)	(6,745)	(8,225)
Profit net of tax	6,432	14,967	26,042	26,876
Profit attributable to:				
Owners of the parent	6,432	14,967	26,042	26,876
Non-controlling interests	-	-	-	-
	6,432	14,967	26,042	26,876
Basic/Diluted earnings per ordinary share (sen)	3.9	8.7	15.6	15.7

The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2016.

The accompanying notes are an integral part of this statement.



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INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(The figures have not been audited)

	Individual Quarter (4th Q)		Cumulative Quarter (12 months)	
	Current Period Quarter	Preceding Period Corresponding Quarter	Current Period To Date	Preceding Period Corresponding Period
	31 Dec 2017	31 Dec 2016 (restated)	31 Dec 2017	31 Dec 2016 (restated)
	RM'000	RM'000	RM'000	RM'000
Profit net of tax	6,432	14,967	26,042	26,876
Other comprehensive income:				
<i>Other comprehensive income to be reclassified to profit or loss in subsequent period:</i>				
Foreign currency translation	(3,129)	(1,536)	(4,906)	(2,753)
Total comprehensive income for the period	3,303	13,431	21,136	24,123
Total comprehensive income attributable to:				
Owners of the parent	3,303	13,431	21,136	24,123
Non-controlling interests	-	-	-	-
	3,303	13,431	21,136	24,123

The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 December 2016.

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NOTES TO CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(The figures have not been audited)

	Individual Quarter (4th Q)		Cumulative Quarter (12 months)	
	Current Period	Preceding Period	Current Period	Preceding Period
	Quarter	Corresponding	To Date	Corresponding
	31 Dec 2017	Quarter	31 Dec 2017	Period
	RM'000	31 Dec 2016	RM'000	31 Dec 2016
	RM'000	RM'000	RM'000	RM'000
Profit before taxation is arrived at after charging/(crediting) :				
(a) Interest expense	111	7	523	884
(b) Interest income	(246)	(214)	(704)	(616)
(c) Depreciation and amortisation	3,015	2,849	10,184	11,125
(d) (Reversal)/Impairment loss on receivables	753	(1,165)	1,045	(1,079)
(e) Provision for and write off of inventories	447	576	447	577
(f) (Gain) or loss on disposal of quoted or unquoted investments or properties	(293)	288	(539)	288
(g) Property, plant and equipment written off	-	-	-	20
(h) Realised foreign exchange (gain)/ loss	(198)	(893)	442	(1,235)
(i) Unrealised foreign exchange (gain)/ loss	603	(447)	1,988	(447)
(j) Reversal of inventories written down	-	(1,216)	-	(1,216)
(k) Gain on dissolution of Subsidiary	-	(3,708)	-	(3,708)

The Notes to Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 December 2016.

The accompanying notes are an integral part of this statement.



DUFU TECHNOLOGY CORP. BERHAD

(Company No. 581612 A)
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**INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017**

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	(Unaudited) As at 31 Dec 2017	(Audited) As at 31 Dec 2016 (restated)
	<u>RM'000</u>	<u>RM'000</u>
ASSETS		
NON-CURRENT ASSETS		
PROPERTY, PLANT AND EQUIPMENT	34,188	41,501
INVESTMENT PROPERTIES	9,640	10,189
OTHER INVESTMENTS	6,144	-
INVESTMENT IN CLUB MEMBERSHIP, AT COST	93	61
DEFERRED TAX ASSETS	1,164	522
	<u>51,229</u>	<u>52,273</u>
CURRENT ASSETS		
Inventories	33,549	20,927
Trade and other receivables	51,234	54,506
Cash and bank balances	37,976	46,562
	<u>122,759</u>	<u>121,995</u>
TOTAL ASSETS	<u>173,988</u>	<u>174,268</u>
EQUITY AND LIABILITIES		
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		
SHARE CAPITAL	87,735	87,735
TREASURY SHARES	(5,353)	(5,012)
RESERVES	56,961	45,000
TOTAL EQUITY	<u>139,343</u>	<u>127,723</u>
NON-CURRENT LIABILITIES		
BORROWINGS	3,596	6,040
DEFERRED TAX LIABILITIES	15	1,331
	<u>3,611</u>	<u>7,371</u>
CURRENT LIABILITIES		
Borrowings	2,772	6,955
Trade and other payables	25,665	28,129
Tax payable	2,597	4,090
	<u>31,034</u>	<u>39,174</u>
TOTAL LIABILITIES	<u>34,645</u>	<u>46,545</u>
TOTAL EQUITY AND LIABILITIES	<u>173,988</u>	<u>174,268</u>
Net Assets per ordinary share (RM)	<u>0.79</u>	<u>0.73</u>

