



DUFU TECHNOLOGY CORP. BERHAD

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

INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

CONDENSED CONSOLIDATED INCOME STATEMENTS

(The figures have not been audited)

	Individual Quarter (2nd Q)		Cumulative Quarter (6 months)	
	Current Period	Preceding Period	Current Period	Preceding Period
	Quarter	Corresponding	To Date	Corresponding
	30 Jun 2019	Quarter	30 Jun 2019	Period
	30 Jun 2018		30 Jun 2018	
	RM'000	RM'000	RM'000	RM'000
Revenue	53,315	58,691	102,666	111,452
Cost of sales	(34,808)	(40,485)	(70,922)	(77,879)
Gross profit	18,507	18,206	31,744	33,573
Other operating income	2,042	3,340	3,291	3,166
General and administrative expenses	(6,507)	(6,253)	(14,533)	(13,717)
Profit from operations	14,042	15,293	20,502	23,022
Finance costs	(118)	(112)	(383)	(210)
Share of results of associate, net of tax	(428)	-	(816)	-
Profit before tax	13,496	15,181	19,303	22,812
Income tax expense	(3,131)	(3,371)	(4,892)	(5,240)
Profit net of tax	10,365	11,810	14,411	17,572
Profit attributable to:				
Owners of the parent	10,461	11,810	14,635	17,572
Non-controlling interests	(96)	-	(224)	-
	10,365	11,810	14,411	17,572
Basic/Diluted earnings per ordinary share (sen)	4.2	7.2	5.9	10.7

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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INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(The figures have not been audited)

	Individual Quarter (2nd Q)		Cumulative Quarter (6 months)	
	Current Period Quarter	Preceding Period Corresponding Quarter	Current Period To Date	Preceding Period Corresponding Period
	30 Jun 2019	30 Jun 2018	30 Jun 2019	30 Jun 2018
	RM'000	RM'000	RM'000	RM'000
Profit net of tax	10,365	11,810	14,411	17,572
Other comprehensive income:				
<i>Other comprehensive income to be reclassified to profit or loss in subsequent period:</i>				
Foreign currency translation	(1,636)	2,113	(1,763)	728
Total comprehensive income for the period	8,729	13,923	12,648	18,300
Total comprehensive income attributable to:				
Owners of the parent	8,825	13,923	12,872	18,300
Non-controlling interests	(96)	-	(224)	-
	8,729	13,923	12,648	18,300

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

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INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

NOTES TO CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(The figures have not been audited)

	Individual Quarter (2nd Q)		Cumulative Quarter (6 months)	
	Current Period Quarter	Preceding Period Corresponding Quarter	Current Period To Date	Preceding Period Corresponding Period
	30 Jun 2019	30 Jun 2018	30 Jun 2019	30 Jun 2018
	RM'000	RM'000	RM'000	RM'000
Profit before taxation is arrived at after charging/(crediting) :				
(a) Interest expense	118	112	383	210
(b) Interest income	(180)	(185)	(329)	(288)
(c) Depreciation and amortisation	2,736	2,459	5,126	4,778
(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	50	(61)	(19)	(61)
(g) Property, plant and equipment written off	-	-	-	-
(h) Realised foreign exchange (gain)/ loss	(387)	(485)	286	1,094
(i) Unrealised foreign exchange (gain)/ loss	(1,151)	(1,439)	(974)	(997)
(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.

**DUFU TECHNOLOGY CORP. BERHAD**

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INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	(Unaudited)	(Audited)
	As at 30 Jun 2019	As at 31 Dec 2018
	<u>RM'000</u>	<u>RM'000</u>
ASSETS		
NON-CURRENT ASSETS		
PROPERTY, PLANT AND EQUIPMENT	56,956	45,304
LAND USE RIGHTS	7,367	7,370
INVESTMENT PROPERTIES	8,774	9,090
INVESTMENT IN ASSOCIATE	2,967	3,783
INVESTMENT IN CLUB MEMBERSHIP, AT COST	73	79
DEFERRED TAX ASSETS	375	375
	<u>76,512</u>	<u>66,001</u>
CURRENT ASSETS		
Inventories	51,016	53,797
Trade and other receivables	55,566	58,881
Other investments	178	176
Cash and bank balances	51,905	41,338
	158,665	154,192
TOTAL ASSETS	<u>235,177</u>	<u>220,193</u>
EQUITY AND LIABILITIES		
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		
SHARE CAPITAL	87,735	87,735
TREASURY SHARES	(3,453)	(9,563)
RESERVES	102,224	95,462
	186,506	173,634
NON- CONTROLLING INTERESTS	622	846
EQUITY FUNDS	<u>187,128</u>	<u>174,480</u>
NON-CURRENT LIABILITIES		
BORROWINGS	12,771	6,707
DEFERRED TAX LIABILITIES	248	321
	<u>13,019</u>	<u>7,028</u>
CURRENT LIABILITIES		
Borrowings	7,710	3,975
Trade and other payables	22,411	29,554
Contract liability	771	771
Tax payable	4,138	4,385
	<u>35,030</u>	<u>38,685</u>
TOTAL LIABILITIES	<u>48,049</u>	<u>45,713</u>
TOTAL EQUITY AND LIABILITIES	<u>235,177</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 30 JUNE 2019

