



DUFU TECHNOLOGY CORP. BERHAD

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

INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

CONDENSED CONSOLIDATED INCOME STATEMENTS

(The figures have not been audited)

	Individual Quarter (4th Q)		Cumulative Quarter (12 months)	
	Current Period Quarter	Preceding Period Corresponding Quarter	Current Period To Date	Preceding Period Corresponding Period
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
	RM'000	RM'000	RM'000	RM'000
Revenue	63,104	50,317	241,451	181,212
Cost of sales	(34,956)	(36,517)	(154,522)	(124,963)
Gross profit	<u>28,148</u>	<u>13,800</u>	<u>86,929</u>	<u>56,249</u>
Other operating income	2,644	3,130	7,963	4,393
General and administrative expenses	(10,185)	(9,709)	(27,327)	(27,332)
Profit from operations	<u>20,607</u>	<u>7,221</u>	<u>67,565</u>	<u>33,310</u>
Finance costs	(104)	(111)	(422)	(523)
Share of results of associate, net of tax	(2,078)	-	(2,078)	-
Profit before tax	<u>18,425</u>	<u>7,110</u>	<u>65,065</u>	<u>32,787</u>
Income tax expense	(3,484)	(678)	(13,239)	(6,745)
Profit net of tax	<u>14,941</u>	<u>6,432</u>	<u>51,826</u>	<u>26,042</u>
Profit attributable to:				
Owners of the parent	14,958	6,432	51,855	26,042
Non-controlling interests	(17)	-	(29)	-
	<u>14,941</u>	<u>6,432</u>	<u>51,826</u>	<u>26,042</u>
Basic/Diluted earnings per ordinary share (sen)	<u>6.0</u>	<u>2.5</u>	<u>20.6</u>	<u>10.2</u>

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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(Company No. 581612 A)
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INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(The figures have not been audited)

	Individual Quarter (4th Q)		Cumulative Quarter (12 months)	
	Current Period Quarter	Preceding Period Corresponding Quarter	Current Period To Date	Preceding Period Corresponding Period
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
	RM'000	RM'000	RM'000	RM'000
Profit net of tax	14,941	6,432	51,826	26,042
Other comprehensive income:				
<i>Other comprehensive income to be reclassified to profit or loss in subsequent period:</i>				
Foreign currency translation	(1,731)	(2,486)	(1,618)	(4,263)
Total comprehensive income for the period	13,210	3,946	50,208	21,779
Total comprehensive income attributable to:				
Owners of the parent	13,227	3,946	50,237	21,779
Non-controlling interests	(17)	-	(29)	-
	13,210	3,946	50,208	21,779

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 YEAR ENDED 31 DECEMBER 2018

NOTES TO CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(The figures have not been audited)

	Individual Quarter (4th Q)		Cumulative Quarter (12 months)	
	Current Period Quarter	Preceding Period Corresponding Quarter	Current Period To Date	Preceding Period Corresponding Period
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 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	104	111	422	523
(b) Interest income	(156)	(246)	(630)	(704)
(c) Depreciation and amortisation	684	3,015	7,797	10,184
(d) (Reversal of) or expected credit losses for receivables	(998)	753	(998)	1,045
(e) Provision for and write off of inventories	389	447	389	447
(f) (Gain) or loss on disposal of quoted or unquoted investments or properties	(43)	(293)	(94)	(539)
(g) Property, plant and equipment written off	151	-	151	-
(h) Realised foreign exchange (gain)/ loss	(929)	(198)	(2,048)	410
(i) Unrealised foreign exchange (gain)/ loss	749	603	(235)	1,988
(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.

