



DUFU TECHNOLOGY CORP. BERHAD

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

INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

CONDENSED CONSOLIDATED INCOME STATEMENTS

(The figures have not been audited)

	Individual Quarter (1st Q)		Cumulative Quarter (3 months)	
	Current Period Quarter	Preceding Period Corresponding Quarter	Current Period To Date	Preceding Period Corresponding Period
	31 Mar 2019	31 Mar 2018	31 Mar 2019	31 Mar 2018
	RM'000	RM'000	RM'000	RM'000
Revenue	49,351	52,761	49,351	52,761
Cost of sales	(36,114)	(37,395)	(36,114)	(37,395)
Gross profit	13,237	15,366	13,237	15,366
Other operating income	1,249	755	1,249	755
General and administrative expenses	(8,026)	(8,392)	(8,026)	(8,392)
Profit from operations	6,460	7,729	6,460	7,729
Finance costs	(265)	(98)	(265)	(98)
Share of results of associate, net of tax	(388)	-	(388)	-
Profit before tax	5,807	7,631	5,807	7,631
Income tax expense	(1,761)	(1,868)	(1,761)	(1,868)
Profit net of tax	4,046	5,763	4,046	5,763
Profit attributable to:				
Owners of the parent	4,174	5,763	4,174	5,763
Non-controlling interests	(128)	-	(128)	-
	4,046	5,763	4,046	5,763
Basic/Diluted earnings per ordinary share (sen)	1.7	2.3	1.7	2.3

The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2018.

The accompanying notes are an integral part of this statement.



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(Company No. 581612 A)
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INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(The figures have not been audited)

	Individual Quarter (1st Q)		Cumulative Quarter (3 months)	
	Current Period Quarter	Preceding Period Corresponding Quarter	Current Period To Date	Preceding Period Corresponding Period
	31 Mar 2019	31 Mar 2018	31 Mar 2019	31 Mar 2018
	RM'000	RM'000	RM'000	RM'000
Profit net of tax	4,046	5,763	4,046	5,763
Other comprehensive income:				
<i>Other comprehensive income to be reclassified to profit or loss in subsequent period:</i>				
Foreign currency translation	(127)	(1,385)	(127)	(1,385)
Total comprehensive income for the period	3,919	4,378	3,919	4,378
Total comprehensive income attributable to:				
Owners of the parent	4,047	4,378	4,047	4,378
Non-controlling interests	(128)	-	(128)	-
	3,919	4,378	3,919	4,378

The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 December 2018.

The accompanying notes are an integral part of this statement.



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INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

NOTES TO CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(The figures have not been audited)

	Individual Quarter (1st Q)		Cumulative Quarter (3 months)	
	Current Period Quarter	Preceding Period Corresponding Quarter	Current Period To Date	Preceding Period Corresponding Period
	31 Mar 2019	31 Mar 2018	31 Mar 2019	31 Mar 2018
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Profit before taxation is arrived at after charging/(crediting) :				
(a) Interest expense	265	98	265	98
(b) Interest income	(149)	(103)	(149)	(103)
(c) Depreciation and amortisation	2,390	2,319	2,390	2,319
(d) (Reversal of) or expected credit losses for receivables	-	-	-	-
(e) Provision for and write off of inventories	-	-	-	-
(f) (Gain) or loss on disposal of quoted or unquoted investments or properties	(69)	-	(69)	-
(g) Property, plant and equipment written off	-	-	-	-
(h) Realised foreign exchange (gain)/ loss	673	1,579	673	1,579
(i) Unrealised foreign exchange (gain)/ loss	177	442	177	442
(j) Reversal of inventories written down	-	-	-	-

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 2018.

The accompanying notes are an integral part of this statement.