The Condensed Consolidated Statements of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 December 2016.

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**INTERIM FINANCIAL REPORT
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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(The figures have not been audited)

Twelve Months Ended 31 December 2017

	← Attributable to owners of the Company →				Non-controlling Interest	Total Equity
	Non-distributable		Distributable			
	Share Capital	Treasury Shares	Other Reserves	Retained Earnings		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2017						
As previously stated	87,735	(5,012)	(15,236)	63,703	131,190	-
Retrospective adjustments	-	-	-	(3,467)	(3,467)	-
As restated	87,735	(5,012)	(15,236)	60,236	127,723	-
Total comprehensive income for the period:						
Profit for the period	-	-	-	26,042	26,042	-
Other comprehensive income for the period	-	-	(4,906)	-	(4,906)	-
	-	-	(4,906)	26,042	21,136	-
Transactions with owners:						
Purchase of treasury shares	-	(341)	-	-	(341)	-
Dividends	-	-	-	(9,175)	(9,175)	-
Total transactions with owners :	-	(341)	-	(9,175)	(9,516)	-
At 31 December 2017	87,735	(5,353)	(20,142)	77,103	139,343	-

Twelve Months Ended 31 December 2016

	← Attributable to owners of the Company →				Non-controlling Interest	Total Equity
	Non-distributable		Distributable			
	Share Capital	Treasury Shares	Other Reserves	Retained Earnings		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2016						
As previously stated	87,735	-	(12,483)	40,191	115,443	-
Retrospective adjustments	-	-	-	(3,231)	(3,231)	-
As restated	87,735	-	(12,483)	36,960	112,212	-
Total comprehensive income for the period:						
Profit for the period	-	-	-	27,113	27,113	-
retrospective adjustments	-	-	-	(237)	(237)	-
Other comprehensive income for the period	-	-	(2,753)	-	(2,753)	-
	-	-	(2,753)	26,876	24,123	-
Transactions with owners:						
Purchase of treasury shares	-	(5,012)	-	-	(5,012)	-
Dividends	-	-	-	(3,600)	(3,600)	-
Total transactions with owners :	-	(5,012)	-	(3,600)	(8,612)	-
At 31 December 2016	87,735	(5,012)	(15,236)	60,236	127,723	-

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2016.

The accompanying notes are an integral part of this statement.

**DUFU TECHNOLOGY CORP. BERHAD**(Company No. 581612 A)
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FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW**

(The figures have not been audited)

