



DUFU TECHNOLOGY CORP. BERHAD

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

INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

CONDENSED CONSOLIDATED INCOME STATEMENTS

(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 June 2018	30 June 2017	30 June 2018	30 June 2017
	RM'000	RM'000	RM'000	RM'000
Revenue	58,691	40,970	111,452	87,361
Cost of sales	(40,485)	(26,500)	(77,879)	(59,630)
Gross profit	18,206	14,470	33,573	27,731
Other operating income	3,340	189	3,166	413
General and administrative expenses	(6,253)	(5,311)	(13,717)	(10,429)
Profit from operations	15,293	9,348	23,022	17,715
Finance costs	(112)	(125)	(210)	(275)
Profit before tax	15,181	9,223	22,812	17,440
Income tax expense	(3,371)	(2,347)	(5,240)	(4,249)
Profit net of tax	11,810	6,876	17,572	13,191
Profit attributable to:				
Owners of the parent	11,810	6,876	17,572	13,191
Non-controlling interests	-	-	-	-
	11,810	6,876	17,572	13,191
Basic/Diluted earnings per ordinary share (sen)	7.2	4.1	10.7	7.9

The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2017.

The accompanying notes are an integral part of this statement.



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INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

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 June 2018	30 June 2017	30 June 2018	30 June 2017
	RM'000	RM'000	RM'000	RM'000
Profit net of tax	11,810	6,876	17,572	13,191
Other comprehensive income:				
<i>Other comprehensive income to be reclassified to profit or loss in subsequent period:</i>				
Foreign currency translation	2,113	(1,008)	728	(1,472)
Total comprehensive income for the period	13,923	5,868	18,300	11,719
Total comprehensive income attributable to:				
Owners of the parent	13,923	5,868	18,300	11,719
Non-controlling interests	-	-	-	-
	13,923	5,868	18,300	11,719

The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 December 2017.

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INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

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 June 2018	30 June 2017	30 June 2018	30 June 2017
	<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	112	125	210	275
(b) Interest income	(185)	(178)	(288)	(330)
(c) Depreciation and amortisation	2,459	2,349	4,778	4,880
(d) (Reversal)/Impairment loss on receivables	-	46	-	(6)
(e) Provision for and write off of inventories	-	-	-	-
(f) (Gain) or loss on disposal of quoted or unquoted investments or properties	(61)	(412)	(61)	(246)
(g) Property, plant and equipment written off	-	-	-	-
(h) Realised foreign exchange (gain)/ loss	(485)	650	1,094	328
(i) Unrealised foreign exchange (gain)/ loss	(1,439)	427	(997)	1,120
(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 2017.

The accompanying notes are an integral part of this statement.

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INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	(Unaudited) As at 30 June 2018	(Audited) As at 31 Dec 2017
	<u>RM'000</u>	<u>RM'000</u>
ASSETS		
NON-CURRENT ASSETS		
PROPERTY, PLANT AND EQUIPMENT	39,710	36,573
INVESTMENT PROPERTIES	9,365	9,640
OTHER INVESTMENTS	6,144	6,144
INVESTMENT IN CLUB MEMBERSHIP, AT COST	86	93
DEFERRED TAX ASSETS	1,248	1,164
	<u>56,553</u>	<u>53,614</u>
CURRENT ASSETS		
Inventories	36,236	33,549
Trade and other receivables	59,459	51,234
Other investments	1,072	1,962
Cash and bank balances	34,684	36,014
	131,451	122,759
TOTAL ASSETS	<u>188,004</u>	<u>176,373</u>
EQUITY AND LIABILITIES		
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		
SHARE CAPITAL	87,735	87,735
TREASURY SHARES	(9,264)	(5,353)
RESERVES	70,300	59,346
TOTAL EQUITY	<u>148,771</u>	<u>141,728</u>
NON-CURRENT LIABILITIES		
BORROWINGS	2,390	3,596
DEFERRED TAX LIABILITIES	-	15
	<u>2,390</u>	<u>3,611</u>
CURRENT LIABILITIES		
Borrowings	2,315	2,772
Trade and other payables	30,614	25,665
Tax payable	3,914	2,597
	<u>36,843</u>	<u>31,034</u>
TOTAL LIABILITIES	<u>39,233</u>	<u>34,645</u>
TOTAL EQUITY AND LIABILITIES	<u>188,004</u>	<u>176,373</u>
Net Assets per ordinary share (RM)	<u>0.85</u>	<u>0.81</u>

The Condensed Consolidated Statements of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 December 2017.

