



DUFU TECHNOLOGY CORP. BERHAD

Registration No. 200201013949 (581612-A)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2022

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 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
	RM'000	RM'000	RM'000	RM'000
Revenue	51,195	94,026	304,029	352,737
Cost of sales	(41,744)	(62,851)	(204,990)	(232,682)
Gross profit	9,451	31,175	99,039	120,055
Other operating income	1,373	1,418	21,086	10,005
General and administrative expenses	(8,672)	(10,865)	(36,413)	(37,834)
Profit from operations	2,152	21,728	83,712	92,226
Finance costs	(35)	(86)	(234)	(329)
Share of results of associate, net of tax	(96)	791	1,068	2,072
Profit before tax	2,021	22,433	84,546	93,969
Income tax expense	999	(4,436)	(17,533)	(20,283)
Profit net of tax	3,020	17,997	67,013	73,686
Profit attributable to:				
Owners of the parent	3,020	17,997	67,013	73,686
Non-controlling interests	-	-	-	-
	3,020	17,997	67,013	73,686
Basic earnings per share (sen)	0.6	3.4	12.7	14.0
Diluted earnings per share (sen)	0.6	3.4	12.6	13.9

The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2021.

The accompanying notes are an integral part of this statement.



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Registration No. 200201013949 (581612-A)
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INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2022

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 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
	RM'000	RM'000	RM'000	RM'000
Profit net of tax	3,020	17,997	67,013	73,686
Other comprehensive income:				
<i>Other comprehensive income to be reclassified to profit or loss in subsequent period:</i>				
Foreign currency translation	(3,807)	686	(1,235)	4,858
Total comprehensive income for the period	(787)	18,683	65,778	78,544
Total comprehensive income attributable to:				
Owners of the parent	(787)	18,683	65,778	78,544
Non-controlling interests	-	-	-	-
	(787)	18,683	65,778	78,544

The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 December 2021.

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INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2022

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 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
	RM'000	RM'000	RM'000	RM'000
Profit before taxation is arrived at after charging/(crediting) :				
(a) Interest expense	35	86	234	329
(b) Interest income	(391)	(365)	(690)	(675)
(c) Depreciation and amortisation	2,878	2,742	11,426	10,644
(d) Expected credit losses for receivables	259	92	162	92
(e) Provision for and write off of inventories	3,768	196	3,768	196
(f) Gain on disposal of property, plant and equipment	-	(9)	(117)	(13)
(g) Gain on disposal of of right-of-use assets	-	(59)	-	(59)
(h) Property, plant and equipment written off	-	2	6	2
(i) Realised foreign exchange gain	(6,096)	(130)	(12,430)	(2,721)
(j) Unrealised foreign exchange loss/(gain)	8,596	943	2,098	(109)
(k) Fair value gains on financial instruments	(145)	-	(145)	-

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 2021.

The accompanying notes are an integral part of this statement.

**DUFU TECHNOLOGY CORP. BERHAD**Registration No. 200201013949 (581612-A)
(Incorporated in Malaysia)**INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2022****CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	(Unaudited) As at 31 Dec 2022	(Audited) As at 31 Dec 2021
	RM'000	RM'000
ASSETS		
NON-CURRENT ASSETS		
PROPERTY, PLANT AND EQUIPMENT	120,006	78,454
RIGHT-OF-USE ASSETS	19,614	15,624
INVESTMENT PROPERTIES	-	7,731
INVESTMENT IN ASSOCIATE	8,767	7,755
INVESTMENT IN CLUB MEMBERSHIP, AT COST	42	44
DEFERRED TAX ASSETS	1,027	693
	<u>149,456</u>	<u>110,301</u>
CURRENT ASSETS		
Inventories	95,191	76,578
Trade and other receivables	71,486	113,753
Current tax assets	361	484
Cash and bank balances	107,905	85,010
	<u>274,943</u>	<u>275,825</u>
TOTAL ASSETS	<u>424,399</u>	<u>386,126</u>
EQUITY AND LIABILITIES		
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		
SHARE CAPITAL	106,671	105,256
TREASURY SHARES	(3,452)	(3,452)
RESERVES	237,479	210,277
	<u>340,698</u>	<u>312,081</u>
NON- CONTROLLING INTERESTS	-	-
EQUITY FUNDS	<u>340,698</u>	<u>312,081</u>
NON-CURRENT LIABILITIES		
LOANS AND BORROWINGS	47,208	8,917
DEFERRED TAX LIABILITIES	1,711	1,188
	<u>48,919</u>	<u>10,105</u>
CURRENT LIABILITIES		
Loans and borrowings	9,937	9,134
Trade and other payables	19,406	47,719
Contract liability	1,790	404
Current tax liabilities	3,649	6,683
	<u>34,782</u>	<u>63,940</u>
TOTAL LIABILITIES	<u>83,701</u>	<u>74,045</u>
TOTAL EQUITY AND LIABILITIES	<u>424,399</u>	<u>386,126</u>
Net Assets per ordinary share (RM)	<u>0.64</u>	<u>0.59</u>

The Condensed Consolidated Statements of Financial Position should be read in conjunction with the Annual Report for the year ended 31 December 2021.