	12 months ended 31 Dec 2017	12 months ended 31 Dec 2016 (restated)
	RM'000	RM'000
OPERATING ACTIVITIES		
Profit before tax	32,787	35,101
Adjustments for:		
Amortisation of club membership	10	-
Depreciation	10,184	11,125
Effect of exchange rate changes	-	-
Interest income	(704)	(616)
Interest expense	523	884
Inventories written (back)/down	447	577
(Gain) / Loss on disposal of property, plant and equipment	(539)	288
Gain on dissolution of subsidiary	-	(3,708)
Plant and equipment written off	-	20
(Reversal on)/ impairment loss on loan and receivables	1,045	(1,079)
Unrealised loss/ (gain) on foreign exchange	1,988	(447)
Impairment loss on property, plant & equipment	-	339
Impairment loss on club membership	19	-
Reversal of unventories written down	-	(1,216)
Total adjustments	12,973	6,167
Operating cash flows before changes in working capital	45,760	41,268
Changes in working capital		
Net change in current assets	(12,279)	5,393
Net change in current liabilities	(1,823)	6,945
Total changes in working capital	(14,102)	12,338
Cash flows from operations	31,658	53,606
Tax paid	(10,062)	(7,124)
Currency translation		
Net cash flow generated from operating activities	21,596	46,482
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(5,267)	(2,475)
Interest received	704	616
Proceeds from disposal of plant and equipment	1,605	66
Acquisition of long term investment	(6,205)	-
Net cash used in investing activities	(9,163)	(1,793)
FINANCING ACTIVITIES		
Repayment of term loans	(2,302)	(3,061)
Repayment of finance lease liabilities	(2,081)	(3,524)
Dividends paid to shareholders	(9,175)	(7,109)
Purchase of treasury shares	(341)	(5,012)
Net change in other bank borrowings	-	(7,316)
Interest paid	(523)	(884)
Net cash used in financing activities	(14,422)	(26,906)
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS	(1,989)	17,783
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL QUARTER	43,946	24,826
Effects of exchange rate changes	(4,353)	1,337
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL QUARTER	37,604	43,946
Cash and cash equivalents in the condensed consolidated statements of cash flow comprise:		
Cash on hand and at banks	28,346	31,578
Bank overdraft	(372)	(2,616)
Deposits with licensed banks:		
Fixed deposit	9,630	14,984
Short term placements	-	-
	37,604	43,946

The Condensed Consolidated Statements of Cash Flow should be read in conjunction with the Annual Financial Report for the year ended 31 December 2016.

The accompanying notes are an integral part of this statement.



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INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017

NOTES TO THE INTERIM FINANCIAL REPORT

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”). These interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2016. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2016.

2. Significant accounting policies

The significant accounting policies adopted in preparing these condensed consolidated interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2016 except for the adoption of the following new MFRSs and Interpretations, and amendments to certain MFRSs and Interpretations with effect from 1 January 2017:

- Amendments to MFRS 12: Disclosure of Interests in Other Entities (Annual Improvements 2014-2016 Cycle)
- Amendments to MFRS 107: Statement of Cash Flows: Disclosure Initiative
- Amendments to MFRS 112: Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

The adoption of the above standards and interpretations did not have any material effect on the financial performance or position of the Group.

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The standards and interpretations that are issued but not yet effective up to the date of issuance of these condensed consolidated interim financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 128: Investments in Associates and Joint Ventures	1 January 2018
Amendments to MFRS 1: First-Time Adoption of Malaysian Financial Reporting Standards	1 January 2018
IC Interpretation 22: Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
Amendments to MFRS 15: Clarifications to MFRS 15 Revenue from Contracts with Customers	1 January 2018
Amendments to MFRS 140: Transfers of Investment Property	1 January 2018
MFRS 15: Revenue from Contracts with Customers	1 January 2018
MFRS 9: Financial Instruments	1 January 2018
MFRS 16: Leases	1 January 2019
IC Interpretation 23: Uncertainty Over Income Tax Treatments	1 January 2019
Amendments to MFRS 128: Long-Term Interests in Associates and Joint Ventures	1 January 2019
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
Annual Improvements to MFRS Standards 2015–2017 Cycle	1 January 2019
(i) Previously Held Interest in a Joint Operation (Amendments to MFRS 3 Business Combinations)	
(ii) Previously Held Interest in a Joint Operation (Amendments to MFRS 11 Joint Arrangements)	
(iii) Income Tax Consequences of Payments on Financial Instruments Classified as Equity (Amendments to MFRS 112 Income Taxes)	
(iv) Borrowing Costs Eligible for Capitalisation (Amendments to MFRS 123 Borrowing Costs)	
MFRS 17: Insurance Contracts	1 January 2021

The directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application other than for MFRS 15 Revenue from Contracts with Customers, and MFRS 9 Financial Instruments. The Group is still in the progress of assessing the financial impact of MFRS 15 and MFRS 9.



