



DUFU TECHNOLOGY CORP. BERHAD

200201013949 (Company No. 581612 A)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020

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 2020	31 Mar 2019	31 Mar 2020	31 Mar 2019
	RM'000	RM'000	RM'000	RM'000
Revenue	62,948	49,351	62,948	49,351
Cost of sales	(42,117)	(36,114)	(42,117)	(36,114)
Gross profit	20,831	13,237	20,831	13,237
Other operating income	6,681	1,249	6,681	1,249
General and administrative expenses	(8,888)	(8,026)	(8,888)	(8,026)
Profit from operations	18,624	6,460	18,624	6,460
Finance costs	(163)	(265)	(163)	(265)
Share of results of associate, net of tax	229	(388)	229	(388)
Profit before tax	18,690	5,807	18,690	5,807
Income tax expense	(4,652)	(1,761)	(4,652)	(1,761)
Profit net of tax	14,038	4,046	14,038	4,046
Profit attributable to:				
Owners of the parent	14,144	4,174	14,144	4,174
Non-controlling interests	(106)	(128)	(106)	(128)
	14,038	4,046	14,038	4,046
Basic earnings per share (sen)	5.5	1.7	5.5	1.7
Diluted earnings per share (sen)	5.5	1.7	5.5	1.7

The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2019.

The accompanying notes are an integral part of this statement.



DUFU TECHNOLOGY CORP. BERHAD

200201013949 (Company No. 581612 A)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020

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 2020	31 Mar 2019	31 Mar 2020	31 Mar 2019
	RM'000	RM'000	RM'000	RM'000
Profit net of tax	14,038	4,046	14,038	4,046
Other comprehensive income:				
<i>Other comprehensive income to be reclassified to profit or loss in subsequent period:</i>				
Foreign currency translation	3,039	(127)	3,039	(127)
Total comprehensive income for the period	17,077	3,919	17,077	3,919
Total comprehensive income attributable to:				
Owners of the parent	17,183	4,047	17,183	4,047
Non-controlling interests	(106)	(128)	(106)	(128)
	17,077	3,919	17,077	3,919

The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 December 2019.

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DUFU TECHNOLOGY CORP. BERHAD

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INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020

NOTES TO CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(The figures have not been audited)

	Individual Quarter (1st Q)		Cumulative Quarter (3 months)	
	Current Period	Preceding Period	Current Period	Preceding Period
	Quarter	Corresponding Quarter	To Date	Corresponding Period
	31 Mar 2020	31 Mar 2019	31 Mar 2020	31 Mar 2019
	<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	163	265	163	265
(b) Interest income	(162)	(149)	(162)	(149)
(c) Depreciation and amortisation	2,937	2,390	2,937	2,390
(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	593	673	593	673
(i) Unrealised foreign exchange (gain)/ loss	(5,471)	177	(5,471)	177
(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 2019.

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**DUFU TECHNOLOGY CORP. BERHAD**200201013949 (Company No. 581612 A)
(Incorporated in Malaysia)**INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020****CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	(Unaudited) As at 31 Mar 2020	(Audited) As at 31 Dec 2019
	<u>RM'000</u>	<u>RM'000</u>
ASSETS		
NON-CURRENT ASSETS		
PROPERTY, PLANT AND EQUIPMENT	42,489	38,378
RIGHT-OF-USE ASSETS	28,093	29,891
INVESTMENT PROPERTIES	8,367	8,541
INVESTMENT IN ASSOCIATE	3,829	3,600
INVESTMENT IN CLUB MEMBERSHIP, AT COST	65	67
DEFERRED TAX ASSETS	1,185	1,176
	<u>84,028</u>	<u>81,653</u>
CURRENT ASSETS		
Inventories	63,456	59,786
Trade and other receivables	78,425	83,534
Current tax assets	33	26
Other investments	181	180
Cash and bank balances	62,045	43,500
	<u>204,140</u>	<u>187,026</u>
TOTAL ASSETS	<u>288,168</u>	<u>268,679</u>
EQUITY AND LIABILITIES		
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		
SHARE CAPITAL	87,735	87,735
TREASURY SHARES	(3,452)	(3,452)
RESERVES	148,116	130,085
	<u>232,399</u>	<u>214,368</u>
NON- CONTROLLING INTERESTS	323	429
EQUITY FUNDS	<u>232,722</u>	<u>214,797</u>
NON-CURRENT LIABILITIES		
LOANS AND BORROWINGS	11,574	11,901
DEFERRED TAX LIABILITIES	1	1
	<u>11,575</u>	<u>11,902</u>
CURRENT LIABILITIES		
Loans and borrowings	10,758	5,619
Trade and other payables	27,436	32,582
Contract liability	547	547
Current tax liabilities	5,130	3,232
	<u>43,871</u>	<u>41,980</u>
TOTAL LIABILITIES	<u>55,446</u>	<u>53,882</u>
TOTAL EQUITY AND LIABILITIES	<u>288,168</u>	<u>268,679</u>
Net Assets per ordinary share (RM)	<u>0.91</u>	<u>0.84</u>

The Condensed Consolidated Statements of Financial Position should be read in conjunction with the Annual Report for the year ended 31 December 2019.