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(The figures have not been audited)

Six Months Ended 30 June 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	-	-	-	14,635	14,635	(224)	14,411
Other comprehensive income for the period	-	-	(1,763)	-	(1,763)	-	(1,763)
	-	-	(1,763)	14,635	12,872	(224)	12,648
Transactions with owners:							
Purchase of treasury shares	-	-	-	-	-	-	-
Incorporation of new subsidiary	-	-	-	-	-	-	-
Dividends	-	6,110	-	(6,110)	-	-	-
Total transactions with owners:	-	6,110	-	(6,110)	-	-	-
At 30 June 2019	87,735	(3,453)	(22,880)	125,104	186,506	622	187,128

Six Months Ended 30 June 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	-	-	-	17,572	17,572	-	17,572
Other comprehensive income for the period	-	-	728	-	728	-	728
	-	-	728	17,572	18,300	-	18,300
Transactions with owners:							
Purchase of treasury shares	-	(3,911)	-	-	(3,911)	-	(3,911)
Dividends	-	-	-	(7,346)	(7,346)	-	(7,346)
Total transactions with owners:	-	(3,911)	-	(7,346)	(11,257)	-	(11,257)
At 30 June 2018	87,735	(9,264)	(18,771)	86,365	146,065	-	146,065

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.

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(Incorporated in Malaysia)**INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW**

(The figures have not been audited)

	6 months ended	6 months ended
	30 Jun 2019	30 Jun 2018
	RM'000	RM'000
OPERATING ACTIVITIES		
Profit before tax	19,303	22,812
Adjustments for:		
Amortisation of club membership	5	6
Depreciation	5,121	4,772
Expected/ (Reversal of) credit loss for trade and other receivables	-	-
Interest income	(329)	(288)
Interest expense	383	210
Inventories written (back)/down	-	-
Gain on disposal of property, plant and equipment	(19)	(61)
Plant and equipment written off	-	-
Share of results of associate	816	-
Unrealised loss/ (gain) on foreign exchange	(974)	(997)
Impairment loss on club membership	-	-
Total adjustments	5,003	3,642
Operating cash flows before changes in working capital	24,306	26,454
Changes in working capital		
Net change in current assets	5,237	(9,165)
Net change in current liabilities	(5,310)	4,350
Total changes in working capital	(73)	(4,815)
Cash flows from operations	24,233	21,639
Tax paid	(5,212)	(4,016)
Interest paid	-	(76)
Interest income	-	91
Net cash flow generated from operating activities	19,021	17,638
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(17,263)	(7,826)
Interest received	329	197
Proceeds from disposal of plant and equipment	388	91
Net change on other investments	(2)	890
Net cash used in investing activities	(16,548)	(6,648)
FINANCING ACTIVITIES		
Repayment of term loans	(994)	(531)
Proceeds from finance lease liabilities	1,517	-
Repayment of finance lease liabilities	(529)	(759)
Dividends paid to shareholders	(6,110)	(7,346)
Purchase of treasury shares	6,110	(3,911)
Interest paid	(383)	(134)
Drawdown of term loans and borrowings	9,805	-
Net cash generated/ (used in) financing activities	9,416	(12,681)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	11,889	(1,691)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	41,338	35,642
Effects of exchange rate changes	(1,322)	733
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	51,905	34,684
Cash and cash equivalents in the condensed consolidated statements of cash flow comprise:		
Cash on hand and at banks	44,679	19,917
Deposits with licensed banks:		
Fixed deposit	7,226	14,767
	51,905	34,684
	-	-
	-	-

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 30 JUNE 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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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.



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FOR THE FINANCIAL PERIOD ENDED 30 JUNE 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.