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NOTES TO THE INTERIM FINANCIAL REPORT

3. Significant Accounting Estimates And Judgements

(a) Critical Judgements Made in Applying Accounting Policies

There are no critical judgements made by management in the process of applying the Group's accounting policies that have significant effect on the amounts recognised in the financial statements.

(b) Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Depreciation of plant and equipment

The cost of Computer Numerical Control (“CNC”) machining is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these plant and machinery to be within ten years. These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

4. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 December 2016 was not subject to any audit qualification.

5. Seasonal or cyclical factors

The Group's business operations were not materially affected by any major seasonal or cyclical factors.



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NOTES TO THE INTERIM FINANCIAL REPORT

6. Unusual items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group for the current financial period except for the following:

- a) Other long-term investment where on 26 June 2017, the company has entered into a shareholder's agreement to invest in Superior Plating Technology (Thailand) Co., Ltd. ("SPTT"), a new start-up company in Thailand of which the intended principal activity of SPTT is mainly to provide surface treatment and plating services. The total cash consideration of RM6.144 million representing 19.6% equity interest in SPTT was fully paid on 28 June 2017.
- b) During the financial quarter, the Group made a retrospective adjustment on derecognition on the residual value of the subsidiary in China's property, plant and equipment. Previously, the subsidiary in China measures the residual value of its property, plant and equipment at 10% of its purchase cost and the effects of the retrospective adjustments is disclosed in Note 27.

7. Changes in estimates

There were no material changes in estimates of amount reported in prior interim period or financial period that have a material effect in the current year except as disclosed in Note 6(b).

8. Debt and equity securities

There was no issuance or repayment of debt and equity securities, share buy-backs and share cancellations for the current financial period except for the following:

On 14 December 2017, the Company repurchased 285,000 of its issued share capital from the open market for an average price of RM1.20 per share. The repurchase transactions were financed by internally generated fund. The repurchase shares are held as treasury shares in accordance with the requirement of Section 127 of the Companies Act, 2016.

As of 31 December 2017, the total number of issued shares of the Company is 175,470,370 Ordinary Shares ("Shares"), inclusive of 8,936,900 Shares held as treasury shares. Hence, the number of outstanding Ordinary Shares in issue is 166,533,470 Shares. Shares purchased were stated at cost.

9. Dividend paid

A single tier first interim dividend of 2 sen in respect of the financial year ending 31 December 2017 was paid on 12 October 2017.



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10. Valuation of property, plant and equipment

There was no valuation of property, plant and equipment in the current quarter under review and financial year-to-date.

11. Significant and subsequent events to the balance sheet date

There were no significant material and subsequent events at the end of the financial period ended 31 December 2017 that have not been reflected in the interim financial statements as at the date of this report.

12. Changes in the composition of the Group

There were no significant changes in the composition of the Group for the current financial quarter and financial period to date.

13. Changes in corporate guarantees, contingent liabilities or contingent assets

As at 31 December 2017, the Group has no material contingent liabilities save for corporate guarantee of RM73 million issued by the Company in respect of banking facilities granted to the subsidiary companies.

14. Related party transactions

The Board are of the opinion that there is no related party transaction which would have a material impact on the financial position and the business of the Group for the current financial period.

15. Segment reporting

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

The segmental information of the group is presented by geographical segments. The geographical segments are based on the location of the assets and these are:

- (i) Malaysia
- (ii) Singapore
- (iii) China

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NOTES TO THE INTERIM FINANCIAL REPORT

Segment information for the period ended 31 December 2017 are as follows:

	Malaysia RM'000	Singapore RM'000	China RM'000	Eliminations RM'000	Total RM'000
Revenue	168,029	135,868	47,656	(170,341)	181,212
EBDITA *	44,713	1,416	8,603	(11,238)	43,494
Depreciation	(6,808)	(107)	(3,269)	-	(10,184)
Profit from operation	37,905	1,309	5,334	(11,238)	33,310
Finance costs	(514)	(9)	-	-	(523)
PBT **	37,391	1,300	5,334	(11,238)	32,787