**UFU TECHNOLOGY CORP. BERHAD**

(Company No. 581612 A)
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INTERIM FINANCIAL REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	(Unaudited)	(Audited)
	As at 31 Dec 2018	As at 31 Dec 2017
	<u>RM'000</u>	<u>RM'000</u>
ASSETS		
NON-CURRENT ASSETS		
PROPERTY, PLANT AND EQUIPMENT	52,674	36,573
INVESTMENT PROPERTIES	9,090	9,640
INVESTMENT IN ASSOCIATE	3,783	6,144
INVESTMENT IN CLUB MEMBERSHIP, AT COST	79	93
DEFERRED TAX ASSETS	375	1,164
	<u>66,001</u>	<u>53,614</u>
CURRENT ASSETS		
Inventories	53,797	33,549
Trade and other receivables	58,881	51,234
Other investments	176	1,962
Cash and bank balances	41,338	36,014
	154,192	122,759
TOTAL ASSETS	<u>220,193</u>	<u>176,373</u>
EQUITY AND LIABILITIES		
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		
SHARE CAPITAL	87,735	87,735
TREASURY SHARES	(9,563)	(5,353)
RESERVES	95,463	59,346
	173,635	141,728
NON- CONTROLLING INTERESTS	846	-
EQUITY FUNDS	<u>174,481</u>	<u>141,728</u>
NON-CURRENT LIABILITIES		
BORROWINGS	6,707	3,596
DEFERRED TAX LIABILITIES	321	15
	<u>7,028</u>	<u>3,611</u>
CURRENT LIABILITIES		
Borrowings	3,975	2,772
Dividend payable	-	-
Trade and other payables	29,553	25,665
Contract liability	771	-
Tax payable	4,385	2,597
	<u>38,684</u>	<u>31,034</u>
TOTAL LIABILITIES	<u>45,712</u>	<u>34,645</u>
TOTAL EQUITY AND LIABILITIES	<u>220,193</u>	<u>176,373</u>
Net Assets per ordinary share (RM)	<u>0.71</u>	<u>0.57</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 YEAR ENDED 31 DECEMBER 2018**

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(The figures have not been audited)

Twelve Months Ended 31 December 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 adoption of MRFS 15	-	-	-	(2,706)	(2,706)	-	(2,706)
Restated as 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	-	-	-	51,855	51,855	(29)	51,826
Other comprehensive income for the period	-	-	(1,618)	-	(1,618)	-	(1,618)
	-	-	(1,618)	51,855	50,237	(29)	50,208
Transactions with owners:							
Purchase of treasury shares	-	(4,210)	-	-	(4,210)	-	(4,210)
Incorporation of new subsidiary	-	-	-	-	-	875	875
Dividends	-	-	-	(11,414)	(11,414)	-	(11,414)
Total transactions with owners:	-	(4,210)	-	(11,414)	(15,624)	875	(14,749)
At 31 December 2018	87,735	(9,563)	(21,117)	116,580	173,635	846	174,481

Twelve Months Ended 31 December 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	87,735	(5,012)	(15,236)	61,978	129,465	-	129,465
Total comprehensive income for the period:							
Profit for the period	-	-	-	26,042	26,042	-	26,042
Other comprehensive income for the period	-	-	(4,263)	-	(4,263)	-	(4,263)
	-	-	(4,263)	26,042	21,779	-	21,779
Transactions with owners:							
Purchase of treasury shares	-	(341)	-	-	(341)	-	(341)
Dividends	-	-	-	(9,175)	(9,175)	-	(9,175)
Total transactions with owners:	-	(341)	-	(9,175)	(9,516)	-	(9,516)
At 31 December 2017	87,735	(5,353)	(19,499)	78,845	141,728	-	141,728

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.

The accompanying notes are an integral part of this statement.



**INTERIM FINANCIAL REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

(The figures have not been audited)

	12 months ended 31 Dec 2018	12 months ended 31 Dec 2017
	RM'000	RM'000
OPERATING ACTIVITIES		
Profit before tax	65,065	32,787
Adjustments for:		
Amortisation of club membership	12	10
Depreciation	7,797	10,184
Expected/ (Reversal of) credit loss for trade and other receivables	(998)	1,046
Interest income	(630)	(704)
Interest expense	422	523
Inventories written (back)/down	389	447
Gain on disposal of property, plant and equipment	(94)	(539)
Plant and equipment written off	151	-
Share of results of associate	2,078	-
Unrealised loss/ (gain) on foreign exchange	(235)	1,988
Impairment loss on club membership	-	19
Total adjustments	8,892	12,974
Operating cash flows before changes in working capital	73,957	45,761
Changes in working capital		
Net change in current assets	(26,932)	(12,279)
Net change in current liabilities	1,871	(1,823)
Total changes in working capital	(25,061)	(14,102)
Cash flows from operations	48,896	31,659
Tax paid	(10,366)	(10,062)
Interest paid	(136)	(126)
Interest income	204	261
Net cash flow generated from operating activities	38,598	21,732
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(23,749)	(5,267)
Investment in club membership	-	(61)
Investment in other investments	1,787	(3,386)
Interest received	426	443
Proceeds from disposal of plant and equipment	94	1,605
Net cash used in investing activities	(21,442)	(6,666)
FINANCING ACTIVITIES		
Repayment of term loans	(1,076)	(2,302)
Repayment of finance lease liabilities	(1,339)	(2,081)
Dividends paid to shareholders	(11,414)	(9,175)
Purchase of treasury shares	(4,210)	(341)
Interest paid	(285)	(397)
Net proceeds from incorporation of new subsidiary	875	-
Drawdown of short terms loan and borrowings	7,100	-
Net cash used in financing activities	(10,349)	(14,296)
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,807	770
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	35,642	39,225
Effects of exchange rate changes	(1,111)	(4,353)
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	41,338	35,642
Cash and cash equivalents in the condensed consolidated statements of cash flow comprise:		
Cash on hand and at banks	32,903	26,384
Bank overdraft	-	(372)
Deposits with licensed banks:		
Fixed deposit	8,435	9,630
Short term placements	-	-
	41,338	35,642

The Condensed Consolidated Statements of Cash Flow 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.



**INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 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 except for those as discussed below:



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FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2018**

NOTES TO THE INTERIM FINANCIAL REPORT

(a) MFRS 15 Revenue from Contracts with Customers

The adoption of MFRS 15 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. Other than the enhanced new disclosures relating to contracts with customers, which the Group has complied with in the current financial year, the adoption of this standard does not have any significant effect on the interim financial statements, except for those as discussed below.

(i) Accounting for rights for refund

When the customer has a right to return the product within a given period, revenue was previously recognised in full and a provision was recorded for the expected return. Under MFRS 15, revenue is accounted for as a variable consideration and adjusted for the expected value of returns and revenue is adjusted for the value of the corresponding goods expected to be returned. Therefore, a contract liability (refund liabilities) for the expected refund to customer and a refund asset relating to the right to return product from the customer (right of return asset) when customer exercises the right of return are recognised. Accordingly, the Group recognised a refund liability and reduction of retained earnings of RM2.57 million as at 1 January 2018, derecognised the previous provision in the financial year and recognised a refund liability of RM0.77 million as at 31 December 2018.

(ii) Accounting for volume rebate

The Group provides volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer.

When the customer is entitled to the volume rebates, revenue was previously recognised in full and a provision was recorded for the expected future rebates. Under MFRS 15, revenue is accounted for as a variable consideration and adjusted for the expected value of rebate to be given and revenue is adjusted for the expected volume rebate. Therefore, a refund liability for the expected future rebates are recognised. Accordingly, the Group recognised the provision in trade receivables and reduction of retained earnings of RM0.13 million as at 1 January 2018. During the financial year, the Group had recognised a reasonable estimate of rebates to the extent that a significant reversal of revenue will not occur.

(iii) Presentation of contract assets and contract liabilities

The Group has changed the presentation of certain amounts in the statements of financial position to reflect the terminology of MFRS 15:

Contract liabilities in relation to expected volume discounts and refunds to customers which were previously presented as provisions.

The effect of adoption of MFRS 15 as at 1 January 2018 is as follows:



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NOTES TO THE INTERIM FINANCIAL REPORT

	Reference	Increase/ (Decrease) RM'000
Asset		
Current asset		
Trade receivables	(ii)	<u>(135)</u>
Equity and liability		
Retained earnings	(i), (ii)	<u>(2,706)</u>
Current liability		
Contract liability	(i)	<u>2,571</u>

The amounts by which each interim financial statement line item is affected as at and for the financial year ended 31 December 2018 as a result of the adoption of MFRS 15 are as follows:

Statements of financial position

	Reference	Reported under		Increase/ (Decrease) RM'000
		MFRS 15 RM'000	MFRS 118/ MFRS 111 RM'000	
Statements of financial position				
Equity and liability				
Retained earnings	(i), (ii)	<u>116,580</u>	<u>117,351</u>	<u>(771)</u>
Current liability				
Contract liability	(i), (ii)	<u>771</u>	<u>-</u>	<u>771</u>

Income statements

For the year	(i), (ii)			
Revenue		241,451	239,516	1,935
Gross profit		86,929	84,994	1,935
Profit from operations		67,565	65,630	1,935
Profit before tax		65,065	63,130	1,935
Profit net of tax		51,826	49,891	1,935
Total comprehensive income for the period		50,208	48,273	1,935



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NOTES TO THE INTERIM FINANCIAL REPORT

For the quarter	(i), (ii)			
Revenue		63,104	61,169	1,935
Gross profit		28,148	26,213	1,935
Profit from operations		20,607	18,672	1,935
Profit before tax		18,425	16,490	1,935
Profit net of tax		14,941	13,006	1,935
Total comprehensive income for the period		13,210	11,275	1,935

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 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



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NOTES TO THE INTERIM FINANCIAL REPORT

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 Contingent 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.

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



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NOTES TO THE INTERIM FINANCIAL REPORT

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.