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 31 MARCH 2020

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(The figures have not been audited)

Three Months Ended 31 March 2020

	← Attributable to owners of the Company					→ Non-controlling Interests	Total Equity	
	Share Capital	Treasury Shares	Other Reserves	Share Option Reserve	Retained Earnings			
	RM'000	RM'000	RM'000	RM'000	RM'000			
At 1 January 2020	87,735	(3,452)	(22,207)	2,427	149,865	214,368	429	214,797
Total comprehensive income for the period:								
Profit for the period	-	-	-	-	14,144	14,144	(106)	14,038
Other comprehensive income for the period	-	-	3,039	-	-	3,039	-	3,039
	-	-	3,039	-	14,144	17,183	(106)	17,077
Transactions with owners:								
Purchase of treasury shares	-	-	-	-	-	-	-	-
Incorporation of new subsidiary	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-
Share Options granted/ vested under ESOS	-	-	-	848	-	848	-	848
Total transactions with owners:	-	-	-	848	-	848	-	848
At 31 March 2020	87,735	(3,452)	(19,168)	3,275	164,009	232,399	323	232,722

Three Months Ended 31 March 2019

	← Attributable to owners of the Company					→ Non-controlling Interests	Total Equity	
	Share Capital	Treasury Shares	Other Reserves	Share Option Reserve	Retained Earnings			
	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

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Report for the year ended 31 December 2019.

The accompanying notes are an integral part of this statement.



**INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020**

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

(The figures have not been audited)

	3 months ended 31 Mar 2020	3 months ended 31 Mar 2019
	RM'000	RM'000
OPERATING ACTIVITIES		
Profit before tax	18,690	5,807
Adjustments for:		
Amortisation of club membership	2	2
Depreciation	2,935	2,388
Interest income	(162)	(149)
Interest expense	163	265
Loss/(Gain) on disposal of property, plant and equipment	-	(69)
Share of results of associate	(229)	388
Share option granted under ESOS	848	-
Unrealised loss/ (gain) on foreign exchange	(5,471)	177
Total adjustments	(1,914)	3,002
Operating cash flows before changes in working capital	16,776	8,809
Changes in working capital		
Net change in current assets	130	10,869
Net change in current liabilities	1,632	(11,787)
Total changes in working capital	1,762	(918)
Cash flows from operations	18,538	7,891
Tax paid	(2,754)	(2,999)
Net cash flow generated from operating activities	15,784	4,892
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(4,805)	(14,216)
Interest received	162	149
Proceeds from disposal of plant and equipment	-	69
Net change on other investments	(1)	-
Net cash used in investing activities	(4,644)	(13,998)
FINANCING ACTIVITIES		
Repayment of term loans	(458)	(406)
Repayment of finance lease liabilities	(106)	(153)
Interest paid	(163)	(265)
Net drawdown of term loans and borrowings	5,375	11,615
Net cash generated from financing activities	4,648	10,791
NET INCREASE IN CASH AND CASH EQUIVALENTS	15,788	1,685
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	43,500	41,338
Effects of exchange rate changes	2,757	9
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	62,045	43,032
Cash and cash equivalents in the condensed consolidated statements of cash flow comprise:		
Cash on hand and at banks	54,731	35,768
Deposits with licensed banks:		
Fixed deposit	7,314	7,264
	62,045	43,032

The Condensed Consolidated Statements of Cash Flow should be read in conjunction with the Annual Report for the year ended 31 December 2019.

The accompanying notes are an integral part of this statement.



**INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020**

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 2019. 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 2019.

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 2019 except for the adoption of the following new MFRSs and Interpretations, and amendments to certain MFRSs and Interpretations with effect from 1 January 2020:

Amendments to MFRS 101 Presentation of Financial Statements and MFRS 108: Accounting Policies, Changes in Accounting Estimates and Errors – *Definition of Material*

Amendments to MFRS 3 Business Combinations – *Definition of a Business*

Amendments to MFRS 7 Financial Instruments: Disclosures, MFRS 9 Financial Instruments and MFRS 139: Financial Instruments: Recognition and Measurement – *Interest Rate Benchmark Reform*