As at 31 December 2017

Total assets	210,842	51,207	42,890	(130,951)	173,988
Total liabilities	72,304	33,227	7,066	(77,952)	34,645

Segment information for the period ended 31 December 2016 are as follows:

	Malaysia RM'000	Singapore RM'000	China RM'000	Eliminations RM'000	Total RM'000
Revenue	139,994	144,924	36,322	(150,930)	170,310
EBDITA *	37,283	6,067	6,518	(2,758)	47,110
Depreciation	(7,577)	(104)	(3,444)	-	(11,125)
Profit from operation	29,706	5,963	3,074	(2,758)	35,985
Finance costs	(842)	(21)	(21)	-	(884)
PBT **	28,864	5,942	3,053	(2,758)	35,101

As at 31 December 2016

Total assets	208,282	46,756	40,748	(121,518)	174,268
Total liabilities	81,894	28,242	6,056	(69,647)	46,545

* EBDITA - Earning Before Depreciation, Interest expenses, Tax and Amortisation

** PBT - Profit Before Tax

**DUFU TECHNOLOGY CORP. BERHAD**(Company No. 581612-A)
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REQUIREMENTS: CHAPTER 9, APPENDIX 9B, PART A****16. Review of performance**

i) Comparison between current year quarter with corresponding quarter

Current Year Quarter – 31 December 2017

	Malaysia RM'000	Singapore RM'000	China RM'000	Eliminations RM'000	Total RM'000
Revenue	50,087	39,122	12,358	(51,250)	50,317
EBDITA *	17,861	748	2,891	(11,264)	10,236
Depreciation	(1,789)	(33)	(1,193)	-	(3,015)
Profit from operation	16,072	715	1,698	(11,264)	7,221
Finance costs	(117)	(2)	8	-	(111)
PBT **	15,955	713	1,706	(11,264)	7,110

Preceding Year Quarter – 31 December 2016

	Malaysia RM'000	Singapore RM'000	China RM'000	Eliminations RM'000	Total RM'000
Revenue	40,928	43,488	12,106	(48,804)	47,718
EBDITA *	18,966	4,458	2,656	(3,602)	22,478
Depreciation	(1,564)	(35)	(1,250)	-	(2,849)
Profit from operation	17,402	4,423	1,406	(3,602)	19,629
Finance costs	7	-	-	-	7
PBT **	17,409	4,423	1,406	(3,602)	19,636

* EBDITA - Earning Before Depreciation, Interest expenses, Tax and Amortisation

** P/(L)BT - Profit/(Loss) Before Tax

Group

Group revenue for the quarter ended 31 December 2017 increased by RM2.6 million or 5.4% compared to the previous quarter in the corresponding year. Nevertheless, the Group's profit before taxation for the quarter ended 31 December 2017 dropped to RM7.1 million compared to RM19.6 million registered in the previous financial quarter ended 31 December 2016. The decreased in profit before taxation was mainly due to the following:

- one-off gains recorded in the previous year financial quarter ended 31 December 2016 such as RM3.71 million realized from the dissolution of subsidiaries
- Depreciation of United States Dollar ("USD") against Ringgit Malaysia

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(c) Reversal of receivables and inventories amounting to RM1.16 million and RM1.22 million respectively in the previous year financial quarter ended 31 December 2016

(d) Impairment loss on receivables of RM0.75 million in the current quarter.

ii) Comparison between current period with corresponding period

Current Period – 31 December 2017

	Malaysia RM'000	Singapore RM'000	China RM'000	Eliminations RM'000	Total RM'000
Revenue	168,029	135,868	47,656	(170,341)	181,212
EBDITA *	44,713	1,416	8,603	(11,238)	43,494
Depreciation	(6,808)	(107)	(3,269)	-	(10,184)
Profit from operation	37,905	1,309	5,334	(11,238)	33,310
Finance costs	(514)	(9)	-	-	(523)
PBT **	37,391	1,300	5,334	(11,238)	32,787