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 year except as follows:

- (a) The management have re-assessed the classification of the investment in Superior Plating Technology (Thailand) Co. Ltd. ("SPT") during the financial quarter. The management are of the view that the Group is having significant influence over SPT. Therefore, the Group have classified the investment in SPT as investment in associate and share of SPT's financial results in the current quarter and year. The investment in previous quarter/ financial year have been reclassified to align with current quarter/ year presentation.

SPT is incorporated in Thailand and is involved in plating of computer disk-drive related components. SPT is 19.6% owned by the Group.

	FY2018	FY2017
	RM'000	RM'000
Investment in associate		
Unquoted shares at cost	6,144	6,144
Share of post-acquisition reserves*	(2,078)	-
Currency translation differences	(283)	-
	<u>3,783</u>	<u>6,144</u>

*Following the assessment by the management to reclassify SPT as investment in associate, the share of post-acquisition reserves and currency translation differences amounting to RM2.078 million and RM0.283 million has been recognized as share of results of associate, net of tax and foreign currency translation respectively in the current financial quarter/ year.



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NOTES TO THE INTERIM FINANCIAL REPORT

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 year, the Company issued 87,734,997 new ordinary shares by way of bonus issue on the basis of one (1) new ordinary share for every two (2) existing ordinary shares held in the Company on 30 November 2018. The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

The Company repurchased 3,797,000 of its issued share capital for RM4.21 million 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 at 31 December 2018, 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 Ordinary Shares in issue is 244,104,517 Shares. Shares purchased were stated at cost.

9. Dividend paid

A Single Tier Interim Dividend of 2.5 sen in respect of the financial year ending 31 December 2018 was paid on 12 October 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 31 December 2018 that have not been reflected in the interim financial statements as at the date of this report.



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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:-

- a) On 14 June 2018, the Group had announced that it had incorporated a 75%-owned subsidiary, Dufu Metal Sdn Bhd. 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.
- b) On 27 September 2018, the Group had announced that it had incorporated a wholly-owned subsidiary, Guangzhou Futron Precision Industries Co., Ltd in People's Republic of China (PRC). The intended principal activity of Guangzhou Futron Precision Industries Co., Ltd is to engage in metal precision manufacturing and processing parts such as metal components for special equipment for electronics industry, air conditioning compressor accessories, auto parts, etc.

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

As at 31 December 2018, 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, 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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Segment information for the period ended 31 December 2018 are as follows:

	Malaysia RM'000	Singapore RM'000	China RM'000	Eliminations RM'000	Total RM'000
Revenue	213,004	181,806	53,481	(206,840)	241,451
EBDITA *	69,669	4,756	12,009	(11,072)	75,362
Depreciation	(5,878)	(107)	(1,812)	-	(7,797)
Profit from operation	63,791	4,649	10,197	(11,072)	67,565
Finance costs	(413)	(9)	-	-	(422)
Share of results of associate	(2,078)	-	-	-	(2,078)
PBT **	61,300	4,640	10,197	(11,072)	65,065

As at 31 December 2018

Total assets	242,725	55,803	50,771	(129,106)	220,193
Total liabilities	65,849	33,424	8,227	(61,788)	45,712

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

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

As at 31 December 2017

Total assets	210,842	51,207	42,890	(128,566)	176,373
Total liabilities	72,304	33,227	7,066	(77,952)	34,645

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

** PBT - Profit Before Tax



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**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 December 2018

	Malaysia RM'000	Singapore RM'000	China RM'000	Eliminations RM'000	Total RM'000
Revenue	60,607	45,822	12,199	(55,524)	63,104
EBDITA *	26,774	2,409	2,449	(10,341)	21,291
Depreciation	(1,198)	(25)	539	-	(684)
Profit from operation	25,576	2,384	2,988	(10,341)	20,607
Finance costs	(102)	(2)	-	-	(104)
Share of results of associate	(2,078)	-	-	-	(2,078)
PBT **	23,396	2,382	2,988	(10,341)	18,425

Preceding Year Quarter – 31 December 2017

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

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

** PBT - Profit/(Loss) Before Tax

Group

Group revenue for the quarter ended 31 December 2018 was RM63.1 million compared with RM50.3 million for the quarter ended 31 December 2017, an increase of 25.4%. 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 31 December 2018



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increased to RM18.4 million from RM7.1 million registered in the previous financial quarter ended 31 December 2017. The increase in profit before taxation was mainly due to the increased in revenue, economies of scale and favorable product mix.

ii) Comparison between current year with corresponding previous year:

Current Year – 31 December 2018

	Malaysia RM'000	Singapore RM'000	China RM'000	Eliminations RM'000	Total RM'000
Revenue	213,004	181,806	53,481	(206,840)	241,451
EBDITA *	69,669	4,756	12,009	(11,072)	75,362
Depreciation	(5,878)	(107)	(1,812)	-	(7,797)
Profit					
from operation	63,791	4,649	10,197	(11,072)	67,565
Finance costs	(413)	(9)	-	-	(422)
Share of results of associate	(2,078)	-	-	-	(2,078)
PBT **	61,300	4,640	10,197	(11,072)	65,065

Preceding Year - 31 December 2017

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

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

** PBT - Profit/(Loss) Before Tax

Group

Group revenue for the year ended 31 December 2018 was RM241.5 million compared with RM181.2 million for the year ended 31 December 2017, an increase of 33.2%. 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 year ended 31 December 2018 increased to RM65.1 million from RM32.8 million registered in the previous financial year ended 31



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December 2017. The increase in profit before taxation was mainly due to the increased in revenue, economies of scale and favorable product mix.

17. Comparison with immediate preceding quarter's results

	Individual quarter ended		Variance	
	31.12.2018	30.09.2018		
	RM'000	RM'000	RM'000	%
Revenue	63,104	66,895	(3,791)	(5.7)
Profit before tax	18,425	23,829	(5,404)	(22.7)

Revenue for the quarter ended 31 December 2018 decreased by RM3.8 million or 5.7% while profit before taxation decreased by RM5.4 million or 22.7% for the current quarter as compared to the preceding quarter. The decrease in profit before taxation was mainly due to the decreased in revenue and recognition on share of results of associate amounting to RM2.1 million in the current reporting quarter.

18. Prospects

The business environment is going slow in the first quarter of 2019 as the industry storage demand takes a breather following its robust growth in 2018, nonetheless, we are confident in its 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 continuing 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 Dec 2018 RM'000	Year-to-date 12 months ended 31 Dec 2018 RM'000
Income tax		
Current year	2,990	12,692
Prior year	(769)	(540)
	<u>2,221</u>	<u>12,152</u>
Deferred tax		
Current year	519	343
Prior year	744	744
	<u>3,484</u>	<u>13,239</u>

21. Status on corporate proposals

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

- a) On 20 September 2018, the Company announced to undertake a proposed bonus issue of up to 87,735,185 new ordinary shares in Dufu (“Dufu Share(s)”) (“Bonus Share(s)”) on the basis of 1 Bonus Share for every 2 existing Dufu Shares held (“Proposed Bonus Issue”). The Proposed Bonus Issue has been approved By Bursa Securities on 3 October 2018. Subsequent to the approval by Bursa Securities, an Extraordinary Meeting (“EGM”) was held on 9 November 2018 of which the shareholders had voted to approve the Proposed Bonus Issue. On 29 November 2018, the Company issued 87,734,997 new ordinary shares arising from the Proposed Bonus Issue.

The Company had on 30 November 2018 announced that the Bonus Issue has been completed following the listing and quotation of 87,734,997 Bonus Shares on the Main Market of Bursa Securities on 30 November 2018.



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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	-	757	198	955
Term loans	-	1,484	6,509	7,993
Bankers' acceptances	1,734	-	-	1,734
Total	<u>1,734</u>	<u>2,241</u>	<u>6,707</u>	<u>10,682</u>

The Group borrowings are dominated in the following currencies:

	RM'000
Ringgit Malaysia	10,548
US Dollar	134
Total borrowings	<u>10,682</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 2.5 sen in respect of the financial year ending 31 December 2018 has been declared on 7 August 2018 and was paid on 12 October 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.

At the forthcoming Annual General Meeting, a Final Dividend by way of share dividend on the basis of one (1) treasury share for every twenty (20) existing ordinary shares held in the Company will be proposed for the shareholders' approval. Based on the treasury shares book



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cost, the share dividend is equivalent to 2.5 sen per share. The details of the entitlement date for the share dividend will be announced later.

The total cash and share dividend per share to date for the current financial year is 5.0 sen (2017: 6.5 sen).

26. Earnings per share

Basic earnings per share

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

	3 Months Quarter Ended		12 Months Period Ended	
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
Net profit attributable to shareholders (RM'000)	14,958	6,432	51,855	26,042
Weighted average number of ordinary shares in issue ('000)	251,179	254,529	251,180	254,530
Basic earnings per share (sen)	6.0	2.5 [^]	20.6	10.2 [^]

Diluted

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

[^] For comparison purpose, the basic EPS is calculated based on the weighted average number of ordinary shares in issue which has been adjusted for bonus issue retrospectively.

DATED THIS 26th DAY OF FEBRUARY, 2019.