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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 30 June 2019, the total number of issued shares of the Company is 263,205,367 Shares (“Shares”), inclusive of 6,896,244 Shares held as treasury shares. Hence, the number of outstanding Shares in issue is 256,309,123 Shares. Shares purchased were stated at cost.

9. Dividend paid

A single tier final dividend for the year ended 31 December 2018 by way of dividend-in-specie on the basis of one (1) distribution of share held as treasury shares for every twenty (20) existing shares held in the Company was credited to shareholders accounts on 12 June 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 30 June 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 30 June 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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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 30 June 2019 are as follows:

	Malaysia RM'000	Singapore RM'000	China RM'000	Eliminations RM'000	Total RM'000
Revenue	87,799	75,878	26,390	(87,401)	102,666
EBDITA *	22,237	(161)	5,902	(3,166)	24,812
Depreciation	(3,775)	(56)	(1,295)	-	(5,126)
Profit from operation	18,462	(217)	4,607	(3,166)	19,686
Finance costs	(378)	(5)	-	-	(383)
PBT **	18,084	(222)	4,607	(3,166)	19,303

As at 30 June 2019

Total assets	267,806	55,090	54,169	(141,888)	235,177
Total liabilities	48,594	35,021	7,987	(43,553)	48,049

Segment information for the period ended 30 June 2018 are as follows:

	Malaysia RM'000	Singapore RM'000	China RM'000	Eliminations RM'000	Total RM'000
Revenue	95,005	84,232	26,202	(93,987)	111,452
EBDITA *	23,575	330	4,332	(437)	27,800
Depreciation	(3,209)	(54)	(1,515)	-	(4,778)
Profit from operation	20,366	276	2,817	(437)	23,022
Finance costs	(205)	(5)	-	-	(210)
PBT **	20,161	271	2,817	(437)	22,812

As at 30 June 2018

Total assets	205,627	59,304	45,276	(122,203)	188,004
Total liabilities	63,081	41,108	7,739	(72,695)	39,233

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

** PBT - Profit/(Loss) Before Tax



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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 – 30 June 2019

	Malaysia RM'000	Singapore RM'000	China RM'000	Eliminations RM'000	Total RM'000
Revenue	44,864	40,509	15,892	(47,950)	53,315
EBDITA *	14,053	643	4,431	(2,777)	16,350
Depreciation	(1,938)	(29)	(769)	-	(2,736)
Profit from operation	12,115	614	3,662	(2,777)	13,614
Finance costs	(116)	(2)	-	-	(118)
PBT **	11,999	612	3,662	(2,777)	13,496

Preceding Year Quarter – 30 June 2018

	Malaysia RM'000	Singapore RM'000	China RM'000	Eliminations RM'000	Total RM'000
Revenue	47,438	44,542	13,529	(46,818)	58,691
EBDITA *	14,454	681	2,710	(93)	17,752
Depreciation	(1,611)	(33)	(815)	-	(2,459)
Profit from operation	12,843	648	1,895	(93)	15,293
Finance costs	(110)	(2)	-	-	(112)
PBT **	12,733	646	1,895	(93)	15,181

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

** PBT – Profit/(Loss) Before Tax

Group

Group revenue for the quarter ended 30 June 2019 was RM53.3 million compared with RM58.7 million for the quarter ended 30 June 2018, a decrease of 9.2%. 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 30 June 2019 decreased to RM13.5 million from RM15.2 million registered in the previous year corresponding financial quarter. The decrease in profit before taxation was mainly due to the



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share of results of associate amounting to RM0.43 million and higher depreciation of approximately RM0.28 million respectively.

ii) Comparison between current period with corresponding period:

Current Period – 30 June 2019

	Malaysia RM'000	Singapore RM'000	China RM'000	Eliminations RM'000	Total RM'000
Revenue	87,799	75,878	26,390	(87,401)	102,666
EBDITA *	22,237	(161)	5,902	(3,166)	24,812
Depreciation	(3,775)	(56)	(1,295)	-	(5,126)
Profit from operation	18,462	(217)	4,607	(3,166)	19,686
Finance costs	(378)	(5)	-	-	(383)
PBT **	18,084	(222)	4,607	(3,166)	19,303

Preceding Period - 30 June 2018

	Malaysia RM'000	Singapore RM'000	China RM'000	Eliminations RM'000	Total RM'000
Revenue	95,005	84,232	26,202	(93,987)	111,452
EBDITA *	23,575	330	4,332	(437)	27,800
Depreciation	(3,209)	(54)	(1,515)	-	(4,778)
Profit from operation	20,366	276	2,817	(437)	23,022
Finance costs	(205)	(5)	-	-	(210)
PBT **	20,161	271	2,817	(437)	22,812