Preceding Period – 31 December 2016

	Malaysia RM'000	Singapore RM'000	China RM'000	Eliminations RM'000	Total RM'000
Revenue	139,994	144,924	36,322	(150,930)	170,310
EBDITA *	37,283	6,067	6,518	(2,758)	47,110
Depreciation	(7,577)	(104)	(3,444)	-	(11,125)
Profit from operation	29,706	5,963	3,074	(2,758)	35,985
Finance costs	(842)	(21)	(21)	-	(884)
PBT **	28,864	5,942	3,053	(2,758)	35,101

* EBDITA - Earning Before Depreciation, Interest expenses, Tax and Amortisation

** P/(L)BT - Profit/(Loss) Before Tax

Group

Group revenue for the year ended 31 December 2017 was RM181.2 million compared with RM170.3 million for the year ended 31 December 2016, an increase of 6.4%. The increase in revenue was mainly due to the increase in demand in other non-HDD sectors such as sensor and control. The Group's profit before taxation for the year ended 31 December 2017 slightly



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declined to RM32.8 million from RM35.1 million registered in the previous financial year ended 31 December 2016 (“FY2016”). The decrease in profit before taxation was mainly due to one-off gains recorded in FY2016 such as RM3.71 million realized from the dissolution of subsidiaries and compensation received amounted to RM2.75 million.

17. Comparison with immediate preceding quarter’s results

	Individual quarter ended		Variance	
	31.12.2017	30.09.2017	RM’000	%
	RM’000	RM’000		
Revenue	50,317	43,534	6,783	15.6
Profit before tax	7,110	8,236	(1,126)	(13.7)

Revenue for the quarter ended 31 December 2017 increased by RM6.8 million or 15.6% while profit before taxation decreased by RM1.1 million or 13.7% for the current quarter as compared to the preceding quarter. The increase in revenue was due to the improvement in customer demand. Despite the increase in revenue, profit before tax declined to RM7.1 million mainly due to the weakening of United States Dollar against Ringgit.

18. Prospects

We expect sales to continue remain favorable in the first half of 2018 as our major product is driven by the growth in high-capacity nearline HDDs as well as stabilization of client storage demand. The long-term future of HDDs are likely rests with high capacity HDDs, particularly in data centers serving cloud storage applications. The demand for high capacity storage drives, enhanced performance, and lower storage cost is set to rise. Global internet penetration, the rise in e-commerce in emerging markets, and the current trend for high-resolution media standards are the likely drivers for the continuing rise in global data storage demand. Furthermore, we have also been expanding growth in the non-HDD segment where we have managed to expand our revenue base in form of supplying metal precisioning for control and sensors used in general industries, medical, office equipment and telecommunication equipment.

Nevertheless, a continual strengthening of Ringgit against the United States Dollar (“USD”) is expected to adversely affect the Group’s margin in the financial year ending 31 December 2018 when the US-Dollar-denominated incoming sales proceeds are converted to the local currency.



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The Group will continue to improve its operational efficiency and keep a tight rein on costs to ensure price competitiveness on its products. The Group is also working closely with existing and new customers in creating value to their supply chain, and will continue to seek opportunity to venture into new business segments that can synergizes with the Group's current business model. With this in place and considering the continuing stable demand based on the current market trend and assuming that there is no major volatility and further weakening in the USD currency against Ringgit, the Group expects its earnings and growth to be satisfactory in the coming quarters.

19. Variance of actual profit from profit forecast

Not applicable.

