



DUFU TECHNOLOGY CORP. BERHAD

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

INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023

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 2023	30 June 2022	30 June 2023	30 June 2022
	RM'000	RM'000	RM'000	RM'000
Revenue	47,653	91,785	121,836	178,114
Cost of sales	(41,514)	(53,558)	(95,490)	(110,467)
Gross profit	6,139	38,227	26,346	67,647
Other operating income	7,677	8,872	9,458	11,883
General and administrative expenses	(7,730)	(9,803)	(15,436)	(18,999)
Profit from operations	6,086	37,296	20,368	60,531
Finance costs	(109)	(50)	(250)	(125)
Share of results of associate, net of tax	(438)	362	(190)	944
Profit before tax	5,539	37,608	19,928	61,350
Income tax expense	(2,220)	(8,349)	(5,727)	(13,775)
Profit net of tax	3,319	29,259	14,201	47,575
Profit attributable to:				
Owners of the parent	3,319	29,259	14,201	47,575
Non-controlling interests	-	-	-	-
	3,319	29,259	14,201	47,575
Basic earnings per share (sen)	0.6	5.5	2.7	9.0
Diluted earnings per share (sen)	0.6	5.5	2.7	9.0

The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2022.

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 30 JUNE 2023

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 2023	30 June 2022	30 June 2023	30 June 2022
	RM'000	RM'000	RM'000	RM'000
Profit net of tax	3,319	29,259	14,201	47,575
Other comprehensive income:				
<i>Other comprehensive income to be reclassified to profit or loss in subsequent period:</i>				
Foreign currency translation	2,318	850	3,231	1,744
Total comprehensive income for the period	5,637	30,109	17,432	49,319
Total comprehensive income attributable to:				
Owners of the parent	5,637	30,109	17,432	49,319
Non-controlling interests	-	-	-	-
	5,637	30,109	17,432	49,319

The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 December 2022.

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INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023

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 2023	30 June 2022	30 June 2023	30 June 2022
	RM'000	RM'000	RM'000	RM'000
Profit before taxation is arrived at after charging/(crediting) :				
(a) Interest expense	109	50	250	125
(b) Interest income	(476)	(62)	(1,048)	(95)
(c) Depreciation and amortisation	2,800	2,867	5,575	5,644
(d) Expected credit losses for receivables	-	(2)	-	(95)
(e) Provision for and write off of inventories	-	-	-	-
(f) Gain on disposal of property, plant and equipment	(82)	-	(82)	-
(g) Gain on disposal of of right-of-use assets	-	-	-	-
(h) Property, plant and equipment written off	1	4	2	5
(i) Realised foreign exchange (gain)/loss	(4,131)	(2,023)	(1,659)	(2,605)
(j) Unrealised foreign exchange (gain)/loss	(2,179)	(4,190)	(4,611)	(4,320)
(k) Fair value gains on financial instruments	(19)	-	(41)	-

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 2022.

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 30 JUNE 2023****CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	(Unaudited) As at 30 June 2023	(Audited) As at 31 Dec 2022
	RM'000	RM'000
ASSETS		
NON-CURRENT ASSETS		
PROPERTY, PLANT AND EQUIPMENT	120,940	120,006
RIGHT-OF-USE ASSETS	19,413	19,614
INVESTMENT IN ASSOCIATE	8,481	8,767
INVESTMENT IN CLUB MEMBERSHIP, AT COST	42	42
DEFERRED TAX ASSETS	1,042	1,027
	<u>149,918</u>	<u>149,456</u>
CURRENT ASSETS		
Inventories	81,074	95,191
Trade and other receivables	90,127	71,486
Current tax assets	651	361
Cash and bank balances	88,024	107,905
	<u>259,876</u>	<u>274,943</u>
TOTAL ASSETS	<u>409,794</u>	<u>424,399</u>
EQUITY AND LIABILITIES		
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		
SHARE CAPITAL	107,013	106,671
TREASURY SHARES	(3,452)	(3,452)
RESERVES	233,574	237,479
	<u>337,135</u>	<u>340,698</u>
NON- CONTROLLING INTERESTS	-	-
EQUITY FUNDS	<u>337,135</u>	<u>340,698</u>
NON-CURRENT LIABILITIES		
LOANS AND BORROWINGS	46,723	47,208
DEFERRED TAX LIABILITIES	2,057	1,711
	<u>48,780</u>	<u>48,919</u>
CURRENT LIABILITIES		
Loans and borrowings	1,638	9,937
Trade and other payables	20,103	19,406
Contract liability	1,215	1,790
Current tax liabilities	923	3,649
	<u>23,879</u>	<u>34,782</u>
TOTAL LIABILITIES	<u>72,659</u>	<u>83,701</u>
TOTAL EQUITY AND LIABILITIES	<u>409,794</u>	<u>424,399</u>
Net Assets per ordinary share (RM)	<u>0.64</u>	<u>0.64</u>

