



DUFU TECHNOLOGY CORP. BERHAD

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

INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 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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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
MFRS 121	The Effects of Changes in Foreign Exchange Rates	1 January 2025

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



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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 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 31 December 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 31 December 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	219
(ii) Transfer from Share Options Reserve	-	123
As at 31 December 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 interim dividend of 1.5 sen per share for the year ending 31 December 2023 was paid on 22 September 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 31 December 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 31 December 2023, the Group has no material contingent liabilities save for corporate guarantee of RM102.1 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 year ended 31 December 2023 are as follows:

	Malaysia RM'000	Singapore RM'000	China RM'000	Eliminations RM'000	Total RM'000
Revenue	192,187	163,235	39,937	(167,548)	227,811
EBDITA *	77,859	2,520	3,162	(38,526)	45,015
Depreciation	(7,767)	(105)	(3,010)	-	(10,882)
Profit/(Loss) from operation	70,092	2,415	152	(38,526)	34,133
Finance costs	(245)	(10)	-	-	(255)
Share of results of associate	(324)	-	-	-	(324)
PBT **	69,523	2,405	152	(38,526)	33,554

As at 31 December 2023

Total assets	421,986	85,523	130,437	(220,572)	417,374
Total liabilities	32,260	55,139	53,567	(64,017)	76,949

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

* 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 – 31 December 2023

	Malaysia RM'000	Singapore RM'000	China RM'000	Eliminations RM'000	Total RM'000
Revenue	43,335	33,971	9,806	(36,372)	50,740
EBDITA *	15,444	307	2,931	(8,012)	10,670
Depreciation	(1,854)	(27)	(657)	-	(2,538)
Profit/ (Loss) from operation	13,590	280	2,274	(8,012)	8,132
Finance costs	5	(2)	-	-	3
Share of results of associate	137	-	-	-	137
PBT **	13,732	278	2,274	(8,012)	8,272

Preceding 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

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

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Group

Group revenue for the quarter ended 31 December 2023 was RM50.7 million compared with RM51.2 million for the quarter ended 31 December 2022, a decrease of 0.9%.

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The Group's Profit Before Taxation for the quarter ended 31 December 2023 increased to RM8.3 million from RM2.0 million registered in the previous year corresponding financial quarter ended 31 December 2022. The increase in profit before taxation was mainly due to the reversal of inventories written down of RM1.7 million in the financial quarter ended 31 December 2023 as compared to RM3.8 million of inventories written down in the financial quarter ended 31 December 2022.

- i. Comparison between current period with corresponding period:

Current Period – 31 December 2023

	Malaysia RM'000	Singapore RM'000	China RM'000	Eliminations RM'000	Total RM'000
Revenue	192,187	163,235	39,937	(167,548)	227,811
EBDITA *	77,859	2,520	3,162	(38,526)	45,015
Depreciation	(7,767)	(105)	(3,010)	-	(10,882)
Profit/ (Loss) from operation	70,092	2,415	152	(38,526)	34,133
Finance costs	(245)	(10)	-	-	(255)
Share of results of associate	(324)	-	-	-	(324)
PBT **	69,523	2,405	152	(38,526)	33,554

Preceding 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

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

** PBT - Profit/(Loss) Before Tax

Group

The Group's revenue for the period ended 31 December 2023 was RM227.8 million compared with RM304.0 million for the period ended 31 December 2022, a decrease of 25.1%. The



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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 31 December 2023 decreased to RM33.6 million from RM84.5 million registered in the previous financial period ended 31 December 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	
	31.12.2023	30.09.2023		
	RM’000	RM’000	RM’000	%
Revenue	50,740	55,235	(4,495)	(8.1)
Profit before tax	8,272	5,354	2,918	54.5

Revenue for the quarter ended 31 December 2023 decreased by RM4.5 million or 8.1% while profit before taxation increased by RM2.9 million for the current quarter as compared to the preceding quarter. Despite the decrease in revenue, the increased in profit before taxation was mainly due to the reversal of inventories written down in the financial quarter ended 31 December 2023.

18. Prospects

Economic conditions have worsened 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 has been negatively impacted. Additionally, in Malaysia, the Group’s profitability was affected by the increased energy costs resulted from electricity tariff adjustments through the Imbalance Cost Pass-Through (“ICPT”) mechanism.

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.



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18. Prospects (cont'd)

Considering the ongoing customer inventory correction in the HDD business, we anticipate that the Group's financial performance in the coming first quarter of 2024 to be in line with the previous quarters.

19. Variance of actual profit from profit forecast

Not applicable.

20. Taxation

	Current Quarter 3 months ended 31 December 2023 RM'000	Year-to-date 12 months ended 31 December 2023 RM'000
Income tax		
Current year	779	7,863
Prior year	2	321
	<hr/>	<hr/>
	781	8,184
Deferred tax		
Current year	978	1,277
Prior year	(255)	(255)
	<hr/>	<hr/>
	1,504	9,206

21. Status on corporate proposals

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

22. Group borrowings

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

	Short-term (Secured) RM'000	Long-term (Secured) RM'000	Total borrowings RM'000
Finance lease liabilities	132	159	291
Term loans	5,040	42,010	47,050
Total	<hr/>	<hr/>	<hr/>
	5,172	42,169	47,341



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22. Group borrowings (cont'd)

The Group borrowings are dominated in the following currencies:

	RM'000
Ringgit Malaysia	5,186
RMB	41,919
SGD	236
Total borrowings	<u>47,341</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 1.5 sen in respect of the financial year ending 31 December 2023 was paid on 22 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.

At the forthcoming Annual General Meeting, a single tier final dividend of 2 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 2024. In the corresponding year, a single tier final dividend of 4 sen for the financial year ended 31 December 2022 was paid to the shareholders on 16 June 2023.

The total dividend per share to date for the current financial year is 3.5 sen (2022: 6.5 sen).

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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	
	2023	2022	2023	2022
Net profit attributable to shareholders (RM'000)	6,768	3,020	24,348	67,013
Weighted average number of ordinary shares in issue ('000) for basic earnings per share	530,333	529,984	530,256	529,494
Basic earnings per share (sen)	1.3	0.6	4.6	12.7
Weighted average number of ordinary shares in issue ('000) for diluted earnings per share	530,616	530,439	530,447	530,291
Diluted earnings per share (sen)	1.3	0.6	4.6	12.6

DATED THIS 27th DAY OF FEBRUARY, 2024