The accompanying notes are an integral part of this statement.



**INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2022**

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(The figures have not been audited)

Twelve Months Ended 31 December 2022

	← 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 2022	105,256	(3,452)	(15,340)	2,364	223,253	312,081	-	312,081
Total comprehensive income for the period:								
Profit for the period	-	-	-	-	67,013	67,013	-	67,013
Other comprehensive income for the period	-	-	(1,235)	-	-	(1,235)	-	(1,235)
	-	-	(1,235)	-	67,013	65,778	-	65,778
Transactions with owners:								
Dividends	-	-	-	-	(39,706)	(39,706)	-	(39,706)
Issue of shares pursuant to ESOS	904	-	-	-	-	904	-	904
Transfer from Share Options Reserve	511	-	-	(511)	-	-	-	-
Share Options granted/ vested under ESOS	-	-	-	1,641	-	1,641	-	1,641
Total transactions with owners:	1,415	-	-	1,130	(39,706)	(37,161)	-	(37,161)
At 31 December 2022	106,671	(3,452)	(16,575)	3,494	250,560	340,698	-	340,698

Twelve Months Ended 31 December 2021

	← 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 2021	97,263	(3,452)	(20,198)	2,560	179,660	255,833	-	255,833
Total comprehensive income for the period:								
Profit for the period	-	-	-	-	73,686	73,686	-	73,686
Other comprehensive income for the period	-	-	4,858	-	-	4,858	-	4,858
	-	-	4,858	-	73,686	78,544	-	78,544
Transactions with owners:								
Dividends	-	-	-	-	(30,093)	(30,093)	-	(30,093)
Issue of shares pursuant to ESOS	5,105	-	-	-	-	5,105	-	5,105
Transfer from Share Options Reserve	2,888	-	-	(2,888)	-	-	-	-
Share Options granted/ vested under ESOS	-	-	-	2,692	-	2,692	-	2,692
Acquisition of shares from non-controlling interests	-	-	-	-	-	-	-	-
Total transactions with owners:	7,993	-	-	(196)	(30,093)	(22,296)	-	(22,296)
At 31 December 2021	105,256	(3,452)	(15,340)	2,364	223,253	312,081	-	312,081

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Report for the year ended 31 December 2021.

The accompanying notes are an integral part of this statement.



**INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2022**

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

(The figures have not been audited)

	12 months ended 31 Dec 2022	12 months ended 31 Dec 2021
	RM'000	RM'000
OPERATING ACTIVITIES		
Profit before tax	84,546	93,969
Adjustments for:		
Amortisation of club membership	2	13
Depreciation	11,424	10,631
Fair value gains on financial instruments	(145)	-
Expected/ (Reversal of) credit loss for receivables	162	92
Interest income	(690)	(675)
Interest expense	234	329
Inventories written (back)/down	3,768	196
Gain on disposal of property, plant and equipment	(117)	(13)
Gain on disposal of right-of-use assets	-	(59)
Plant and equipment written off	6	2
Loss in diluted of shares in associate	-	-
Share of results of associate	(1,068)	(2,072)
Share option granted under ESOS	1,641	2,692
Unrealised gain on foreign exchange	2,098	(109)
Total adjustments	17,315	11,027
Operating cash flows before changes in working capital	101,861	104,996
Changes in working capital		
Net change in current assets	18,512	(44,232)
Net change in current liabilities	(26,798)	16,305
Total changes in working capital	(8,286)	(27,927)
Cash flows from operations	93,575	77,069
Tax paid	(20,326)	(18,535)
Net cash flow generated from operating activities	73,249	58,534
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(51,616)	(31,925)
Increase investment in associate	-	(1,449)
Dividend received from associate	153	-
Interest and fund distributions received	835	675
Proceeds from disposal of plant and equipment	150	53
Proceeds from disposal of right-of-use assets	-	198
Net cash used in investing activities	(50,478)	(32,448)
FINANCING ACTIVITIES		
Repayment of term loans	(1,836)	(1,613)
Repayment of finance lease liabilities	(368)	(580)
Dividends paid to shareholders	(39,706)	(30,093)
Proceeds from issuance of shares	904	5,105
Net drawdown of term loan	41,762	767
Interest paid	(234)	(329)
Net (repayment)/ drawdown of short term borrowings	906	1,444
Net cash generated from/(used in) financing activities	1,428	(25,299)
NET INCREASE IN CASH AND CASH EQUIVALENTS CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	24,199	787
Effects of exchange rate changes CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	84,846	79,929
	(1,298)	4,130
	107,747	84,846
Cash and cash equivalents in the condensed consolidated statements of cash flow comprise:		
Cash on hand and at banks	49,966	74,361
Highly liquid investments in money market funds	2,663	8,185
Term deposits	55,118	2,300
	107,747	84,846
Bank balance pledged as security	158	164
Cash and bank balances	107,905	85,010