The Condensed Consolidated Statements of Financial Position should be read in conjunction with the Annual Report for the year ended 31 December 2022.

The accompanying notes are an integral part of this statement.



**INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023**

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(The figures have not been audited)

Six Months Ended 30 June 2023

	← 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 2023	106,671	(3,452)	(16,575)	3,494	250,560	340,698	-	340,698
Total comprehensive income for the period:								
Profit for the period	-	-	-	-	14,201	14,201	-	14,201
Other comprehensive income for the period	-	-	3,231	-	-	3,231	-	3,231
	-	-	3,231	-	14,201	17,432	-	17,432
Transactions with owners:								
Dividends	-	-	-	-	(21,213)	(21,213)	-	(21,213)
Issue of shares pursuant to ESOS	218	-	-	-	-	218	-	218
Transfer from Share Options Reserve	124	-	-	(124)	-	-	-	-
Share Options granted/ vested under ESOS	-	-	-	-	-	-	-	-
Total transactions with owners:	342	-	-	(124)	(21,213)	(20,995)	-	(20,995)
At 30 June 2023	107,013	(3,452)	(13,344)	3,370	243,548	337,135	-	337,135

Six Months Ended 30 June 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	-	-	-	-	47,575	47,575	-	47,575
Other comprehensive income for the period	-	-	1,744	-	-	1,744	-	1,744
	-	-	1,744	-	47,575	49,319	-	49,319
Transactions with owners:								
Dividends	-	-	-	-	(26,458)	(26,458)	-	(26,458)
Issue of shares pursuant to ESOS	310	-	-	-	-	310	-	310
Transfer from Share Options Reserve	175	-	-	(175)	-	-	-	-
Share Options granted/ vested under ESOS	-	-	-	1,107	-	1,107	-	1,107
Total transactions with owners:	485	-	-	932	(26,458)	(25,041)	-	(25,041)
At 30 June 2022	105,741	(3,452)	(13,596)	3,296	244,370	336,359	-	336,359

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Report for the year ended 31 December 2022.

The accompanying notes are an integral part of this statement.



**INTERIM FINANCIAL REPORT
 FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023**

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

(The figures have not been audited)

	6 months ended 30 June 2023	6 months ended 30 June 2022
	RM'000	RM'000
OPERATING ACTIVITIES		
Profit before tax	19,928	61,350
Adjustments for:		
Amortisation of club membership	-	2
Depreciation	5,575	5,642
Fair value gains on financial instruments	(41)	-
Expected/ (Reversal of) credit loss for receivables	-	(95)
Interest income	(1,048)	(95)
Interest expense	250	125
Gain on disposal of property, plant and equipment	(82)	-
Plant and equipment written off	2	5
Share of results of associate	190	(944)
Share option granted under ESOS	-	1,107
Unrealised gain on foreign exchange	(4,611)	(4,320)
Total adjustments	235	1,427
Operating cash flows before changes in working capital	20,163	62,777
Changes in working capital		
Net change in current assets	(1,130)	(39,659)
Net change in current liabilities	(49)	(4,195)
Total changes in working capital	(1,179)	(43,854)
Cash flows from operations	18,984	18,923
Tax paid	(8,463)	(8,458)
Net cash flow generated from operating activities	10,521	10,465
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(4,811)	(15,725)
Interest and fund distributions received	1,089	95
Proceeds from disposal of plant and equipment	82	-
Net cash used in investing activities	(3,640)	(15,630)
FINANCING ACTIVITIES		
Repayment of term loans	(1,455)	(975)
Repayment of finance lease liabilities	(193)	(181)
Dividends paid to shareholders	(21,213)	(26,458)
Proceeds from issuance of shares	218	310
Net drawdown of term loan	-	19,393
Changes in bank balance pledged as security	159	-
Interest paid	(250)	(125)
Net repayment of short term borrowings	(7,938)	(846)
Net cash used in financing activities	(30,672)	(8,882)
NET DECREASE IN CASH AND CASH EQUIVALENTS CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	(23,791)	(14,047)
Effects of exchange rate changes	4,068	3,313
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	88,024	74,112
Cash and cash equivalents in the condensed consolidated statements of cash flow comprise:		
Cash on hand and at banks	81,067	64,626
Short-term funds - at fair value	2,305	7,136
Term deposits	4,652	2,350
	88,024	74,112
Bank balance pledged as security	-	164
Cash and bank balances	88,024	74,276