**UFU TECHNOLOGY CORP. BERHAD**

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INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	(Unaudited)	(Audited)
	As at 31 Mar 2019	As at 31 Dec 2018
	<u>RM'000</u>	<u>RM'000</u>
ASSETS		
NON-CURRENT ASSETS		
PROPERTY, PLANT AND EQUIPMENT	57,142	45,304
LAND USE RIGHTS	7,405	7,370
INVESTMENT PROPERTIES	8,909	9,090
INVESTMENT IN ASSOCIATE	3,395	3,783
INVESTMENT IN CLUB MEMBERSHIP, AT COST	77	79
DEFERRED TAX ASSETS	375	375
	<u>77,303</u>	<u>66,001</u>
CURRENT ASSETS		
Inventories	47,396	53,797
Trade and other receivables	54,236	58,881
Other investments	176	176
Cash and bank balances	43,032	41,338
	<u>144,840</u>	<u>154,192</u>
TOTAL ASSETS	<u>222,143</u>	<u>220,193</u>
EQUITY AND LIABILITIES		
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		
SHARE CAPITAL	87,735	87,735
TREASURY SHARES	(9,563)	(9,563)
RESERVES	99,509	95,462
	<u>177,681</u>	<u>173,634</u>
NON- CONTROLLING INTERESTS	718	846
EQUITY FUNDS	<u>178,399</u>	<u>174,480</u>
NON-CURRENT LIABILITIES		
BORROWINGS	11,999	6,707
DEFERRED TAX LIABILITIES	321	321
	<u>12,320</u>	<u>7,028</u>
CURRENT LIABILITIES		
Borrowings	9,739	3,975
Dividend payable	-	-
Trade and other payables	17,766	29,554
Contract liability	771	771
Tax payable	3,148	4,385
	<u>31,424</u>	<u>38,685</u>
TOTAL LIABILITIES	<u>43,744</u>	<u>45,713</u>
TOTAL EQUITY AND LIABILITIES	<u>222,143</u>	<u>220,193</u>
Net Assets per ordinary share (RM)	<u>0.73</u>	<u>0.71</u>

The Condensed Consolidated Statements of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 December 2018.

The accompanying notes are an integral part of this statement.



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INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(The figures have not been audited)

Three Months Ended 31 March 2019

	← Attributable to owners of the Company →					Non-controlling Interests	Total Equity
	Non-distributable		Distributable				
	Share Capital	Treasury Shares	Other Reserves	Retained Earnings	Total		
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2019	87,735	(9,563)	(21,117)	116,579	173,634	846	174,480
Total comprehensive income for the period:							
Profit for the period	-	-	-	4,174	4,174	(128)	4,046
Other comprehensive income for the period	-	-	(127)	-	(127)	-	(127)
	-	-	(127)	4,174	4,047	(128)	3,919
Transactions with owners:							
Purchase of treasury shares	-	-	-	-	-	-	-
Incorporation of new subsidiary	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-
Total transactions with owners:	-	-	-	-	-	-	-
At 31 March 2019	87,735	(9,563)	(21,244)	120,753	177,681	718	178,399

Three Months Ended 31 March 2018

	← Attributable to owners of the Company →					Non-controlling Interests	Total Equity
	Non-distributable		Distributable				
	Share Capital	Treasury Shares	Other Reserves	Retained Earnings	Total		
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 31 December 2017							
As previously reported	87,735	(5,353)	(19,499)	78,845	141,728	-	141,728
Effects of MFRS 15	-	-	-	(2,706)	(2,706)	-	(2,706)
Restated at 1 January 2018	87,735	(5,353)	(19,499)	76,139	139,022	-	139,022
Total comprehensive income for the period:							
Profit for the period	-	-	-	5,763	5,763	-	5,763
Other comprehensive income for the period	-	-	(1,385)	-	(1,385)	-	(1,385)
	-	-	(1,385)	5,763	4,378	-	4,378
Transactions with owners:							
Purchase of treasury shares	-	(2,660)	-	-	(2,660)	-	(2,660)
Dividends	-	-	-	-	-	-	-
Total transactions with owners:	-	(2,660)	-	-	(2,660)	-	(2,660)
At 31 March 2018	87,735	(8,013)	(20,884)	81,902	140,740	-	140,740

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2018.

The accompanying notes are an integral part of this statement.



INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

(The figures have not been audited)

	3 months ended 31 Mar 2019	3 months ended 31 Mar 2018
	RM'000	RM'000
OPERATING ACTIVITIES		
Profit before tax	5,807	7,631
Adjustments for:		
Amortisation of club membership	2	3
Depreciation	2,388	2,316
Expected/ (Reversal of) credit loss for trade and other receivables	-	-
Interest income	(149)	(103)
Interest expense	265	98
Inventories written (back)/down	-	-
Gain on disposal of property, plant and equipment	(69)	-
Plant and equipment written off	-	-
Share of results of associate	388	-
Unrealised loss/ (gain) on foreign exchange	177	442
Impairment loss on club membership	-	-
Total adjustments	3,002	2,756
Operating cash flows before changes in working capital	8,809	10,387
Changes in working capital		
Net change in current assets	10,869	2,960
Net change in current liabilities	(11,787)	(1,810)
Total changes in working capital	(918)	1,150
Cash flows from operations	7,891	11,537
Tax paid	(2,999)	(2,441)
Interest paid	-	(36)
Interest income	-	45
Net cash flow generated from operating activities	4,892	9,105
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(14,216)	(3,369)
Investment in club membership	-	-
Investment in other investments	-	-
Interest received	149	58
Proceeds from disposal of plant and equipment	69	-
Net cash used in investing activities	(13,998)	(3,311)
FINANCING ACTIVITIES		
Repayment of term loans	(406)	(264)
Repayment of finance lease liabilities	(153)	(413)
Dividends paid to shareholders	-	-
Purchase of treasury shares	-	(2,661)
Interest paid	(265)	(62)
Net proceeds from incorporation of new subsidiary	-	-
Drawdown of term loans and borrowings	11,615	-
Net cash generated/ (used in) financing activities	10,791	(3,400)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,685	2,394
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	41,338	37,604
Effects of exchange rate changes	9	(1,861)
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	43,032	38,137
Cash and cash equivalents in the condensed consolidated statements of cash flow comprise:		
Cash on hand and at banks	35,768	22,255
Bank overdraft	-	-
Deposits with licensed banks:		
Fixed deposit	7,264	15,882
Short term placements	-	-
	43,032	38,137
	-	-
	-	-

The Condensed Consolidated Statements of Cash Flow should be read in conjunction with the Annual Financial Report for the year ended 31 December 2018.

The accompanying notes are an integral part of this statement.



INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

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	-	-

The Condensed Consolidated Statements of Cash Flow should be read in conjunction with the Annual Financial Report for the year ended 31 December 2018.

The accompanying notes are an integral part of this statement.



**INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

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 2018. 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 2018.

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 2018 except for the adoption of the following new MFRSs and Interpretations, and amendments to certain MFRSs and Interpretations with effect from 1 January 2019:

- Amendments to MFRS 119: Employee Benefits (Plan Amendment, Curtailment or Settlement)
- Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures
- Amendments to MFRS 9: Prepayment Features with Negative Compensation
- MFRS 16: Leases
- IC Interpretation 23: Uncertainty Over Income Tax Treatments
- Annual Improvements to MFRS Standards 2015-2017 Cycle

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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**INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

NOTES TO THE INTERIM FINANCIAL REPORT

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
MFRS 17: Insurance Contracts	1 January 2021
Amendments to References to the Conceptual Framework in MFRS Standards:-	
Amendments to MFRS 2 Share-Based Payment	1 January 2020
Amendments to MFRS 3 Business combinations	1 January 2020
Amendments to MFRS 5 Non-Current Assets Held for sale and Discontinued Operations	1 January 2021
Amendments to MFRS 6 Exploration for and Evaluation of Mineral resources.	1 January 2020
Amendments to MFRS 7 Financial Instruments: Disclosures	1 January 2021
Amendments to MFRS 14 Regulatory Deferral Accounts	1 January 2020
Amendments to MFRS 15 Revenue from Contracts with Customers	1 January 2021
Amendments to MFRS 101 Presentation of Financial Statements	1 January 2020
Amendments to MFRS 107 Statements of Cash Flows	1 January 2021
Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
Amendments to MFRS 116 Property, Plant and Equipment	1 January 2021
Amendments to MFRS 132 Financial Instruments: Presentation	1 January 2021
Amendments to MFRS 134 Interim Financial Reporting	1 January 2020
Amendments to MFRS 136 Impairment of Assets	1 January 2021
Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingents assets	1 January 2020
Amendments to MFRS 138 Intangible Assets	1 January 2020
Amendments to MFRS 140 Investment Property	1 January 2021
Amendments to IC Interpretation 12 Service Concession Arrangements	1 January 2020
Amendments to IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2020
Amendments to IC Interpretation 22 Foreign Currency Transaction and Advance Consideration	1 January 2020
Amendments to IC 132 Intangible Assets-Web Site costs	1 January 2020

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.



**INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

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 2018 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.

6. Unusual items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group for the current quarter and financial period.

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.



**INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

NOTES TO THE INTERIM FINANCIAL REPORT

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.

As at 31 March 2019, the total number of issued shares of the Company is 263,205,367 Ordinary Shares (“Shares”), inclusive of 19,100,850 Shares held as treasury shares. Hence, the number of outstanding Shares in issue is 244,104,517 Shares. Shares purchased were stated at cost.

9. Dividend paid

There were no dividends paid during the financial period ended 31 March 2019.

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 March 2019 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 period to date.

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

As at 31 March 2019, the Group has no material contingent liabilities save for corporate guarantee of RM79 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,



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**INTERIM FINANCIAL REPORT
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NOTES TO THE INTERIM FINANCIAL REPORT

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

Segment information for the period ended 31 March 2019 are as follows:

	Malaysia RM'000	Singapore RM'000	China RM'000	Eliminations RM'000	Total RM'000
Revenue	42,936	35,369	10,498	(39,452)	49,351
EBDITA *	8,184	(804)	1,470	(388)	8,462
Depreciation	(1,838)	(27)	(525)	-	(2,390)
Profit from operation	6,346	(831)	945	(388)	6,072
Finance costs	(263)	(2)	-	-	(265)
PBT **	6,083	(833)	945	(388)	5,807

As at 31 March 2019

Total assets	249,664	51,838	48,413	(127,772)	222,143
Total liabilities	65,964	30,644	5,090	(57,954)	43,744

Segment information for the period ended 31 March 2018 are as follows:

	Malaysia RM'000	Singapore RM'000	China RM'000	Eliminations RM'000	Total RM'000
Revenue	47,568	39,690	12,672	(47,169)	52,761
EBDITA *	9,120	(351)	1,623	(344)	10,048
Depreciation	(1,596)	(22)	(701)	-	(2,319)
Profit from operation	7,524	(373)	922	(344)	7,729
Finance costs	(96)	(2)	-	-	(98)
PBT **	7,428	(375)	922	(344)	7,631

As at 31 March 2018

Total assets	205,177	54,529	41,819	(126,844)	174,681
Total liabilities	63,684	37,796	5,642	(75,887)	31,235

* EBDITA – Earnings/(Loss) Before Depreciation, Interest expenses, Tax and Amortisation

** PBT - Profit/(Loss) Before Tax



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**INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

NOTES TO THE INTERIM FINANCIAL REPORT

**PART B: EXPLANATORY NOTES PURSUANT TO BURSA MALAYSIA LISTING
REQUIREMENTS: CHAPTER 9, APPENDIX 9B, PART A**

16. Review of performance

- i) Comparison between current year quarter with corresponding quarter:

Current Year Quarter – 31 March 2019

	Malaysia RM'000	Singapore RM'000	China RM'000	Eliminations RM'000	Total RM'000
Revenue	42,936	35,369	10,498	(39,452)	49,351
EBDITA *	8,184	(804)	1,470	(388)	8,462
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PBT **	6,083	(833)	945	(388)	5,807

Preceding Year Quarter – 31 March 2018

	Malaysia RM'000	Singapore RM'000	China RM'000	Eliminations RM'000	Total RM'000
Revenue	47,568	39,690	12,672	(47,169)	52,761
EBDITA *	9,120	(351)	1,623	(344)	10,048
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Profit from operation	7,524	(373)	922	(344)	7,729
Finance costs	(96)	(2)	-	-	(98)
PBT **	7,428	(375)	922	(344)	7,631

* EBDITA – Earnings/(Loss) Before Depreciation, Interest expenses, Tax and Amortisation

** PBT – Profit/(Loss) Before Tax

Group

Group revenue for the quarter ended 31 March 2019 was RM49.4 million compared with RM52.8 million for the quarter ended 31 March 2018, a decrease of 6.5%. The decrease in revenue was mainly due to the decrease in volume loading by customers related to Hard Disk Drives (“HDD”) components. The Group’s Profit Before Taxation for the quarter ended 31 March 2019 decreased to RM5.8 million from RM7.6 million registered in the previous financial quarter ended 31 March 2018. The decrease in profit before taxation was mainly due to



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the decreased in revenue and lower production output which has resulted in higher absorption fixed overhead costs.