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INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(The figures have not been audited)

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 1 January 2018	87,735	(5,353)	(19,499)	78,845	141,728	-	141,728
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)	89,071	148,771	-	148,771

Six Months Ended 30 June 2017

	← 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 2017							
As previously stated	87,735	(5,012)	(15,236)	63,703	131,190	-	131,190
Retrospective adjustments	-	-	-	(1,726)	(1,726)	-	(1,726)
As restated	87,735	(5,012)	(15,236)	61,977	129,464	-	129,464
Total comprehensive income for the period:							
Profit for the period	-	-	-	13,191	13,191	-	13,191
Other comprehensive income for the period	-	-	(1,472)	-	(1,472)	-	(1,472)
	-	-	(1,472)	13,191	11,719	-	11,719
Transactions with owners:							
Purchase of treasury shares	-	-	-	-	-	-	-
Dividends	-	-	-	(5,839)	(5,839)	-	(5,839)
Total transactions with owners:	-	-	-	(5,839)	(5,839)	-	(5,839)
At 30 June 2017	87,735	(5,012)	(16,708)	69,329	135,344	-	135,344

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2017.

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**INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW**

(The figures have not been audited)

	6 months ended 30 June 2018	6 months ended 30 June 2017
	<u>RM'000</u>	<u>RM'000</u>
OPERATING ACTIVITIES		
Profit before tax	22,812	17,440
Adjustments for:		
Amortisation of club membership	6	-
Depreciation	4,772	4,880
Interest income	(288)	(330)
Interest expense	210	275
Gain on disposal of property, plant and equipment	(61)	(246)
Reversal of impairment loss on loan and receivables	-	(6)
Unrealised loss/ (gain) on foreign exchange	(997)	1,120
Total adjustments	3,642	5,693
Operating cash flows before changes in working capital	26,454	23,133
Changes in working capital		
Net change in current assets	(9,165)	(5,387)
Net change in current liabilities	4,350	(6,516)
Total changes in working capital	(4,815)	(11,903)
Cash flows from operations	21,639	11,230
Tax paid	(4,016)	(3,418)
Interest paid	(76)	-
Interest income	91	-
Net cash flow generated from operating activities	17,638	7,812
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(7,826)	(639)
Interest received	197	330
Proceeds from disposal of plant and equipment	91	1,201
Net change in other investments	890	(6,144)
Net cash used in investing activities	(6,648)	(5,252)
FINANCING ACTIVITIES		
Repayment of term loans	(531)	(1,386)
Repayment of finance lease liabilities	(759)	(1,098)
Dividends paid to shareholders	(7,346)	(5,839)
Purchase of treasury shares	(3,911)	-
Interest paid	(134)	(275)
Net cash used in financing activities	(12,681)	(8,598)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,691)	(6,038)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	35,642	43,946
Effects of exchange rate changes	733	(2,301)
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	34,684	35,607
Cash and cash equivalents in the condensed consolidated statements of cash flow comprise:		
Cash on hand and at banks	19,917	23,690
Deposits with licensed banks:		
Fixed deposit	14,767	11,917
Short term placements	-	-
	34,684	35,607

The Condensed Consolidated Statements of Cash Flow should be read in conjunction with the Annual Financial Report for the year ended 31 December 2017.

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INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

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 2017. 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 2017.

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 2017 except for the adoption of the following new MFRSs and Interpretations, and amendments to certain MFRSs and Interpretations with effect from 1 January 2018:

- Amendments to MFRS 1: First-Time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2014-2016 Cycle)
- Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions
- Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
- MFRS 9: Financial Instruments
- MFRS 15: Revenue from Contracts with Customers
- Amendments to MFRS 15: Clarifications to MFRS 15 Revenue from Contracts with Customers
- Amendments to MFRS 128: Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)
- Amendments to MFRS 140: Transfers of Investment Property
- IC Interpretation 22: Foreign Currency Transactions and Advance Consideration