The Condensed Consolidated Statements of Cash Flow should be read in conjunction with the Annual Report for the year ended 31 December 2022.

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INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023

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 2022. 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 2022.

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 2022 except for the adoption of the following new MFRSs and Interpretations, and amendments to certain MFRSs and Interpretations with effect from 1 January 2023:

(i) Amendments/Improvements to MFRSs

MFRS 17	Insurance Contracts
MFRS 17	Initial Application of MFRS17 and MFRS 9 – Comparative Information
MFRS 101	Classification of Liabilities as Current or Non-current
MFRS 108	Definition of Accounting Estimates (Amendment to Accounting Policies, Changes in Accounting Estimates and Errors)
MFRS 101	Disclosure of Accounting Policies (Amendment to Presentation of Financial Statements)
MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
MFRS 112	Income Taxes – International Tax Reform – Pillar Two Model Rules

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>Amendments/Improvements to MFRSs</u>		
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 128	Investments in Associates and Joint Ventures	Deferred
MFRS 16	Lease Liability in a Sales and Leaseback	1 January 2024
MFRS 101	Non-current Liabilities with Covenants	1 January 2024
MFRS 107	Statement of Cash Flows	1 January 2024
MFRS 7	Financial Instruments: Disclosures	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.

(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.



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NOTES TO THE INTERIM FINANCIAL REPORT

4. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 December 2022 was not subject to any audit qualification.

5. Seasonal or cyclical factors

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

6. Unusual items

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

7. Changes in estimates

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

8. Debt and equity securities

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

As at 30 June 2023, a total of 314,000 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 30 June 2023 are as follows:

	No. of shares	RM'000
As at 1 January 2023	543,811,734	106,671
Ordinary Shares issued pursuant to the ESOS		
(i) Cash receipts from exercise of ESOS	314,000	218
(ii) Transfer from Share Options Reserve	-	124
As at 30 June 2023	544,125,734*	107,013

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



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9. Dividend paid

A single tier final dividend of 4 sen per share for the year ended 31 December 2022 was paid on 16 June 2023.

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 30 June 2023 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.

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

As at 30 June 2023, 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

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Segment information for the period ended 30 June 2023 are as follows:

	Malaysia RM'000	Singapore RM'000	China RM'000	Eliminations RM'000	Total RM'000
Revenue	101,881	90,333	20,813	(91,191)	121,836
EBDITA *	45,608	1,302	(906)	(20,061)	25,943
Depreciation	(3,960)	(51)	(1,564)	-	(5,575)
Profit from operation	41,648	1,251	(2,470)	(20,061)	20,368
Finance costs	(244)	(6)	-	-	(250)
Share of results of associate	(190)	-	-	-	(190)
PBT **	41,214	1,245	(2,470)	(20,061)	19,928

As at 30 June 2023

Total assets	407,835	85,460	123,199	(206,700)	409,794
Total liabilities	28,543	55,207	48,744	(59,835)	72,659

Segment information for the period ended 30 June 2022 are as follows:

	Malaysia RM'000	Singapore RM'000	China RM'000	Eliminations RM'000	Total RM'000
Revenue	152,517	145,641	34,427	(154,471)	178,114
EBDITA *	74,574	7,086	6,670	(22,155)	66,175
Depreciation	(4,040)	(57)	(1,547)	-	(5,644)
Profit from operation	70,534	7,029	5,123	(22,155)	60,531
Finance costs	(118)	(7)	-	-	(125)
Share of results of associate	944	-	-	-	944
PBT **	71,360	7,022	5,123	(22,155)	61,350