The Condensed Consolidated Statements of Cash Flow should be read in conjunction with the Annual Report for the year ended 31 December 2021.

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INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2022

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 2021. 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 2021.

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 2021 except for the adoption of the following new MFRSs and Interpretations, and amendments to certain MFRSs and Interpretations with effect from 1 January 2022:

(i) Amendments/Improvements to MFRSs

MFRS 3	Reference to the Conceptual Framework
MFRS 116	Property, Plant and Equipment – Proceeds before Intended Use
MFRS 137	Onerous Contracts – Cost of Fulfilling a Contract

(ii) Annual Improvements to MFRS Standards 2018-2020

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
<u>New MFRS</u>		
MFRS 17	Insurance Contracts	1 January 2023
<u>Amendments/Improvements to MFRSs</u>		
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 128	Investments in Associates and Joint Ventures	Deferred
MFRS 17	Insurance Contracts	1 January 2023
MFRS 17	Initial Application of MFRS17 and MFRS 9 – Comparative Information	1 January 2023
MFRS 101	Classification of Liabilities as Current or Non-current	1 January 2023
MFRS 108	Definition of Accounting Estimates (Amendment to Accounting Policies, Changes in Accounting Estimates and Errors)	1 January 2023
MFRS 101	Disclosure of Accounting Policies (Amendment to Presentation of Financial Statements)	1 January 2023
MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
MFRS 16	Lease Liability in a Sales and Leaseback	1 January 2024
MFRS 101	Non-current Liabilities with Covenants	1 January 2024

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.



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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 2021 was not subject to any audit qualification.

5. Seasonal or cyclical factors

The Group's business operations were not materially affected by any major seasonal or cyclical factors.

6. Unusual items

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

7. Changes in estimates

There were no material changes in estimates of amount reported in prior interim period or financial period that have a material effect in the current year.



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NOTES TO THE INTERIM FINANCIAL REPORT

8. Debt and equity securities

There was no issuance or repayment of debt and equity securities, share buy-backs and share cancellations for the current financial period except for the following:

As at 31 December 2022, a total of 1,300,000 new ordinary shares were issued pursuant to the exercise of the Company's Employees Share Options Scheme ("ESOS"). Details of the issued and paid-up capital of the Company as at 31 December 2022 are as follows:

	No. of shares	RM'000
As at 1 January 2022	542,511,734	105,256
Ordinary Shares issued pursuant to the ESOS		
(i) Cash receipts from exercise of ESOS	1,300,000	904
(ii) Transfer from Share Options Reserve	-	511
As at 31 December 2022	543,811,734*	106,671

*Inclusive of 13,792,488 Ordinary Shares held as treasury shares.

9. Dividend paid

A single tier interim dividend of 2.5 sen per share for the year ending 31 December 2022 was paid on 23 September 2022.

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 and subsequent events at the end of the financial period ended 31 December 2022 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 changes in the composition of the Group for the current financial period to date.

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As at 31 December 2022, the Group has no material contingent liabilities save for corporate guarantee of RM100.8 million issued by the Company in respect of banking facilities granted to the subsidiary companies.

14. Related party transactions

The Board is 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

Segment information for the year ended 31 December 2022 are as follows:

	Malaysia RM'000	Singapore RM'000	China RM'000	Eliminations RM'000	Total RM'000
Revenue	245,784	229,996	54,473	(226,224)	304,029
EBDITA *	120,150	8,113	8,643	(41,768)	95,138
Depreciation	(8,199)	(110)	(3,117)	-	(11,426)
Profit from operation	111,951	8,003	5,526	(41,768)	83,712
Finance costs	(221)	(13)	-	-	(234)
Share of results of associate	1,068	-	-	-	1,068
PBT **	112,798	7,990	5,526	(41,768)	84,546
As at 31 December 2022					
Total assets	425,217	58,398	122,061	(181,277)	424,399
Total liabilities	39,474	30,874	46,789	(33,436)	83,701