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
Amendments to MFRS 119: Employee Benefits (Plan Amendment, Curtailment or Settlement)	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
MFRS 16: Leases	1 January 2019
IC Interpretation 23: Uncertainty Over Income Tax Treatments	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
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 6 Exploration for and Evaluation of Mineral Resources.	1 January 2020
Amendments to MFRS 14 Regulatory Deferral Accounts	1 January 2020
Amendments to MFRS 101 Presentation of Financial Statements	1 January 2020
Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors	
Amendments to MFRS 134 Interim Financial Reporting	1 January 2020
Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingents Assets	1 January 2020
Amendments to MFRS 138 Intangible Assets	1 January 2020



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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.

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 2017 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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INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

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.

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 except for the following:

During the financial period, the Company repurchased 3,492,000 of its issued share capital from the open market for an average price of RM1.12 per share. The repurchased transactions were financed by internally generated funds. The repurchase shares are held as treasury shares in accordance with the requirement of Section 127 of the Companies Act, 2016.

As of 30 June 2018, the total number of issued shares of the Company is 175,470,370 Ordinary Shares (“Shares”), inclusive of 12,428,900 Shares held as treasury shares. Hence, the number of outstanding Ordinary Shares in issue is 163,041,470 Shares. Shares purchased were stated at cost.

9. Dividend paid

A single tier final dividend of 4.5 sen in respect of the financial year ended 31 December 2017 has been approved by the shareholders at the Annual General Meeting held on 22 May 2018 and was paid on 13 June 2018.

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 2018 that have not been reflected in the interim financial statements as at the date of this report.



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NOTES TO THE INTERIM FINANCIAL 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 except as follows:

1. On 14 June 2018, the Group had announced that it had incorporated a 75%-owned subsidiary, Dufu Metal Sdn Bhd by way of subscribing 75 ordinary shares in Dufu Metal Sdn Bhd for a total cash consideration of RM75/-.

The intended principal activity of Dufu Metal Sdn Bhd is to carry on the business as manufacturer of high precision engineering parts, module assembly and metal fabrication parts for semiconductor, electronics, industrial automation industries, etc.

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

As at 30 June 2018, 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 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

Segment information for the period ended 30 June 2017 are as follows:

	Malaysia RM'000	Singapore RM'000	China RM'000	Eliminations RM'000	Total RM'000
Revenue	80,492	65,224	24,160	(82,515)	87,361
EBDITA *	18,228	855	3,486	26	22,595
Depreciation	(3,390)	(46)	(1,444)	-	(4,880)
Profit from operation	14,838	809	2,042	26	17,715
Finance costs	(264)	(5)	(6)	-	(275)
PBT **	14,574	804	2,036	26	17,440

As at 30 June 2017

Total assets	196,282	43,108	44,785	(111,332)	172,843
Total liabilities	64,753	24,733	5,762	(59,475)	35,773

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

** PBT - Profit 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 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

Preceding Year Quarter – 30 June 2017

	Malaysia RM'000	Singapore RM'000	China RM'000	Eliminations RM'000	Total RM'000
Revenue	37,968	29,741	12,651	(39,390)	40,970
EBDITA *	8,990	491	2,309	(93)	11,697
Depreciation	(1,653)	(22)	(674)	-	(2,349)
Profit					
from operation	7,337	469	1,635	(93)	9,348
Finance costs	(155)	(3)	33	-	(125)
PBT **	7,182	466	1,668	(93)	9,223

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

** PBT - Profit/(Loss) Before Tax

Group

Group revenue for the quarter ended 30 June 2018 was RM58.7 million compared with RM41.0 million for the quarter ended 30 June 2017, an increase of 43.3%. The increase in revenue was mainly due to the increase in demand related to Hard Disk Drives (“HDD”) components. The Group’s profit before taxation for the quarter ended 30 June 2018 increased to RM15.2 million from RM9.2 million registered in the previous financial quarter ended 30 June 2017. The increase in profit before taxation was mainly due to the increased in revenue and favorable effect of foreign exchange resulted from the strengthening of United States Dollar (“USD”) against Ringgit (“MYR”) towards end of June 2018.