As at 30 June 2022

Total assets	440,498	123,312	109,425	(244,325)	428,910
Total liabilities	67,437	96,446	32,425	(103,757)	92,551

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

** PBT - Profit/(Loss) Before Tax

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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 2023

	Malaysia RM'000	Singapore RM'000	China RM'000	Eliminations RM'000	Total RM'000
Revenue	32,589	32,218	9,370	(26,524)	47,653
EBDITA *	30,067	386	(1,340)	(20,227)	8,886
Depreciation	(1,981)	(26)	(793)	-	(2,800)
Profit					
from operation	28,086	360	(2,133)	(20,227)	6,086
Finance costs	(106)	(3)	-	-	(109)
Share of results	(438)	-	-	-	(438)
of associate					
PBT **	27,542	357	(2,133)	(20,227)	5,539

Preceding Year Quarter – 30 June 2022

	Malaysia RM'000	Singapore RM'000	China RM'000	Eliminations RM'000	Total RM'000
Revenue	76,110	75,173	18,061	(77,559)	91,785
EBDITA *	51,785	4,707	5,003	(21,332)	40,163
Depreciation	(2,035)	(33)	(799)	-	(2,867)
Profit					
from operation	49,750	4,674	4,204	(21,332)	37,296
Finance costs	(47)	(3)	-	-	(50)
Share of results	362	-	-	-	362
of associate					
PBT **	50,065	4,671	4,204	(21,332)	37,608

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

** PBT – Profit/(Loss) Before Tax

Group

Group revenue for the quarter ended 30 June 2023 was RM47.7 million compared with RM91.8 million for the quarter ended 30 June 2022, a decrease of 48.1%. The decrease in revenue was



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mainly due to the decrease in revenue related to Hard Disk Drives (“HDD”) components and sheet metal fabrication.

The Group’s Profit Before Taxation for the quarter ended 30 June 2023 decreased to RM5.5 million from RM37.6 million registered in the previous year corresponding financial quarter ended 30 June 2022. The decrease in profit before taxation was mainly due to the decrease in revenue, increase in operating costs namely labour, energy and drop in economy of scale in the financial quarter ended 30 June 2023.

- i. Comparison between current period with corresponding period:

Current Period – 30 June 2023

	Malaysia RM’000	Singapore RM’000	China RM’000	Eliminations RM’000	Total RM’000
Revenue	101,881	90,333	20,813	(91,191)	121,836
EBDITA *	45,608	1,302	(906)	(20,061)	25,943
Depreciation	(3,960)	(51)	(1,564)	-	(5,575)
Profit					
from operation	41,648	1,251	(2,470)	(20,061)	20,368
Finance costs	(244)	(6)	-	-	(250)
Share of results of associate	(190)	-	-	-	(190)
PBT **	41,214	1,245	(2,470)	(20,061)	19,928

Preceding Period - 30 June 2022

	Malaysia RM’000	Singapore RM’000	China RM’000	Eliminations RM’000	Total RM’000
Revenue	152,517	145,641	34,427	(154,471)	178,114
EBDITA *	74,574	7,086	6,670	(22,155)	66,175
Depreciation	(4,040)	(57)	(1,547)	-	(5,644)
Profit					
from operation	70,534	7,029	5,123	(22,155)	60,531
Finance costs	(118)	(7)	-	-	(125)
Share of results of associate	944	-	-	-	944
PBT **	71,360	7,022	5,123	(22,155)	61,350

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

** PBT - Profit/(Loss) Before Tax



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Group

The Group's revenue for the period ended 30 June 2023 was RM121.8 million compared with RM178.1 million for the period ended 30 June 2022, a decrease of 31.6%. The decrease in revenue was mainly due to the decrease in revenue related to Hard Disk Drives ("HDD") components and sheet metal fabrication.

The Group's profit before taxation for the period ended 30 June 2023 decreased to RM19.9 million from RM61.4 million registered in the previous financial period ended 30 June 2022. The decrease in profit before taxation was mainly due to the decrease in revenue, increase in operating costs namely labour, energy and drop in economy of scale in the current period.