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Segment information for the period ended 31 December 2021 are as follows:

	Malaysia RM'000	Singapore RM'000	China RM'000	Eliminations RM'000	Total RM'000
Revenue	310,079	286,370	62,787	(306,499)	352,737
EBDITA *	153,373	6,274	12,306	(69,083)	102,870
Depreciation	(7,747)	(125)	(2,772)	-	(10,644)
Profit from operation	145,626	6,149	9,534	(69,083)	92,226
Finance costs	(328)	(1)	-	-	(329)
Share of results of associate	2,072	-	-	-	2,072
PBT **	147,370	6,148	9,534	(69,083)	93,969
As at 31 December 2021					
Total assets	429,631	110,192	84,601	(238,298)	386,126
Total liabilities	70,550	90,400	12,181	(99,086)	74,045

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

** PBT - Profit/(Loss) Before Tax

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FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2022****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 December 2022

	Malaysia RM'000	Singapore RM'000	China RM'000	Eliminations RM'000	Total RM'000
Revenue	29,876	29,835	7,052	(15,568)	51,195
EBDITA *	12,328	(509)	(513)	(6,276)	5,030
Depreciation	(2,081)	(26)	(771)	-	(2,878)
Profit					
from operation	10,247	(535)	(1,284)	(6,276)	2,152
Finance costs	(32)	(3)	-	-	(35)
Share of results of associate	(96)	-	-	-	(96)
PBT **	10,119	(538)	(1,284)	(6,276)	2,021

Preceding Year Quarter – 31 December 2021

	Malaysia RM'000	Singapore RM'000	China RM'000	Eliminations RM'000	Total RM'000
Revenue	84,782	73,769	19,051	(83,576)	94,026
EBDITA *	63,840	1,255	3,092	(43,717)	24,470
Depreciation	(1,970)	(71)	(701)	-	(2,742)
Profit					
from operation	61,870	1,184	2,391	(43,717)	21,728
Finance costs	(85)	(1)	-	-	(86)
Share of results of associate	791	-	-	-	791
PBT **	62,576	1,183	2,391	(43,717)	22,433

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

** PBT – Profit/(Loss) Before Tax

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Group revenue for the quarter ended 31 December 2022 was RM51.2 million compared with RM94.0 million for the quarter ended 31 December 2021, a decrease of 45.6%. The decrease in revenue was mainly due to the decrease in revenue related to Hard Disk Drives (“HDD”) components.

The Group’s Profit Before Taxation for the quarter ended 31 December 2022 decreased to RM2.0 million from RM22.4 million registered in the previous year corresponding financial quarter ended 31 December 2021. The decrease in profit before taxation was mainly due to the decrease in revenue in HDD components.

i. Comparison between current period with corresponding period:

Current Period – 31 December 2022

	Malaysia RM’000	Singapore RM’000	China RM’000	Eliminations RM’000	Total RM’000
Revenue	245,784	229,996	54,473	(226,224)	304,029
EBDITA *	120,150	8,113	8,643	(41,768)	95,138
Depreciation	(8,199)	(110)	(3,117)	-	(11,426)
Profit					
from operation	111,951	8,003	5,526	(41,768)	83,712
Finance costs	(221)	(13)	-	-	(234)
Share of results of associate	1,068	-	-	-	1,068
PBT **	112,798	7,990	5,526	(41,768)	84,546

Preceding Period - 31 December 2021

	Malaysia RM’000	Singapore RM’000	China RM’000	Eliminations RM’000	Total RM’000
Revenue	310,079	286,370	62,787	(306,499)	352,737
EBDITA *	153,373	6,274	12,306	(69,083)	102,870
Depreciation	(7,747)	(125)	(2,772)	-	(10,644)
Profit					
from operation	145,626	6,149	9,534	(69,083)	92,226
Finance costs	(328)	(1)	-	-	(329)
Share of results of associate	2,072	-	-	-	2,072
PBT **	147,370	6,148	9,534	(69,083)	93,969

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

** PBT - Profit/(Loss) Before Tax



DUFU TECHNOLOGY CORP. BERHAD

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NOTES TO THE INTERIM FINANCIAL REPORT

Group

The Group's revenue for the period ended 31 December 2022 was RM304.0 million compared with RM352.7 million for the period ended 31 December 2021, a decrease of 13.8%. The decrease in revenue was mainly due to inventory correction by customers related to Hard Disk Drives ("HDD") components in the final quarter of this financial year end.