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ii) Comparison between current period with corresponding period:

Current 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

Preceding Period - 30 June 2017

	Malaysia RM'000	Singapore RM'000	China RM'000	Eliminations RM'000	Total RM'000
Revenue	80,492	65,224	24,160	(82,515)	87,361
EBDITA *	18,228	855	3,486	26	22,595
Depreciation	(3,390)	(46)	(1,444)	-	(4,880)
Profit from operation	14,838	809	2,042	26	17,715
Finance costs	(264)	(5)	(6)	-	(275)
PBT **	14,574	804	2,036	26	17,440

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

** PBT - Profit/(Loss) Before Tax

Group

Group revenue for the period ended 30 June 2018 was RM111.5 million compared with RM87.4 million for the period ended 30 June 2017, an increase of 27.6%. The increase in revenue was mainly due to the increase in demand related to Hard Disk Drives (“HDD”) components. The Group’s profit before taxation for the period ended 30 June 2018 increased to RM22.8 million from RM17.4 million registered in the previous financial period ended 30 June 2017. The increase in profit before taxation was mainly due to the increase in revenue.



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17. Comparison with immediate preceding quarter's results

	Individual quarter ended		Variance	
	30.06.2018	31.03.2018		
	RM'000	RM'000	RM'000	%
Revenue	58,691	52,761	5,930	11.2
Profit before tax	15,181	7,631	7,550	98.9

Revenue for the quarter ended 30 June 2018 increased by RM5.9 million or 11.2% while profit before taxation increased by RM7.6 million or 98.9% for the current quarter as compared to the preceding quarter. The increase in revenue was due to the strong demand in the HDD segment and together with the favorable USD exchange rates against MYR also attributed to the increase in profit before tax.

18. Prospects

We expect sales to continue to remain favorable towards the second half of 2018 as our major products are driven by the growth in high-capacity nearline HDDs as well as stabilization of client storage demand. The long-term future of HDDs will likely rest 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.

Nevertheless, 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 synergize with the Group's current business model. The incorporation of Dufu Metal Sdn Bhd in this quarter is a testament of our effort to synergise our current machine precision and metal fabrication business which will eventually value add to the Group's exposure in the business segment of fabrication and assembly of machinery equipment.

With this in place and considering the continuing stable demand based on the current market trend and assuming that there is no volatility in the USD currency against Ringgit, the Group is optimistic in its earnings and growth in the coming quarters.

19. Variance of actual profit from profit forecast

Not applicable.



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20. Taxation

	Current Quarter 3 months ended 30 June 2018 RM'000	Year-to-date 6 months ended 30 June 2018 RM'000
Income tax		
Current year	3,367	5,319
Prior year	26	26
	<u>3,393</u>	<u>5,345</u>
Deferred tax		
Current year	(22)	(105)
Prior year	-	-
	<u>3,371</u>	<u>5,240</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 (Secured) RM'000	Long-term (Secured) RM'000	Total borrowing (Secured) RM'000
Bank overdraft	-	-	-
Hire purchase	1,210	323	1,533
Term loans	1,105	2,067	3,172
Total	<u>2,315</u>	<u>2,390</u>	<u>4,705</u>

The Group borrowings are dominated in the following currencies:

	RM'000
Ringgit Malaysia	4,542
US Dollar	163
Total borrowings	<u>4,705</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 2.5 sen in respect of the financial year ending 31 December 2018 has been declared on 7 August 2018. However, the entitlement and payment date of the dividend have yet to be finalized at the date of the issuance of this interim financial report. 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 2018. In the corresponding period, a single tier interim dividend of 2 sen in respect of the financial year ended 31 December 2017 was paid on 12 October 2017.

A single tier final dividend of 4.5 sen in respect of the financial year ended 31 December 2017 has been approved by the shareholders at the Annual General Meeting held on 22 May 2018 and was paid on 13 June 2018. In the corresponding period, a single tier final dividend of 3.5 sen in respect of the financial year ended 31 December 2016 was paid to the shareholders on 20 June 2017.

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		6 Months Period Ended	
	30 June		30 June	
	2018	2017	2018	2017
Net profit attributable to shareholders (RM'000)	11,810	6,876	17,572	13,191
Weighted average number of ordinary shares in issue ('000)	163,698	166,818	164,152	166,818
Basic earnings per share (sen)	7.2	4.1	10.7	7.9

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, 2018.