17. Comparison with immediate preceding quarter's results

	Individual quarter ended		Variance	
	30.06.2023	31.03.2023	RM'000	%
	RM'000	RM'000	RM'000	%
Revenue	47,653	74,183	(26,530)	(35.8)
Profit before tax	5,539	14,389	(8,850)	(61.5)

Revenue for the quarter ended 30 June 2023 decreased by RM26.5 million or 35.8% while profit before taxation decreased by RM8.9 million 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

Economic conditions have deteriorated in recent months. On the demand side, high inflation in both the United States of America ("USA") and Europe has resulted in a slowdown in consumer spending. In China, consumer spending initially surged after the easing of Covid-19 restrictions earlier this year but has now declined due to a bleak economic outlook. This decline in consumer spending, coupled with rising interest rates and persistent inflationary pressures, has led to reduced capital expenditures by enterprises and cloud providers. Consequently, the demand for large-capacity Hard Disk Drives ("HDD") and other semiconductor-related fabrication equipment have been negatively impacted. Additionally, in Malaysia, the Group's profitability will be further affected by the increased energy costs resulting from electricity tariff adjustments through the Imbalance Cost Pass-Through ("ICPT") mechanism.



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18. Prospects (cont'd)

Looking ahead in the long term, we anticipate digital storage devices to grow in sync with the strong demand from the cloud data center market, driven by the relentless growth of data. HDD storage devices are expected to remain the most cost-effective solution for storing large volumes of data. The Group remains committed to streamlining its business structure, enhancing its processes, and optimizing operations.

Considering the ongoing customer inventory correction in the HDD business, we anticipate that the potential of a demand recovery will only commence beginning of 2024. Consequently, we expect the Group's financial performance in the fiscal year 2023 to be considerably lower compared to the previous year, given the reduced demand from customers, challenging operating conditions, and uncertain market circumstances.

19. Variance of actual profit from profit forecast

Not applicable.

20. Taxation

	Current Quarter 3 months ended 30 June 2023 RM'000	Year-to-date 6 months ended 30 June 2023 RM'000
Income tax		
Current year	1,934	5,569
Prior year	(20)	(188)
	1,914	5,381
Deferred tax		
Current year	306	346
Prior year	-	-
	2,220	5,727

21. Status on corporate proposals

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



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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) RM'000	Short-term (Secured) RM'000	Long-term (Secured) RM'000	Total borrowings RM'000
Finance lease liabilities	-	259	236	495
Term loans	-	1,379	46,487	47,866
Bankers' acceptances	-	-	-	-
Revolving term loan	-	-	-	-
Total	-	1,638	46,723	48,361

The Group borrowings are dominated in the following currencies:

	RM'000
Ringgit Malaysia	6,098
US Dollar	-
RMB	41,984
SGD	279
Total borrowings	48,361

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 1.5 sen in respect of the financial year ended 31 December 2023 has been declared on 1 August 2023 and is to be paid on 22 September 2023 to depositors registered in the records of Depositors at the close of business on 30 August 2023. 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 2023. In the corresponding period, a single tier interim dividend of 2.5 sen in respect of the financial year ended 31 December 2022 was paid on 23 September 2022.

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25. Dividend (cont'd)

A single tier final dividend of 4 sen for the year ended 31 December 2022 was paid to shareholders on 16 June 2023. In the corresponding period, a single tier final dividend of 5 sen in respect of the financial year ended 31 December 2021 was paid to the shareholders on 16 June 2022.

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		6 Months Period Ended	
	30 June		30 June	
	2023	2022	2023	2022
Net profit attributable to shareholders (RM'000)	3,319	29,259	14,201	47,575
Weighted average number of ordinary shares in issue ('000) for basic earnings per share	530,333	529,131	530,177	529,031
Basic earnings per share (sen)	0.6	5.5	2.7	9.0
Weighted average number of ordinary shares in issue ('000) for diluted earnings per share	530,431	530,427	530,378	530,403
Diluted earnings per share (sen)	0.6	5.5	2.7	9.0

DATED THIS 1st DAY OF AUGUST, 2023