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



**INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020**

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
<u>New MFRS</u>		
MFRS 17	Insurance Contracts	1 January 2021
<u>Amendments/Improvements to MFRSs</u>		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2021#
MFRS 3	Business Combinations	1 January 2021#
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2021#
MFRS 7	Financial Instruments: Disclosures	1 January 2021#
MFRS 9	Financial Instruments	1 January 2021#
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2021#
MFRS 101	Presentation of Financial Statements	1 January 2021#
MFRS 107	Statement of Cash Flows	1 January 2021# / 1 January 2022
MFRS 116	Property, Plant and Equipment	1 January 2021#
MFRS 119	Employee Benefits	1 January 2021#
MFRS 128	Investments in Associates and Joint Ventures	Deferred/ 1 January 2021#
MFRS 132	Financial Instruments: Presentation	1 January 2021#
MFRS 136	Impairment of Assets	1 January 2021#
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2021#
MFRS 138	Intangible Assets	1 January 2021#
MFRS 140	Investment Property	1 January 2021#

Amendments as to the consequence of the effective MFRS 17 Insurance Contracts

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.

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 recognized in the financial statements.



**INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020**

NOTES TO THE INTERIM FINANCIAL REPORT

(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 2019 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.

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 2020, 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.



**INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020**

NOTES TO THE INTERIM FINANCIAL REPORT

9. Dividend paid

There was no dividend paid during the financial period ended 31 March 2020.

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 2020 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 2020, 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 year.

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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**INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020**

NOTES TO THE INTERIM FINANCIAL REPORT

Segment information for the year ended 31 March 2020 are as follows:

	Malaysia RM'000	Singapore RM'000	China RM'000	Eliminations RM'000	Total RM'000
Revenue	68,761	52,622	10,092	(68,527)	62,948
EBDITA *	18,936	1,284	1,479	(138)	21,561
Depreciation	(2,489)	(103)	(345)	-	(2,937)
Profit from operation	16,447	1,181	1,134	(138)	18,624
Finance costs	(161)	(2)	-	-	(163)
Share of results of associate	229	-	-	-	229
PBT **	16,515	1,179	1,134	(138)	18,690

As at 31 March 2020

Total assets	316,736	99,685	62,777	(191,030)	288,168
Total liabilities	61,970	73,646	6,895	(87,065)	55,446

Segment information for the year 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)
Share of results of associate	-	-	-	-	-
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

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

** PBT – Profit/(Loss) Before Tax



**INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020**

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 2020

	Malaysia RM'000	Singapore RM'000	China RM'000	Eliminations RM'000	Total RM'000
Revenue	68,761	52,622	10,092	(68,527)	62,948
EBDITA *	18,936	1,284	1,479	(138)	21,561
Depreciation	(2,489)	(103)	(345)	-	(2,937)
Profit					
from operation	16,447	1,181	1,134	(138)	18,624
Finance costs	(161)	(2)	-	-	(163)
Share of results of associate	229	-	-	-	229
PBT **	16,515	1,179	1,134	(138)	18,690

Preceding 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
Depreciation	(1,838)	(27)	(525)	-	(2,390)
Profit					
from operation	6,346	(831)	945	(388)	6,072
Finance costs	(263)	(2)	-	-	(265)
Share of results of associate	-	-	-	-	-
PBT **	6,083	(833)	945	(388)	5,807

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

** PBT - Profit/(Loss) Before Tax



**INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020**

NOTES TO THE INTERIM FINANCIAL REPORT

Group

Group revenue for the quarter ended 31 March 2020 was RM62.9 million compared with RM49.4 million for the quarter ended 31 March 2019, an increase of 27.6%. The increase in revenue was mainly due to the increase in volume loading by customers related to Hard Disk Drives (“HDD”) components. The Group’s Profit Before Taxation for the quarter ended 31 March 2020 increased to RM18.7 million from RM5.8 million registered in the previous year corresponding financial quarter ended 31 March 2019. The increase in profit before taxation was mainly due to higher revenue and unrealized foreign exchange gain due to the strengthening of USD against the Ringgit towards the 31 March 2020 quarter end.

17. Comparison with immediate preceding quarter’s results

	Individual quarter ended		Variance	
	31.03.2020	31.12.2019		
	RM’000	RM’000	RM’000	%
Revenue	62,948	78,824	(15,876)	(20.1)
Profit before tax	18,690	17,629	1,061	6.0

Revenue for the quarter ended 31 March 2020 decreased by RM15.9 million or 20.1% while profit before taxation increased slightly by RM1.1 million or 6.0% for the current quarter as compared to the preceding quarter. Despite the drop in revenue, the increased in profit before taxation was mainly due to the favorable foreign exchange rates pertaining to the strengthening of the USD against Ringgit towards the 31 March 2020 quarter end.

18. Prospects

The most severe and uncertain factor affecting the Group would be the unprecedented coronavirus disease (Covid-19) pandemic which is felt worldwide causing disruption to global supply chains, manpower, businesses and society. The Organisation for Economic Cooperation and Development (OECD) has warned that the global economy will contract this year and a possible recession in sight where manufacturing output has fell and retail sales has collapsed.