20. Taxation

	Current Quarter 3 months ended 31 Dec 2017 RM'000	Year-to-date 12 months ended 31 Dec 2017 RM'000
Income tax		
Current year	2,709	9,014
Prior year	(50)	(300)
	<u>2,659</u>	<u>8,714</u>
Deferred tax		
Current year	(1,846)	(1,834)
Prior year	(135)	(135)
	<u>678</u>	<u>6,745</u>

21. Status on corporate proposals

There were no significant corporate proposals for the current financial period to date saved as disclosed below:

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

- (i) proposed consolidation of every two (2) existing ordinary shares of RM0.50 each in Dufu Technology Corp. Berhad ("DUFU") ("Existing Share(s)") into one (1) ordinary share of RM1.00 each in DUFU ("Consolidated Share(s)" or "DUFU Share(s)" or "Share(s)") ("Proposed Share Consolidation");



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- (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 at any point of time during the duration of the scheme for eligible executive Directors and employees of DUFU and its subsidiaries (excluding subsidiaries which are dormant) (excluding Lee, Hui-Ta also known as Li Hui Ta and Khoo Lay Tatt who have voluntarily relinquished their eligibility to the executives' share option scheme) ("Proposed ESOS" or "Scheme");
- (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 ("Proposed Increase in Authorised Share Capital"); and
- (iv) proposed amendment to the Memorandum of Association of DUFU ("Proposed Amendment").

22. Group borrowings

The Group's borrowings as at the end of the reporting quarter are as follows:

	Short-term (Secured)	Long-term (Secured)	Total borrowing (Secured)
	RM'000	RM'000	RM'000
Bank overdraft	372	-	372
Finance lease liabilities	1,331	963	2,294
Term loans	1,069	2,633	3,702
Total	<u>2,772</u>	<u>3,596</u>	<u>6,368</u>

The Group borrowings are dominated in the following currencies:

	RM'000
Ringgit Malaysia	6,171
US Dollar	197
Total borrowings	<u>6,368</u>

23. Derivatives financial instruments

There were no outstanding derivatives financial instruments entered into by the Group as at the date of this quarterly report.



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24. Material litigation

There was no pending material litigation as at the date of this quarterly report.

25. Dividend

A single tier interim dividend of 2 sen in respect of the financial year ending 31 December 2017 has been declared on 28 August 2017 and paid on 12 October 2017. In the corresponding period, a single tier interim dividend of 1 sen in respect of the financial year ended 31 December 2016 was paid on 10 October 2016.

At the forthcoming Annual General Meeting, a single tier final dividend of 4.5 sen in respect of the financial year ended 31 December 2017 (3.5 sen per share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect the proposed dividend. Such dividend, if approved by the shareholders will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2018.

The total net dividend per share to date for the current financial year is 6.5 sen (2016: 4.5 sen).

26. Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the net profit for the quarter/period by the weighted average number of ordinary shares during the financial quarter/period.

	3 Months Period Ended		12 Months Period Ended	
	31 December		31 December	
	2017	2016	2017	2016
Net profit attributable to shareholders (RM'000)	6,432	14,967	26,042	26,876
Weighted average number of ordinary shares in issue ('000)	166,795	171,313	166,795	171,313
Basic earnings per share (sen)	3.9	8.7	15.6	15.7

Diluted

The Group does not have any convertible shares or financial instruments for the current financial quarter and financial year to-date.

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NOTES TO THE INTERIM FINANCIAL REPORT**27. Retrospective Adjustments And Comparative Figure**

During the financial quarter, the Group made a retrospective adjustment on derecognition on the residual value of the subsidiary in China's property, plant and equipment. Previously, the subsidiary in China measures the residual value of its property, plant and equipment at 10% of its purchase cost.

The effects of the retrospective adjustments are as follows:

	As previously reported RM'000	Adjustment RM'000	As stated RM'000
At 31 December 2015			
Statement of financial position			
Property, plant and equipment	63,514	(3,231)	60,283
Retained earnings	40,191	(3,231)	36,960
At 31 December 2016			
Statement of financial position			
Property, plant and equipment	44,968	(3,467)	41,501
Retained earnings	63,703	(3,467)	60,236
Statement of comprehensive income for the year			
Depreciation	10,888	237	11,125
Profit for the year	27,113	(237)	26,876
Total comprehensive income	24,360	(237)	24,123
Statement of comprehensive income for the quarter			
Depreciation	2,612	237	2,849
Profit for the quarter	15,204	(237)	14,967
Total comprehensive income	13,668	(237)	13,431

DATED THIS 28th DAY OF FEBRUARY, 2018.