17. Comparison with immediate preceding quarter's results

	Individual quarter ended		Variance	
	31.03.2019	31.12.2018		
	RM'000	RM'000	RM'000	%
Revenue	49,351	63,104	(13,753)	(21.8)
Profit before tax	5,807	18,425	(12,618)	(68.5)

Revenue for the quarter ended 31 March 2019 decreased by RM13.8 million or 21.8% while profit before taxation decreased by RM12.6 million or 68.5% for the current quarter as compared to the preceding quarter. The decrease in profit before taxation was mainly due to the decreased in revenue, unfavorable foreign exchange rate and lower production output which has resulted in higher absorption fixed overhead costs in the current financial quarter as compared to the preceding quarter.

18. Prospects

As indicated by our guidance in the last quarterly financial report ended 31 December 2018, we foresee a slowdown in the HDD business environment in the first half of 2019. Nevertheless, we should be seeing an improved volume loading by customers in the second half of 2019. Overall, we are still confident in the HDD longer-term outlook.

In terms of top-line growth, revenue will be driven by the demand from the Hard Disk Drive ("HDD") makers. The demand for HDDs will be in capacity storage for datacenters and other enterprise applications, driven by desire for cloud storage. The amount of data generated and stored daily by industries and large organizations is growing fast in line with the changing trends that are impacting businesses such as machine learning, artificial intelligence, internet of things, large video surveillance 'smart city' initiatives, software-defined and object storage.

In terms of bottom line, the Group will continue to improve its operational efficiency and keep a tight rein on costs to ensure price competitiveness on its products. In non-HDD segment, 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 related business segments that can synergize with the Group's current business model.

With this in place and considering the rising demand based on the current market trend and assuming that there is no volatility in the USD currency against Ringgit, the Group expects its earnings and growth to be satisfactory in the coming quarters.



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19. Variance of actual profit from profit forecast

Not applicable.

20. Taxation

	Current Quarter 3 months ended 31 Mar 2019 RM'000	Year-to-date 3 months ended 31 Mar 2019 RM'000
Income tax		
Current year	1,761	1,761
Prior year	-	-
	<u>1,761</u>	<u>1,761</u>
Deferred tax		
Current year	(857)	(857)
Prior year	857	857
	<u>1,761</u>	<u>1,761</u>

21. Status on corporate proposals

There were no significant corporate proposals for the current financial period to date.

22. Group borrowings

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

	Short-term (Unsecured) RM'000	Short-term (Secured) RM'000	Long-term (Secured) RM'000	Total borrowing (Secured) RM'000
Finance lease liabilities	-	562	240	802
Term loans	-	1,829	11,759	13,588
Bankers' acceptances	7,348	-	-	7,348
Total	<u>7,348</u>	<u>2,391</u>	<u>11,999</u>	<u>21,738</u>

The Group borrowings are dominated in the following currencies:

	RM'000
Ringgit Malaysia	21,621
US Dollar	117
Total borrowings	<u>21,738</u>



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23. Derivatives financial instruments

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

24. Material litigation

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

25. Dividend

A final dividend by way of dividend-in-specie on the basis of one (1) distribution of share for every twenty (20) existing shares held in the Company has been approved by the shareholders at the Annual General Meeting held on 7 May 2019. The Company's shares entitlement date is 30 May 2019. The share dividend will be credited into the entitled shareholders account maintained with Bursa Malaysia Depository Sdn Bhd within eight (8) market days from the entitlement date.

The interim report does not reflect this dividend. Such dividend will be accounted for in equity as an appropriation of retained earnings in the quarter ending 30 June 2019.

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 Quarter Ended		3 Months Period Ended	
	31 March		31 March	
	2019	2018	2019	2018
Net profit attributable to shareholders (RM'000)	4,174	5,763	4,174	5,763
Weighted average number of ordinary shares in issue ('000)	244,104	247,680	244,104	247,680
Basic earnings per share (sen)	1.7	2.3	1.7	2.3

Diluted

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

DATED THIS 7th DAY OF MAY, 2019.