The Group's profit before taxation for the period ended 31 December 2022 decreased to RM84.5 million from RM94.0 million registered in the previous financial period ended 31 December 2021. The decrease in profit before taxation was mainly due to the decrease in revenue.

17. Comparison with immediate preceding quarter's results

	Individual quarter ended		Variance	
	31.12.2022	30.09.2022	RM'000	%
	RM'000	RM'000	RM'000	%
Revenue	51,195	74,720	(23,525)	(31.5)
Profit before tax	2,021	21,175	(19,154)	(90.5)

Revenue for the quarter ended 31 December 2022 decreased by RM23.5 million or 31.5% while profit before taxation decreased by RM19.2 million or 90.5% for the current quarter as compared to the preceding quarter. The decrease in profit before taxation was mainly due to the decrease in revenue and lower production output which has resulted in higher fixed absorption overhead costs in the current financial quarter as compared to the preceding quarter.

18. Prospects

Many uncertainties lie ahead in the financial year 2023. On the demand side, high inflation in both the United States of America ("USA") and Europe is already slowing consumer spending. The slowing consumer spending and persistent inflationary pressures have led to CAPEX reduction by the enterprise and cloud providers has negatively impacted the demand for large-capacity Hard Disk Drives (HDD). On the cost side, materials prices remain elevated. This is especially true on titanium raw materials. In Malaysia, the increase in energy costs arisen from the electricity tariff adjustments through the Imbalance Cost Pass-Through ("ICTP") mechanism will further dent the Group's profitability. On a brighter note, there has been growing optimism over China's reopening since last December although we remain cautious that more virulent Covid-19 variants could emerge as the result from the reopening.



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We expect the demand headwinds which significantly affected Dufu's fourth quarter results in FY2022 due to inventory adjustments to improve in the coming first quarter of 2023. On a longer-term outlook, we expect digital storage devices to grow in tandem with the strong demand from the cloud data center market as data continues to grow relentlessly, with HDD storage devices continue to remain the most economical ways to store large amounts of data.

We are seeing stronger visibility of orders in the first quarter of 2023 as compared to the last quarter of 2022 which should contribute positively towards the Group's earnings. In addition, the Group continues to streamline its business structure, improve on its processes and optimize its operations. Thus, we are cautiously optimistic of the Group's financial performance in the coming first quarter of 2023.

19. Variance of actual profit from profit forecast

Not applicable.

20. Taxation

	Current Quarter 3 months ended 31 December 2022 RM'000	Year-to-date 12 months ended 31 December 2022 RM'000
Income tax		
Current year	(860)	18,098
Prior year	(729)	(729)
	<u>(1,589)</u>	<u>17,369</u>
Deferred tax		
Current year	663	237
Prior year	(73)	(73)
	<u>(999)</u>	<u>17,533</u>

21. Status on corporate proposals

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



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NOTES TO THE INTERIM FINANCIAL REPORT

22. Group borrowings

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

	Short-term (Unsecured) RM'000	Short-term (Secured) RM'000	Long-term (Secured) RM'000	Total borrowings RM'000
Finance lease liabilities	-	395	277	672
Term loans	-	1,604	46,931	48,535
Bankers' acceptances	-	-	-	-
Revolving term loan	7,938	-	-	7,938
Total	7,938	1,999	47,208	57,145

The Group borrowings are dominated in the following currencies:

	RM'000
Ringgit Malaysia	7,710
US Dollar	7,938
RMB	41,197
SGD	300
Total borrowings	57,145

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 2022 was paid on 23 September 2022. In the corresponding period, a single tier interim dividend of 2.0 sen in respect of the financial year ended 31 December 2021 was paid on 24 September 2021.

At the forthcoming Annual General Meeting, a single tier final dividend of 4.0 sen per ordinary share will be proposed for the shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2023. In the corresponding year, a single tier final dividend of 5.0 sen for the financial year ended 31 December 2021 was paid on 16 June 2022.

The total dividend per share to date for the current financial year is 6.5 sen (2021: 7.0 sen).

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**INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2022**

NOTES TO THE INTERIM FINANCIAL REPORT**26. Earnings per share**

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	
	2022	2021	2022	2021
Net profit attributable to shareholders (RM'000)	3,020	17,997	67,013	73,686
Weighted average number of ordinary shares in issue ('000) for basic earnings per share	529,984	528,349	529,494	524,544
Basic earnings per share (sen)	0.6	3.4	12.7	14.0
Weighted average number of ordinary shares in issue ('000) for diluted earnings per share	530,439	530,125	530,291	529,488
Diluted earnings per share (sen)	0.6	3.4	12.6	13.9

DATED THIS 23RD DAY OF FEBRUARY, 2023