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

** PBT - Profit/(Loss) Before Tax

Group

Group revenue for the period ended 30 June 2019 was RM102.7 million compared with RM111.5 million for the period ended 30 June 2018, a decrease of 7.9%. The decrease in revenue was mainly due to the decrease in demand related to Hard Disk Drives (“HDD”) components. The Group’s profit before taxation for the period ended 30 June 2019 decreased to RM19.3 million from RM22.8 million registered in the previous financial period ended 30 June 2018. The decrease in profit before taxation was mainly due to the decrease in revenue and share of results of associate amounting to RM0.82 million.



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17. Comparison with immediate preceding quarter's results

	Individual quarter ended		Variance	
	30.06.2019	31.03.2019		
	RM'000	RM'000	RM'000	%
Revenue	53,315	49,351	3,964	8.03
Profit before tax	13,496	5,807	7,689	132.41

Revenue for the quarter ended 30 June 2019 increased by RM4.0 million or 8.0% while profit before taxation increased by RM7.7 million or 132.4% for the current quarter as compared to the preceding quarter. The increase in profit before taxation was mainly due to the increased in revenue, favorable foreign exchange rate and higher production output which has resulted in lower absorption fixed overhead costs in the current financial quarter as compared to the preceding quarter.

18. Prospects

As indicated by our guidance in the previous 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 and the emergence of fifth generation mobile communication network (5G) future applications.

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 30 Jun 2019 RM'000	Year-to-date 6 months ended 30 Jun 2019 RM'000
Income tax		
Current year	3,203	4,964
Prior year	-	-
	<hr/>	<hr/>
	3,203	4,964
Deferred tax		
Current year	(72)	(929)
Prior year	-	857
	<hr/>	<hr/>
	3,131	4,892

21. Status on corporate proposals

There were no significant corporate proposals for the current financial period to date except as follows: -

- a) On 7 May 2019, the Company proposed to undertake the proposed establishment of an employees' share option scheme ("ESOS") of up to 10% of the total number of issued shares of the Company (excluding treasury shares, if any) at any point of time during the duration of the scheme for eligible Executive Directors and employees of Dufu and its subsidiary companies.

On the 15 May 2019, the scheme was approved by Bursa Securities and subsequently an Extraordinary General Meeting was held on 12 June 2019 where all the resolutions pertaining to the scheme was approved by the shareholders. The ESOS was implemented effective 17 June 2019 and subsequently on 1 July 2019, the Company announced that a total number of options amounting to 9,032,000 shares with the exercise price of RM1.39 per share were offered to eligible Directors and employees.



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22. Group borrowings

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

	Short-term (Unsecured)	Short-term (Secured)	Long-term (Secured)	Total borrowing (Secured)
	RM'000	RM'000	RM'000	RM'000
Finance lease liabilities	-	679	1,263	1,942
Term loans	-	1,492	11,508	13,000
Bankers' acceptances	5,539	-	-	5,539
Total	<u>5,539</u>	<u>2,171</u>	<u>12,771</u>	<u>20,481</u>

The Group borrowings are dominated in the following currencies:

	RM'000
Ringgit Malaysia	20,380
US Dollar	101
Total borrowings	<u>20,481</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.

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 2019 has been declared on 7 August 2019 and is to be paid on 25 September 2019 to depositors registered in the records of Depositors at the close of business on 30 August 2019. The interim report does not reflect this dividend. Such dividend will be accounted for in equity as appropriation of retained earnings in the quarter ending 30 September 2019. In the corresponding period, a single tier interim dividend of 2.5 sen in respect of the financial year ended 31 December 2018 was paid on 12 October 2018.

A single tier final dividend for the year ended 31 December 2018 by way of dividend-in-specie on the basis of one (1) distribution of share held as treasury shares for every twenty (20)



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existing shares held in the Company was credited to shareholders accounts on 12 June 2019. In the corresponding period, a single tier final dividend of 4.5 sen in respect of the financial year ended 31 December 2017 was paid to the shareholders on 13 June 2018.

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 30 June		6 Months Period Ended 30 June	
	2019	2018	2019	2018
Net profit attributable to shareholders (RM'000)	10,461	11,810	14,635	17,572
Weighted average number of ordinary shares in issue ('000)	248,173	163,698	246,139	164,152
Basic earnings per share (sen)	4.2	7.2	5.90	10.7

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 AUGUST, 2019.