Initially our plant in Guangzhou, China was affected by the compulsory shutdown by the Government of China in January 2020. It has since recovered. Thereafter, our plants in Malaysia were shut down on 18 March 2020 due to the Movement Control Order (MCO) implemented by the Government as a preventive measure towards Covid-19 pandemic.



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NOTES TO THE INTERIM FINANCIAL REPORT

Subsequently, Dufu Industries Sdn Bhd (DISB) and Dufusion Sdn Bhd (DFSB) received approval from Ministry of International Trade (MITI) to operate at 50% of their man power capacity on 3 & 17 April 2020 respectively. DISB and DFSB resumed their business operation amidst at lower capacity on 6 & 20 April 2020 respectively namely to meet their customers' existing and new orders.

During the MCO period, albeit with minimal work force, we are working hard to ensure that operations are moving swiftly and productivity is capped to its maximum. We are abiding to the directives of MITI's condition to ensure regular sanitization of premises and employees are adhering to the standard operating procedures which the Group has imposed to prevent contamination of its plants from Covid-19 disease. Obviously, with lower output, labour and overhead costs per unit of volume produced will increase and this will eventually dent our profitability in the coming financial quarter. On 29 April 2020, MITI allowed certain economic sectors to operate without restriction to their operating hours with 100% workforce allowance. As such, the Group were back with full workforce on 30 April 2020.

The eventual impact to the Group's operations will largely be dependent on the scale and length of the pandemic which will ultimately be determined by how the virus spreads and evolves and how fast the Governments worldwide reopen their respective countries, of which this is almost impossible to predict at this juncture.

On top of this, we are concern with a potential supply chain disruption risk which may temporarily impact the demand of our own and customer's product lines. Because of these reasons, we are anticipating a very challenging and volatile business environment. Nevertheless, we remain confident that the Group has enough financial liquidity to weather the storm. Due to the Group's strong footing in the first financial quarter results ended 31 March 2020 and with current orders in hand, we are cautiously optimistic that the Group will still be able to achieve satisfactory results in the financial year ending 2020 despite the above uncertainties.

19. Variance of actual profit from profit forecast

Not applicable.

20. Taxation

	Current Quarter 3 months ended 31 Mar 2020 RM'000	Year-to-date 3 months ended 31 Mar 2020 RM'000
Income tax		
Current year	4,652	4,652
Prior year	-	-
	<hr/> 4,652	<hr/> 4,652
Deferred tax		
Current year	-	-
Prior year	-	-
	<hr/> 4,652	<hr/> 4,652



**INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020**

NOTES TO THE INTERIM FINANCIAL REPORT

21. Status on corporate proposals

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

- a) On 20 January 2020, the Company announced to undertake a proposed bonus issue on the basis of 1 Bonus Share for every 1 existing Dufu Share held on an entitlement date to be determined and announced later (“Entitlement Date”) (“Proposed Bonus Issue”). The Proposed Bonus Issue has been approved By Bursa Securities on 18 March 2020. The Company has yet to decide on the date of its extraordinary general meeting to seek shareholders’ approval for the Proposed Bonus Issue due to the current Covid-19 pandemic.

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	-	425	952	1,377
Term loans	-	1,070	10,622	11,692
Bankers’ acceptances	8,008	-	-	8,008
Revolving term loan	1,255	-	-	1,255
Total	<u>9,263</u>	<u>1,495</u>	<u>11,574</u>	<u>22,332</u>

The Group borrowings are dominated in the following currencies:

	RM’000
Ringgit Malaysia	12,903
US Dollar	9,429
Total borrowings	<u>22,332</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.



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25. Dividend

At the forthcoming Annual General Meeting, a single tier final dividend of 6.0 sen per ordinary share will be proposed for the shareholders' approval. The financial statements for the current financial quarter do not reflect this proposed dividend. Such dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2020 in the month it was approved by the shareholders. In the corresponding period, a single tier final dividend for the financial year ended 31 December 2018 by way of share dividend on the basis of one treasury shares for every twenty existing ordinary shares was declared and subsequently paid on 12 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 31 March		3 Months Period Ended 31 March	
	2020	2019	2020	2019
Net profit attributable to shareholders (RM'000)	14,144	4,174	14,144	4,174
Weighted average number of ordinary shares in issue ('000) for basic earnings per share	256,309	244,104	256,309	244,104
Basic earnings per share (sen)	5.5	1.7	5.5	1.7
Weighted average number of ordinary shares in issue ('000) for diluted earnings per share	257,389	244,104	257,389	244,104
Diluted earnings per share (sen)	5.5	1.7	5.5	1.7

DATED THIS 5th DAY OF MAY, 2020